Obama White House Talks 'Recovery'; States and Citizenry in Desperation

by Marcia Merry Baker and Paul Gallagher

Aug. 14—While President Obama and White House figures talk "recovery," states and local governments, as well as the citizenry at large, are plunging into chaos from the economic collapse. One third of the workforce is jobless. Manufacturing is shrinking to the point of disappearing. Farm states are in turmoil, and farmer suicides have shot up. Millions of Americans are dispossessed of their homes and belongings. Tent cities are set up across the country.

Still, on Aug. 11, Larry Summers, director of the President's Council of Economic Advisers, sneeringly reported on the last five months of Administration "progress": "The financial recovery has been manifest.... Almost all professional forecasters are now positive.... What one sees is a substantial return to normality...." He spoke at the National Press Club, to a fawning audience assembled, appropriately enough, by the National Economic Research Bureau, the agency founded in the 1930s by the enemies of Franklin Delano Roosevelt, who acted to subvert FDR's anti-Depression programs.

However, such ironies of history are not necessary to add fuel to the fire behind today's popular uprising against Obama and Congress for their Nazi economics policies, cant, and arrogance. It is manifest at the health-care town meetings, or any other public occasion where Washington figures are burned alive. Today's economic crisis is beyond an episodic Depression; it is a Doomsday breakdown process unless stopped.

Lyndon LaRouche has detailed the policies needed for emergency actions to stop the catastrophe, through principles of bankruptcy reorganization for the nation, a new credit system domestically and internationally, and a rebuilding drive. Beginning in Fall 2007, there was vast support for his Homeowners and Bank Protection Act (HBPA), and even more so today; the same is true for LaRouche's health-care proposals: to end HMOs, build up the medical care delivery system under the Hill-Burton principle, and provide quality care to all.

Most immediately, at an Aug. 1 LaRouche Political Action Committee webcast, LaRouche called for an emergency Federal infusion of $150 billion to the states and localities by September, to maintain stability until an all-out bankruptcy reorganization can be carried out. The following is a review of the parameters of the state breakdown crisis underway that must be halted by emergency mobilization, now, for the LaRouche policies.

Local Government Functions Collapse

Making clear that the states' desperation is not just the product of a short-term "recessionary" revenue drop, as in 2003-04, in FY2009 the Federal government is suffering a plunge in revenues of 18%—projected, with a quarter still to go in the fiscal year, to be at least $350 billion less than Federal revenues in FY2008. *This* level of collapse has only one precedent in U.S. history—the revenue drop from 1931 to 1932, during the Great Depression.

This shows two things. First, it is a profound collapse of the underlying real economy, driving mass unemployment, which is decimating the states' budgets, as it has quadrupled the Federal deficit, "overnight," to the $2 trillion level. Second, it is time for the United States to implement a new credit system, directly creating—not borrowing—new credit for productive programs specific to reviving real economic productivity and growth. This includes the special economic aid to the states that LaRouche, author of the proposed credit system, is demanding.

Only six weeks since many states were able to pass some kind of budget for the new fiscal year beginning July 1, at least 12 of them are already in the red, by an estimated $24 billion overall. Fully 30 states are on course for big FY2010 budget gaps, as revenue contin-

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While the official unemployment rate is given as 9.4%, the true number of jobless in the U.S., is now estimated to be between 30 and 40 million, or about one-third of the workforce. Shown: An unemployment line in California, whose budget meltdown is paradigmatic of the crisis in every state.

ues to collapse. These and other estimates have been put out in new reports from the Center on Budget and Policy Priorities, the Government Accountability Office (GAO), and various state associations. At the rate they are going, the states will rack up a combined budget shortfall of $350 billion over the next two years, according to the Council of State Governments—but that rate, of course, will not stay constant.

In FY2009, the combined states' deficit would have been 40% worse, but for the Federal "stimulus" funds, according to Chris Whatley, deputy executive director of the Council of State Governments. The GAO reports that, as of June 19, some $29 billion was advanced to the states, but, at best, it provided "breathing room," said Whatley, and not a policy.

The situation is illustrated by Alaska, now gasping for breath. On Aug. 10, the state legislature, meeting in emergency session, overturned the veto by former Gov. Sarah Palin, on accepting the Federal "stimulus" offer of $28 million.

For the current year, only half as much Federal "stimulus" funding is expected to be made available. Thus, it's a mockery of the state and local attempts to sustain government function.

Vital local and state government functions of all kinds are being cut back, from sanitation and public health, to police and fire services.

Payless, and Workless Workdays

Many states and local governments are tring to retain a stable workforce, without sufficient funds, by recourse to payless paydays and no-work furloughs.

In Michigan, all state offices closed Aug. 7, for the fourth of six furlough days for 37,000 state workers. There will be two more furlough days before Labor Day.

In Pennsylvania, most of the states' 77,000 workers got their first paychecks, since the start-up of the new fiscal year on July 1, on Friday, Aug. 7 or Monday, Aug. 10; there is still no state budget. A stopgap budget measure was signed the week of Aug. 3, mostly for the purpose of issuing paychecks, but Gov. Ed Rendell and the state Senate and House are at an impasse on concluding a comprehensive agreement. While state workers went five weeks with no pay, they were given the option of taking out interest-free loans at a group of participating banks.

In Philadelphia, up to 3,000 city workers, including 900 policemen, will be laid off, if the state doesn't approve the city's right to increase the sales tax in order to meet its payroll. Philadelphia wants the right to an 8% level (6% is the allowed level in all Pennsylvania cities, except for Pittsburgh's 7%). State approval could be delayed for weeks, at the same time that the ability of Philadelphia residents to *pay* the tax is also sinking.

At least six states have implemented "worker buyouts"—i.e., job terminations—in order to cut costs. Incentives were offered to cut payrolls, by a total of 9,000 workers, in Vermont, Maine, Louisiana, Oklahoma, Connecticut, and New York. Overall, 54,000 state workers have been laid off over the past two years, according to the American Federation of State, County and Municipal Employees.

Cuts in Public Health, Poverty Care

At least 21 states have cut health programs, and many have cut specific safety-net services, from homeless aid, to HIV/AIDS treatment assistance. California is in the lead, where funding for the Children's Health Insurance Program (CHIP) was cut by 44% from its prior budget year. On July 17, enrollment of children was frozen in the CHIP "Healthy Families" program. Within two weeks, there was a waiting list of over 33,000 children appealing for coverage.

Nationally, the Federal stimulus infusion of $87 billion kept the states' Medicaid programs from disintegrating through June, but now killing fields lie ahead with no funding. At least 15 states have announced cuts in their Medicaid programs of all kinds, for the 2010 and 2011 fiscal years.

For example, in eight states, Medicaid care considered "optional" by Federal standards, has been cut: Washington and Colorado are reducing care for the disabled; Nebraska is limiting mental-health care; California, Michigan, and Utah ended adult dental coverage. The list goes on.

The impending Fall wave of A/H1N1 flu adds another mortal dimension to the states' health-care crisis. There is no reserve of physical logistics to handle this, despite all the "preparedness" talk from the Obama Administration, which focusses on Federal-state "collaboration."

Last year alone, states laid off 12,000 public-health workers. There is no reserve of hospital-bed capacity; at best, there are plans to postpone or cancel all other use of hospitals in the name of "preparedness." In the face of the influenza pandemic, California has "an overloaded health-care system" statewide, is how Dr. Mark Horton, California State Health Officer, described it to a July 29 hearing of the House Homeland Security Committee. Horton said that his state succeeded in handling the initial arrival of A/H1N1 this Spring, but was "stretched to the limit." He warned, "There is no way we could have sustained this… I am very concerned about this for the Fall. . . ."

How Bad Is Unemployment?

Driving the total collapse is the rate of disappearance of productive jobs.

The ranks of American unemployed have become truly massive, totalling in real terms well over 30 million, and perhaps 40 million people. This is driving the huge, still-rising foreclosure waves—clearly there were not that many millions of subprime mortgages to foreclose on!—as well as the collapse of government revenues at all levels.

The July U.S. jobs report, far from showing the "improvement" claimed by so many lemming-like pundits running over the cliff after White House economists, was a picture of continuing deep impoverishment and frustration of unemployed Americans. The thoughtless Aug. 9 comment of Congressional Joint Economic Committee (JEC) chairman Rep. Carolyn Maloney (D-N.Y.), that "This [July jobs report] will give peace of mind to millions of unemployed workers out there looking for a job," was a cruel joke that she and her colleagues will regret.

"There are just not that many manufacturing and construction workers left out there to lay off," was how Bureau of Labor Statistics (BLS) chairman Keith Hall characterized the report to the JEC—in particular, its false reporting that jobs in the auto industry had increased! The report, greeted with such boasting by the Obama White House and Congressional Democrats, was full of anomalies and strange "seasonal adjustments." While claiming "only" 247,000 more jobs lost, net, in the U.S. economy in July, its telltale statistic was that another 667,000 Americans gave up looking for employment. Such disappeared members of the labor force, including those who haven't looked for work for over a year and are completely ignored by the BLS, are now nearing 9 million. Some 14.5 million are officially, completely unemployed and 8.8 million forced to work part-time without benefits, so that the average U.S. workweek has fallen to an all-time low of 33.1 hours.

Add up these large, impoverished groups—which have never before been so large a share of the workforce—and one economist, Leo Hindery of the New America Foundation, estimates the real "missing jobs" to be 31 million, and the real unemployment rate to be 19%. Hindery calculates that 13.3 million jobs have disappeared since December 2007, not the "6.5 million jobs lost" claimed by official and media chatter. Economist John Williams of ShadowStats.com estimated real unemployment at 21%, as of July.

Some 18 states had exhausted their unemployment funds by July 1, and have borrowed $12 billion from the Federal Unemployment Trust Fund on an emergency basis in order to keep paying benefits. The Trust Fund, in turn, has borrowed nearly $10 billion from the Treasury, and will need another big borrowing by Sept. 30, as Rep. Elijah Cummings (D-Md.) detailed at the Aug. 9 JEC hearing.

But no economist, government or otherwise, knows the number of those "self-employed workers," freelancers, or owners of very small businesses, who simply are not making any significant income in this collapse. They "are not in any category except misery," as one of Sen. Amy Klobuchar's (D-Minn.) constituents described herself and her husband, in a letter Klobuchar read at the Aug. 9 JEC session.

LaRouche estimates real U.S. joblessness at 30%, with consequences that will blow out the monetary system by the first half of October.

Three Million Homes Taken

Foreclosure filings on Americans' homes are surging ever higher, overwhelming numerous futile "mitigation" programs by the incompetent Obama White House, and Congress, which killed LaRouche's HBPA in 2007-08, when the foreclosure tsunami could have been stopped.

Some 360,000 foreclosure actions in July brought the pace close to an astounding 4.5 million a year, represented a 32% increase over July 2008. And, 87,000 of those foreclosures caused homes to be seized by lenders in July, a 1.1 million-a-year rate of homes lost in that way. This occurred despite large and growing additional numbers of "short sales," in which householders give up their homes, at a very large personal financial loss, in order to avoid formal foreclosure repossession. Three million homes and nearly $2 trillion in household wealth has been lost in the housing debt blowout, just since the beginning of 2007, and one-third of all mortgaged homes are now drowning under more mortgage debt than the home is "worth" on the market.

Farm State Turmoil

The crisis in family-farm agriculture is so extreme that, in August, governors have begun sending personal appeals to the White House. In the most capital- and skill-intensive sectors of farming, especially milk and pork, the price the farmer receives for his product, is far below his costs of production (40% below for milk; and 30% for hogs), and has been so for an extended period of time—a year for milk, and two years for hogs. Dairy farmers are getting barely $10 per 100 pounds for their raw milk, when, at minimum, it costs them $18 to produce it (with no profit). They have deferred payments, borrowed heavily, gone under, or "walked away." The suicide rate has shot up among dairy farmers. By the end of this year, 20% of U.S. milk farms may be gone, and at least that, or more, hog farms ruined.

On Aug. 7, governors from nine hog-producing states (Iowa, North Carolina, Illinois, Nebraska, Wisconsin, Michigan, Kentucky, Colorado, and Oklahoma) sent a joint letter to President Obama, calling for rescue measures: "Today the pork industry is facing an economic crisis that is catastrophic in nature." Iowa Gov. Chet Culver and the governors of the other eight states held a conference call with reporters the same day, stressing points of their letter. "As leaders of our states we understand the U.S. pork industry provides about 550,200 jobs in various aspects of the industry, ranging from producers to input, suppliers to processors and handlers."

On Aug. 11, Kentucky Gov. Steve Bashear (D) issued an emergency appeal to the Obama Administration to intervene in the dairy-farmer crisis, co-signed by the governors of Vermont, Iowa, Connecticut, Colorado, Oklahoma, and Guam. "As governors of dairy-producing states, we hear on a regular basis of the struggles of dairy farmers and call on you to provide additional relief to help offset the losses incurred since March 2009."

A desperate program for cow kill-off or farmer buy-out—motivated under the spell of mythical "supply/demand" laws—has been conducted by Cooperatives Working Together, which, so far this year, has slaughtered 101,000 cows, and "removed" 367 farms (with the farmers signing an oath to leave dairying). Of course it's had no effect on boosting the "market" price, since the markets are blown, along with everything else in the crash.

On July 31, Agriculture Secretary Tom Vilsack announced a measure to increase the milk price paid to farmers by a piddling $1.25+ per 100 pounds—still way below the cost of production.