

New Jersey — State Of The State:

High Wages Means Skilled Labor And Efficient Production

The following excerpts from a Report to the Citizens of New Jersey, by Leif Johnson, U.S. Labor Party candidate for Governor of New Jersey, is reprinted with permission of the U.S. Labor Party. The report is accompanied by a letter to the citizens of the state by the candidate.

Orange, New Jersey
May 10, 1977

Dear Citizen:

My campaign for Governor of this state intends to build a Whig Alliance that would be immediately recognizable to Franklin, Washington and Hamilton in both its composition and its purpose.

Two hundred years ago we went to war to defend our future against the zero-growth looting policies of the London banks, and won.

Today, most Americans maintain a commitment to expansion of industry and energy supplies against Jimmy Carter's plans to sabotage energy production and de-industrialize the nation. Most Americans believe that the legalization of drugs advocated by Carter's drug-control nominee Peter Bourne contradicts the national interest. Most Americans want a foreign policy that again puts the U.S. in the forefront of industrial and agricultural leadership worldwide, as opposed to Carter's plunge toward nuclear confrontation.

The 19th-century American Whigs, who later formed the Republican Party of Lincoln, were merchants, ironmasters, pro-industrial landholders, textile producers, frontiersmen, inventors, and artisans.

Today, members of the emerging Whig Alliance find themselves in the Democratic and Republican Parties, in trade-union positions, in chambers of commerce, civic and religious organizations, scientific, engineering and educational circles, as well as groups of friends who "discuss" at passionate length.

The purpose of the Whig Alliance was and is the

best utilization and advancement of our skilled labor power. That requires a maximum rate of capitalization of new technologies, to transform the scientific basis of production as fast as possible; that is the concrete meaning of freedom.

Our Alliance will achieve its ends through vigorous use of a political system designed expressly by the Founding Fathers to facilitate scientific innovation and enhance national wealth. The only form of government appropriate to the de-industrialization policies of the Trilateral Commission and its Carter administration is a police state.

The Whig Alliance is beginning to mobilize for "Cartergate" — the reassertion of the national will over the Rockefeller-funded vote frauders, drug pushers and industrial saboteurs.

In the early months of the gubernatorial campaign, people have detected the stench of horse-trading. "If he'll deliver, I'll deliver...I've got my man." His energy program, his economic program? "I'm not sure yet but I'm sticking with him" — the kind of clever stupidity that has perpetuated New Jersey's economic depression and allowed Carter to take office.

Even if, as I hope will not be the case, the other parties select the most brainless and unprincipled candidates, the following report examines in broad terms the questions we must debate and act on in each community, business and labor organization, and on every possible platform in the state.



Leif Johnson
U.S. Labor Party

PART ONE

High Wages: Skills, Innovation, Capital

"...the annual produce of the land and labor of a country can only be increased in two ways — by some improvement in the productive powers of the useful labor, which actually exists within it, or by some increase in the quantity of such labor...."

"...there is in the genius of the people of this country, a peculiar aptitude for mechanic improvements; it would operate as a forcible reason for giving opportunities to the exercise of that species of talent, by the propagation of manufactures...."

"So far as the dearness of labor may be a consequence of the greatness of profits in any branch of business, it is no obstacle to its success. The Undertaker can afford to pay the price...."

"There are grounds to conclude, that undertakers of Manufactures in this Country can at this time afford to pay higher wages to the workmen they may employ than are paid to similar workmen in Europe."

— Alexander Hamilton
Report on Manufactures, 1790

"Whoever thinks this question (of the reason for manufacturing ascendancy) is to be irrefutably determined solely by predominating low prices of manual labor will fail in solving the problem."

— Annual Report, Bureau of Statistics,
New Jersey Department of Labor and Industry, 1878

A common belief, especially among hard-pressed manufacturers, is that comparatively high New Jersey wages and fringe benefits are ruining business and fields are greener in North Carolina, Taiwan or Puerto Rico. A recent report compiled by the Fantus Company for the New Jersey Manufacturers Insurance Company concludes that high labor costs prohibit capital formation in all industries surveyed: knitted wear, paper, pharmaceuticals, glass, plastic, industrial machinery, communications, and motor vehicle parts.

It is an undeniable fact that wages in New Jersey were 8 percent above the U.S. manufacturing average. It is also undeniable that New Jersey has lost 13 percent of its manufacturing output in the last four years. Could it be that Alexander Hamilton was wrong, and investment flows toward low-wage areas because low wages mean higher profits?

New Jersey has always been a high-wage sector of the United States, and North America was noted for its high wages a hundred years before Alexander Hamilton. For most of the period from Hamilton's day to the onset of the present international crisis of industrial collapse in the mid-1960s, New Jersey wages have been upwards of 25 percent higher than the national average. And that disparity has increased precisely during the periods of highest capital inflow and manufacturing expansion.

For example, look at the following table: using Fantus's logic, where would you expect capital to locate?

WEEKLY WAGES PAID IN 1878
(New York taken as equivalent to New Jersey)

Occupation	Italy	Ireland	New York
Bricklayers	\$3.45	\$7.58	\$12-15.00
Masons	4.00	7.58	12-18.00
Carpenters	4.18	7.33	9-12.00
Painters	4.60	7.54	10-16.00
Plasterers	4.35	7.54	10-15.00
Laborers	2.60	4.50	6- 9.00

(Scotland)

-- Annual Report, 1878 N.J. Bureau of Statistics

Lest anyone think our American wages simply reflected the high cost of necessities, in the same year flour was 7 cents a pound in Genoa, Italy and 3-4 cents in New York. Beef was 18 cents compared with 8-16 cents in New York; coal was \$11 a ton in Genoa compared with \$5.25 a ton.

Notwithstanding "scarcity of labor" and "cheap land" arguments, what high wages reflected was the necessary social cost of creating the skills necessary for industries undergoing rapid technological growth. The high wages

were not some arbitrary bonus paid out of profits but the *sine qua non* of the development of the development of labor power itself, the very basis of America's industrial preeminence.

Low wages produce just the opposite of their alleged benefits. A low-wage policy attracts the least-skilled workers, stifles their development, and fosters labor-intensive, low-technology and low-profit industry, then creates high tax levels to pay the burden of maintaining these workers. Aren't the devastated inner cities of Newark, Jersey City and Camden prime examples of the effects of low-capital, low-wage business? Who would contemplate investing there?

In any sustained period of industrial growth, high-wage industries tend to squeeze out low-wage industries because the high-wage industries are based on *rapid productivity increases generated by new capital investment*. The following two tables illustrate, first, the effect of capital increments on output relative to increases in labor used, and second, the general shift to high-wage industries in New Jersey even during the 20th century.

New Jersey's Actual History

As Hamilton explained to President Washington in his *Report on Manufactures*, only by improving the productivity of labor, by using the mechanical genius of the nation, would we prosper. Constant invention of new machines and processes was the key to national wealth. And since the colonial period New Jersey has been the invention capital of the nation. Today it remains the highest in per capita research and development spending in the U.S. Here lies the key to our future: it now requires sufficient capitalization to ensure success.

In 1792, Hamilton searched for the proper location to combine labor skills, hydraulic power, and investment capital to challenge the British cotton industry. The spot he chose to erect his mills was Paterson, New Jersey. Since that time silk, cotton and dyeing, as well as other textile enterprises, were progressively superseded by locomotive-building, machine tool production, and aircraft engine assembly. Given Hamilton's impetus,

Paterson became a great manufacturing center.

Historically New Jersey has been a center of industry:

** Washington's army spent most of the war years in New Jersey — iron and skilled workers were combined to supply the army with muskets and shot.

** John Fitch plied the Delaware between Trenton and Philadelphia in the first steamboat.

** John Stevens made the first cast iron pipe in New Jersey.

** Cables for the Brooklyn bridge were made in New Jersey — as the only place capable of making suitable cables.

** Isaac Singer mass produced his sewing machines, first in New Jersey — making ready made clothes first available in America.

** Thomas Edison established his first factory in New Jersey.

** Alfred Nobel located his first U.S. factory, for the production of dynamite in New Jersey.

And by the turn of the century, New Jersey had the most consolidated railroad grid in the country. This density, combined with an unsurpassed highway system, led to the construction of the East's largest container terminal at Port Newark and Elizabeth.

The Present Economic Depression

Before laying out the further productive advances we can and must make in the next four years, it is necessary to grasp the magnitude of the industrial collapse that began in the post-World War II years, worsened in the mid-1960s, and went into a tailspin after the 1973 Rockefeller oil hoax.

At the peak production point of World War II, it is estimated that almost two-thirds of the state's workers were engaged in goods-producing work. That includes manufacturing, mining and construction.

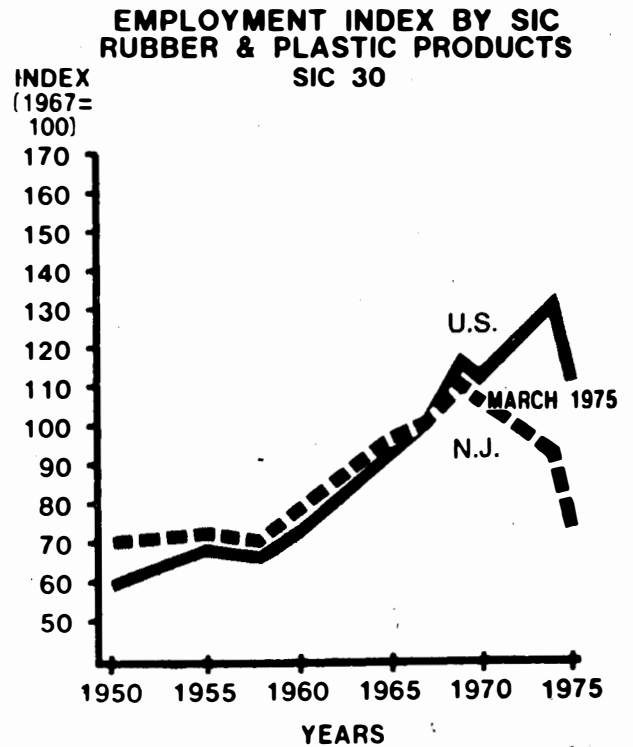
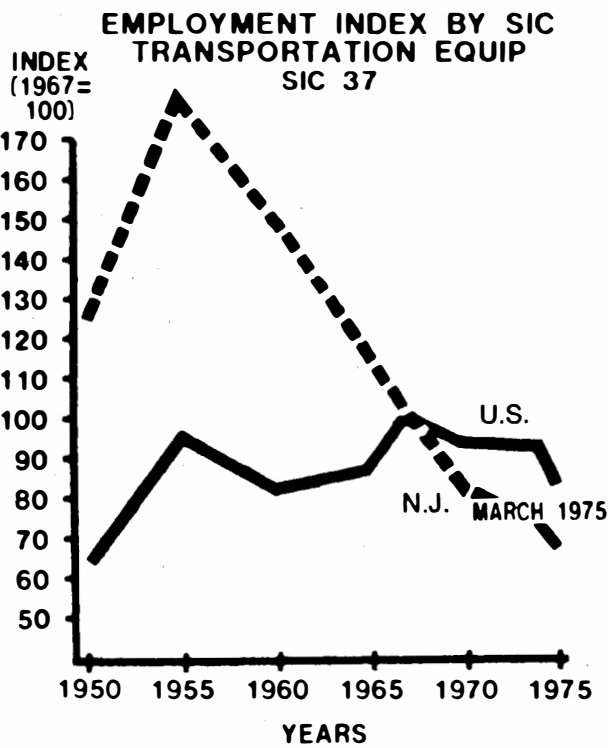
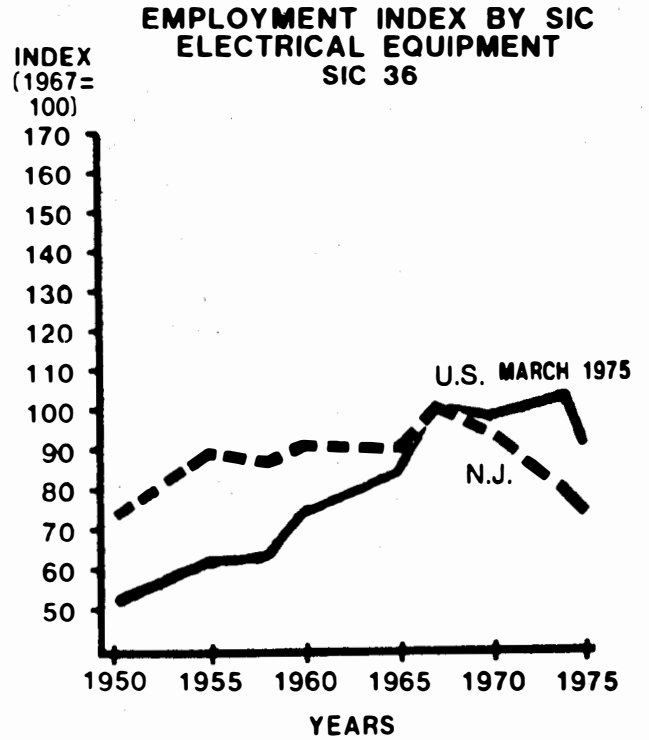
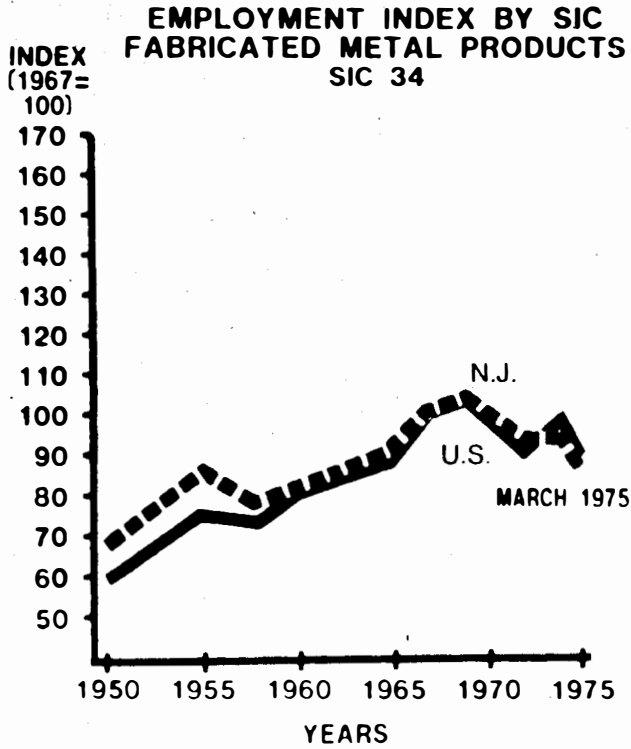
By 1950, the proportion has slipped to 50.8 percent; in

GROWTH OF INVESTMENT, OUTPUT AND WORK FORCE 1900-16			
	1900	1916	% increase
Total Investment (million \$)	502.8	1,338.5	164%
Installed Horsepower	322,500	932,000	189%
Average No. Workers	241,582	437,757	81%
Goods' Value (million \$)	611.7	2,116.3	246%

Sources: James M. Stevens, *New Jersey Manufacturers*, 1899-1927; N.J. Bureau of Statistics, *Annual Report*, 1917

HIGH- AND LOW-WAGE INDUSTRIES' PROPORTION OF NATIONAL PRODUCTION, 1900 AND 1940			
Industry	Average 1954 Wage/Salary	New Jersey Output as Percent of Total U.S. Output	
		1900	1940
Petroleum	\$5,375	8.3%	13.3%
Chemicals	4,905	19.5	23.0
Instruments	4,828	7.1	12.0
Printing	4,591	1.5	2.6
Non-elec. machinery	4,726	6.2	4.1
Average	4,256		
Food	4,245	2.1	4.0
Rubber	4,145	21.2	5.4
Stone, glass	4,045	8.1	5.5
Textiles	3,872	7.9	6.5
Leather	3,204	4.4	3.2
Apparel	2,743	4.4	5.4

Collapse of Industrial Employment, U.S. and N.J.
 (Note sudden post 1973 decline)



1970 to 37.8 percent; and in 1975 to 32.6 percent. Notice that the decline in the industrial workforce is accelerating toward 1975. In that postwar time period "services" are the lowest-paid. Labor-intensive work has increased as a percentage of the labor force by 70 percent, and government employment has risen 60 percent.

You will also note in the employment index charts that a job didn't simply flee to North Carolina — in most cases it simply disappeared. Look carefully at the "U.S." line.

In the face of this devastating collapse, economists and politicians are selling various nostrums for recovery. The most common is tourism — the same schemes

pressed on Mexico and Portugal. Maybe another race track, more gambling casinos, fixing up a few hotels in Atlantic City, and this state will have jobs and become prosperous again.

The real horror of these schemes is that what is proposed is the fleecing of citizens who have watched their incomes and futures vanish and turn to the magic of a lucky number.

It is also clear that as industry declines, taxes are imposed on anything the government can assess, including other real property, sales, and incomes. *There is absolutely no way to relieve the burden of income taxes or other taxes without a sustained industrial boom.*

Part Two

A Capital Development Program For The New Jersey Industrial Region

"The year was one of very great activity in all industries throughout the country. The upward turn in production...crowded established plants to their capacity. Labor was everywhere fully employed, all varieties of productive industry being carried on to the uttermost of established facilities.

"New Jersey as a manufacturing state of the first rank, enjoyed its full share of the prosperity resulting from these conditions."

—Annual Report, N.J. Bureau
of Statistics, 1899

Because of its central location in the Northeast, its heavy industry and transportation networks, and its access to seven power grids, New Jersey should become the "energy center" of the Northeast industrial corridor.

Simultaneously, the state will radically expand its transportation and docking facilities to support the following parameters of growth over the coming four to five years:

1) **CHEMICALS** will double in output, largely to provide fertilizer for world agriculture and industrial chemicals for expanding world production. Chemical production will be closely tied to increased metals production as the Jordan steel process unites the two.*

2) **PETROLEUM REFINING** will also double, both to provide more energy and as feedstock for the chemical sector.

3) **STEEL AND OTHER PRIMARY METALS** will be very rapidly increased in capacity and output to meet the needs of rail, port rehabilitation, new port facilities,

industrial construction, and exports.

4) **AEROSPACE, MACHINE TOOLS, ELECTRICAL AND ELECTRONIC EQUIPMENT** will put back into production all unused plant and equipment, like the huge Curtiss-Wright, Bendix and Pratt Whitney installations in the northern part of the state which stand nearly idle at present. These plants will manufacture the machine tools, agricultural equipment and transportation equipment needed globally.

5) **FARMING**, because of our excellent weather and soil conditions as well as access to markets and energy supplies, will increase production by at least 50%, and look toward the extensive use of the Larsen-Motz desalinization process, which when developed can provide water for \$30 per acre foot! Hydroponic farming will subsequently be introduced.

6) **OTHER INDUSTRIES**, including glass, stone, rubber, non-electrical machinery, and especially hydraulic pumps, fabricated metals, and possibly ship and offshore port construction, will expand in line with the advances scored in the key industries listed. Needless to say, the exponential growth in industry will magnify demand for consumer goods and home-building.

The following charts give a rough estimate of the capitalization needed to achieve this initial result over the coming four years.

* The Jordan process, developed at U.S. Steel in 1966 by Robert Jordan but not yet applied, can double the throughput of blast furnaces with fairly simple, cheap modifications. Instead of hot air, a mixture of oxygen and CO₂ raises temperatures 4-500 degrees, producing a top gas extremely rich in CO which can then be used as feedstock for methanol and ammonia production. When linked to a fusion reactor providing plentiful oxygen and reutilizing the chemical plants' CO₂ byproduct, the process permits a revolutionary industrial complex to be assembled.

INFRASTRUCTURE

<i>Element</i>	<i>Four-Year Capital Needs (in billion \$)</i>	<i>Notes</i>
Rail	1.0	The \$1.75 billion over ten years promised by the federal government is too small and too dubious. This category covers roadbed, rolling stock, motive power and stations.
Roads	.5	Despite excellent highways, the bottlenecks in the areas of Jersey City, Port Newark and Elizabeth must be eliminated, and interstate highways completed, including Route 18.
Ports, waterways	.5	This includes rehabilitation and dredging of harbors, including Perth Amboy and the Delaware River.
Offshore port	1.0	Amplified below.
Construction Equipment	1.0	This includes new capital equipment for rail, roads, harbors, pipelines and offshore ports.
Energy	5.0	The major industrial supplier, PSE and G, envisions an investment of \$2.5 billion through 1980 to provide a 4% annual power increase. To ensure an annual increment of 15%, the minimum needed, i.e. a doubling in five years, we specify a \$4 billion investment <i>above</i> the PSE and G estimate; see below.
Research and Development	2.0	Although most of the 700 R and D facilities in New Jersey are industry-connected, it is necessary to make this budget allocation separately. A large part will be directed to nuclear fusion power and its industrial applications. This figure represents laboratories, equipment, supplies, and salaries.
SUBTOTAL	\$11.0 billion	
INDUSTRY		
<i>Sector</i>	<i>Four-Year Capital Needs (in billion \$)</i>	<i>Notes</i>
Primary metals	2.0	This includes steel and non-ferrous metals. It covers expansion of copper and aluminum smelting, plus the estimated cost of converting the U.S. Steel plant at Fairless Hills to the Jordan process.
Petroleum	1.0	
Chemicals	1.0	
Electrical equipment	1.0	
Fabricated metals	.5	
Transportation equipment	1.0	Covers the retooling of aircraft and machine shops for tractors, farm equipment, buses, trucks and high-speed rail equipment.
Non-electrical machinery	.5	Primarily pumps plus other machinery.
Instruments	.5	Measuring and control devices.
Other	1.0	Glass, stone, rubber, paper, printing, shipbuilding and repair.
Agriculture	.5	Includes desalinization, reforestation watershed, irrigation, and crop experimentation.
SUBTOTAL	\$9.0 billion	
INFRASTRUCTURE	11.0	
TOTAL	\$20.0 billion	

Comments

***Infrastructural costs are higher here than the direct investment in industry. While energy production is highly capital-intensive, the extraordinary costs for infrastructural development make New Jersey appear to be a Third World country. It takes a crash program, however, to reverse decay, the kind of decay exemplified by the fact that the number of workers on our railroads has declined from about 40,000 in 1945 to 15,000 in the 1970s.

***Energy expansion takes the bulk of the capital. It must be realized that from 1973 (the onset of the Rockefeller oil hoax) to 1977, there was no increase in energy consumption.

Yet over the period of the past 75 years, energy consumers have increased demand severalfold. Sound investment principles enabled the utilities to meet this demand. At the same time, per unit costs of energy dropped. Until 1973, energy prices remained relatively low.

This was because the costs of the new technologies and expanded facilities were not passed on to consumers. These costs were met through established credit markets. The utilities paid debt service and principal by bringing new equipment on line and adding new consumers.

In 1973-4, along with the increase in petroleum prices, the utilities found themselves in a classic squeeze. On the one hand, the costs of existing technologies were skyrocketing. Though this gave added impetus to bring new forms of technology in, particularly nuclear technology, on the other hand the banks refused sufficient credit to do so. Indeed, it was the same banking conduits that funded the environmentalists' lies about the dangers of nuclear technology, as a cover for their inability any longer to fund necessary new technologies.

At this juncture, the utilities were forced to begin passing on the costs not only of increased oil prices but of debt-service, from which consumers had previously been shielded. At this point, the financing and operating costs mean the threat of bankruptcy to the utilities unless they can immediately expand and add new customers.

***Over the four-year period, not counting R and D for fast-breeder reactors and fusion research, which is included in the R and D allocation, minimal energy investment must be in the \$5-billion range. This gives us about 10,000 megawatts added to nuclear power capacity by 1980-81, or about twice the installed capacity of PSE and G in 1977, and more than twice what they hope to add by 1990.

To ensure even cheaper power, the fast-breeder reactor, which produces more nuclear fuel than it consumes, must come on line as soon as possible, contrary to Carter administration policy.

Fusion power is commercially feasible within exactly the time frame we are considering. In four to five years the first fusion reactors will be generating power, if we succeed, putting this nation and the world into a second industrial revolution. Three major breakthroughs, one at Sandia Weapons Laboratory in electron beam fusion ignition, one at Los Alamos Laboratory in laser beam ignition, and one at MIT's Alcator facility, have even

1975 COST OF ELECTRICITY AT A NEW STATION

(1,000 MW capacity sited in New Jersey)

	NUCLEAR	COAL	OIL
CAPITAL \$ per KWH	\$976	\$718	\$515
INVESTMENT cents per KWH	2.742	2.018	1.448
FUEL cents per KWH	.517	2.844	4.640
OP. AND MNT. cents per KWH	.529	.797	.637
COST OF KWH (cents)	3.788	5.659	6.725

Source: Governor's Economic Recovery Commission

induced the federal Energy Research and Development Agency (ERDA) to agree that fusion is feasible within five years. Jimmy Carter wants to cut the fusion budget 20%.

By 1990, only thirteen years away, virtually all electrical power generation will be nuclear, and a growing portion of that will be fusion-powered. With the present Tokomak magnetic-confinement fusion apparatus at Princeton's Forrestal Laboratory, and the large number of scientists and engineers in this state, we will be the location of one of ten or so national R and D centers. The immediate scientific problem will be further design of the fast-breeder uranium-plutonium fission reactors and commercial design for fusion (hydrogen) reactors. (See the U.S. Labor Party's *A Program For U.S. Energy Development*, January 1977.)

***To achieve a 100% industrial growth rate in four years, it will be necessary to pump oil and natural gas from deposits in the Atlantic off the New Jersey coast, a move presently banned by a ruling on a suit brought by the Rockefeller-funded Center for Law and Social Policy. Judges who attempt to deny our Constitutionally-guaranteed right of industrial progress will be invited to swim out to the drilling site and view the chief environmental hazard: sharks.

An Offshore Oil Port

One of the most exciting developments for our region is the potential for an offshore oil port. In a 1972 U.S. Department of Commerce Study, *The Economics of Deepwater Terminals*, it is shown that for an investment of \$1 billion, a Delaware Bay deepwater port for oil would save \$335 million a year in delivery costs to Marcus Hook, Pa. and Perth Amboy. By simply allowing direct supertanker transportation to our coast, we would amortize this facility in three years — and proceed to scrap the antique fleet of 40,000-ton vessels that now navigate our shallow-water ports.

Then consider — as the Japanese are now doing — the prospects of integrated floating industrial complexes, combining the PSE and G floating nuclear power plant with other heavy industry, especially plants that required bulky parts during construction, water for cooling or processing, and those emitting atmospheric waste products.

Another possibility is exporting these floating industrial platforms to any coast in the world. Three or four such plants could be constructed here each year for export.

Financing Investment

How could five billion dollars be invested annually when total investment in New Jersey is currently around a billion a year?

Labor Party financial analysts, using Commerce Department and McGraw-Hill statistics, have found that a capital investment nationally of \$250 billion is required simply to return plant and equipment to age levels existing in 1967. If New Jersey represents 6% of the nation's capital, then \$15 billion would merely bring us back to 1967 levels, not counting depreciation over the next four years. Since New Jersey plant and equipment tends to be somewhat older than the national average, the requisite investment is undoubtedly higher.

How could industrial output double in four years?

Between the middle of 1939, before war orders came in, and the middle of 1943, the peak of wartime production, factory employment jumped from an index figure of 90 to 170 in New Jersey. Contract construction rose no less than 700%. Electrical power consumption by industry zoomed from 118 million kilowatt hours to 335 million kilowatt hours, nearly a threefold increase. Simultaneously, public assistance caseloads dropped from 135,000 to 15,000, and business failures fell from an index of 110 to 20 in 1943 and 5 in 1945.

Most significantly, the composition of the work force made a dramatic change. From about 40% employed in the production of goods, the percentage climbed to 65%.

The record for World War I is very similar.

War is not required to achieve an industrial boom, however. The question of capitalizing productive expansion was definitively settled by Alexander Hamilton, who, as he drafted his *Report on Manufactures* for the

President, worked feverishly to create a national bank. The First National Bank was not based on gold, Oriental loot or sterling notes, or any other "original capital," but on the productive potential of the American economy; its purpose was to provide credit for industrial and technological growth, as occurred — though on top of an inflationary pile of old, fictitious debt — in the World Wars.

In Hamilton's time, the nation's potential was largely the faith of passionate geniuses like Hamilton, Franklin and Robert Morris. At present, our ability to double industrial production is an absolute certainty. It is our policy to establish a Third National Bank, to create the earmarked industrial and agricultural credit sufficient to capitalize a maximum rate of national economic growth. This credit will not be monetized, and will not be issued by the Federal Reserve system, which is currently led by the New York banks and has funneled credit away from industry and industry-related banks into speculative financing.

For the capital issued to be usable and non-inflationary, it will be necessary to prohibit any circulation into payment of existing masses of this speculative capital, such as Eurodollar debt, Real Estate Investment Trusts, Big MAC paper, and other claims by the Rockefeller group of banks. All municipalities must have the right to declare debt moratoria, and a selective debt freeze will apply to industry as well. Agriculture will be granted broad debt relief to allow full-scale expansion.

The Third National Bank is the U.S. analogue to the International Development Bank (IDB) proposed in March 1975 by Labor Party national chairman Lyndon LaRouche, Jr. and presently being discussed by policymakers around the world. The IDB would be a central clearinghouse for multibillion-dollar credits to finance foreign trade and broad-scale development projects, following a freeze on payments of the debt now preventing a rush of Third World and advanced-sector industrial orders to New Jersey and the rest of the U.S.