Despite fake statistics, reality of collapse emerges

by William Engdahl

Examination of recent U.S. government economic data invites comparison with the marvelous statistical techniques of the regime of the former East German communist official Günter Mittag. Mittag was infamous for producing ever more impressive "official" statistics showing the rising output of the East German economy, while the reality underneath was rotting beneath his feet.

Today, the Bush administration is resorting to almost laughable devices in order to manipulate data politically to "prove" that the economic policy course of the President indeed has no serious problems and that a "recovery" had already begun in the third quarter of the year. According to this official Washington script, the unprecedented 18 separate reductions of Federal Reserve interest rates in almost as many months has stimulated a rebound from "recession." A closer look reveals an alarming reality.

Half a million unemployed 'disappear'

On Oct. 29, Commerce Secretary Robert Mosbacher issued his department's "preliminary estimate" of Gross National Product for the third quarter. It showed growth of 2.4%, in contrast to two previous quarters of negative statistics. But there are certain problems with these estimates: They are not worth the computer paper they were printed on. One of the prime components making up the GNP is personal income. It is based on an estimate of the number of persons in the active work force drawing a pay check. The pay checks then become the basis for an estimate of income, and then of consumer purchases. Since the disposition of so-called personal disposable income, the amount left over after the Internal Revenue Service takes its bite, accounts for about two-thirds of the net sales transactions supposedly monitored in the calculations of GNP, the government's employment estimates are key to the whole thing.

But how does Washington estimate "preliminary" income and the number of payroll jobs? By guessing, according to representatives of the Commerce Department's Bureau of Economic Analysis, which compiles the data. Six months after Washington's "preliminary" estimates, based on random surveys of employers in each state, there is a final revised figure based on actual state-by-state reporting of the number of jobs. This is clearly more accurate than random telephone sampling. But, when California and New York, the two largest states in the United States, reported to the Commerce Department at the end of October that their own hard data showed an astonishing 511,000 *fewer* jobs than the Commerce Department had "estimated," the Bureau of Economic Analysis *refused to incorporate the corrected data into the GNP value*. "We didn't use the data on California and New York because the Bureau of Labor Statistics is still reviewing it," the Bureau's associate director, Robert Parker, told *Barron's* financial weekly.

California and New York, like the rest of the country, are in the midst of a savage depression and the collapse of their state revenues attests to the fact that the jobs have "disappeared." Why is Washington ignoring such irrefutable data? First, because it would send shock waves across the world of financial investment and threaten to puncture the speculative bubble in the most inflated stock market since 1929. It would also put the spotlight on the fact that two times in recent months, President Bush has used his veto power to kill a congressional bill which would give recognition to the seriousness of the U.S. economic decline by providing longer unemployment benefits. Bush argues, as did Herbert Hoover some 60 years before, that the economy is "fundamentally sound, recovery is just around the corner."

Bush is determined to be reelected in November 1992, even if he has to veto the unemployment benefit bill a third time, which he has promised to do, and then veto it again.

The shameless fakery of the employment figures assisted Bush administration claims that the economy had grown at a rate of 2.4% during the third quarter. On Oct. 27, Treasury Secretary Nicholas Brady took to the national television to tell the world that "the recession" is over. He solemnly declared, talking about the numbers which were to be released two days hence, "That means the recession is over from a technical point of view." On Oct. 25, Bush himself, asked by a journalist at a press conference whether the economy wasn't stuck in a recession, replied, "I don't want to buy into the predicate about another recession." The President said in his own inimitable way, "I don't feel that way."

'Time to hit the panic button'

But the reality is beginning to emerge from behind the careful facade of doublespeak and outright fraud prevailing in Washington. Actually, the U.S. economy has been in a depression collapse all year, and that collapse has accelerated since September, during the period that the government claims 2.4% growth.

Some of the parameters include:

- The automobile industry: Production for the first nine months of this year is down 10.3% compared with the same period last year. Sales for 1991 so far are down 8.6% compared to last year. The industry's early October sales performance is 16.7% below the same period last year.
- The steel industry's production over the first nine months of this year is down 12.7% compared to the same period a year ago.
- Housing construction is down 27% since 1989, and heading for less than 1 million units produced this year. Sales of new homes saw the largest collapse in September, even while the government's GNP numbers show a 20% increase for the industry. The Homebuilders, like the General Contractors Association, are talking about "time to hit the panic button."
- Durable goods: Newly released figures for the month of September show an official 3.2% rate of decline. This is four times the 0.8% decline the government had expected. The revised figures for August now show a 4.1% decline, instead of 3.9%. The 7.3% decline for the two months ought to be rubbed in the face of an administration which insists that the manufacturing sector has been leading the "recovery" since the second quarter of the year.

On Oct. 30 a private business group, the Conference Board, issued results of its October survey of business "confidence." It showed a sharp drop of 14% to the lows of the early days of the August 1990 Iraqi invasion of Kuwait. Little wonder. Major corporations are cutting jobs at a record pace. AT&T, the nation's largest telecommunications company, has announced plans to dump 14,000 employees to save money. The Big Three Detroit automakers in October revealed losses for the first nine months of 1991 of more than $5 billion, the greatest loss in the history of the U.S. automotive industry. Housing construction is near to its lowest level since World War II. U.S. airlines report the worst losses in their entire history, with Pan American, Eastern, and other large carriers already formally bankrupt so far this year.

Real estate values, the $20 trillion prop of the entire banking and credit system, are falling by the day, with rumors abounding that the nation's largest bank, Citicorp, is being pulled down with it. Even Salomon Brothers, the troubled Wall Street firm, announced its estimate that the U.S. commercial property depression "will not disappear for at least five years, and some of the painful vestiges may be with us at the turn of the century."

Worse than 1930

In other postwar "recessions," the economy began to recover shortly after the central bank begins to pump credit into the system and the government runs a deficit to "stimulate" jobs and economic growth. But this is no ordinary "recession," a point which foolish economists trained in the nominalism of monetarism do not even begin to grasp. It is a depression of a scale which will go beyond that of 1930-33 at present trend (see article, page 8). But this time the banking system is far worse off. In 1930, no major bank was threatened, just small rural farm banks. Today, every major U.S. bank is insolvent but for the political backing of the government and financial help from the Federal Reserve. But that government has no more to spend. It is dealing with the largest debt burden in world history, more than $3 trillion on-budget. Further, despite the political fiction of an October 1990 Congress-White House "budget reduction" deal, the deficit is out of control. Officially, the U.S. government in the 12 months ended Sept. 30 had a record $268.7 billion deficit. As recently as 1989, it was a mere $153 billion. Estimates of the deficit for the present fiscal year are conservatively put by the White House at $348 billion, but private economists reckon closer to $500 billion. In 1930, the U.S. government was virtually without significant debt.

The GNP method of accounting, in any case, is a hoax. It does not distinguish between the asset side of the nation's accounts and its liabilities. It purports to count the net sum of all sales transactions, treating horse-racing receipts on a par with factory purchases, and usurious looting on a par with wage and salary income. The method wouldn't be any good even if the economists didn't lie about it. The way the system is designed, an economy which is collapsing under the growth of cancerous debt and speculation is made to appear as though it is vigorously growing, quarter after quarter. The very speculative activity which is killing the economy, is counted as "growth."

And that is just what Bush and his bunch of liars are going to keep on doing, just as long as people let them get away with it.