

EIR Special Report

The 30-year collapse of the U.S. economy

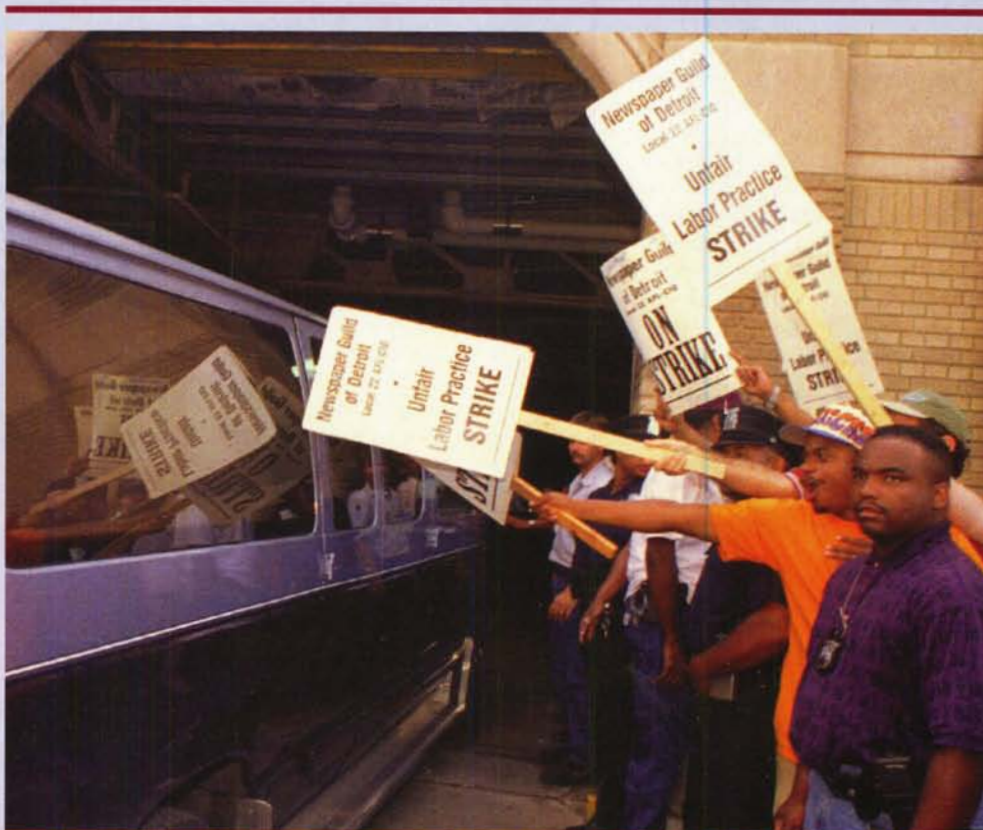
by Christopher White

Presented here is *EIR's* relatively definitive treatment, and elaboration of the interrelated economic, monetary, and financial processes, which, over the brief span of the last 30 years, have brought the U.S. economy, and therefore also much of the world besides, to the edge of the precipice.

Whether or not what is thus portended comes to pass in 1996, is not the point. That it could come to pass in 1996, or, as a matter of fact, at any moment, perhaps over any 48-72 hour period, is.

The documentation assembled here substantiates the case that insofar as the U.S. economy is concerned, the essential conditions for a general economic and financial breakdown crisis have been more than satisfied. The precise timing of that crisis, more importantly yet, the matter of whether that accumulated crisis potential is actually unleashed, will turn out to be a matter of politics, and informed political will. For, even at this late hour, remedial measures, competently conceived, proportionate to what requires remedy, decisively implemented, can begin to reverse what has been under way.

It ought to be clear at the outset that the case that is documented below has nothing to do with the kinds of developments that are usually, and typically, associated in peoples' minds with the symptoms of financial and economic collapse. The subject here is not the possibility of



Labor unrest is growing as living standards plummet. Shown here: Striking employees of the Detroit News shout at a van of workers crossing the picket line, July 14, 1995.

Only by reaffirming the principles that have been responsible for human existence, can humanity be freed of the parasite of usury and speculation. How that will be accomplished, is the key question facing mankind in 1996.

some future stock market crash on the order of October 1929, or November 1987. Nor is it the potentiality for the eruption of a banking crisis comparable to that which prompted FDR's declaration of a nationwide "bank holiday," in March 1933.

No one in their right mind would exclude such possibilities. But, so what? There's much more involved.

Symptoms of generalized collapse

Three sets of symptoms have to be simultaneously verified as existent to uphold the diagnosis presented here. Financial aggregates have to be growing at a hyperbolic rate relative to money in circulation, and relative to the collapsing capacity to produce the essential goods and services on which human existence depends.

Figure 1 presents, in schematic form, a function which typifies the threefold conditions which satisfy the diagnosis. Our report assembles, classifies, and documents the symptomology through which, as the doctors say, the disease diagnosed is displayed.

In form, the disease to be treated is, in the domain of the economy, what a metastasized cancer is to the human body, an aggressive form of parasitical growth feeding, and growing, through the destruction of previously healthy tissue. Like the cancer or parasite, the better the disease spreads, the more surely are both host and parasite doomed.

Here the host is the tissue of economic relations on which human existence depends.

Unique in Creation, man reproduces himself by developing and assimilating ideas which permit the species as a whole to increase its domination over nature. The historical progress of mankind demonstrates this characteristic. Table 1 abstracts aspects of the results of this process to exemplify certain crucial features of our ascent. The chart highlights both the historical increase in human population density, and certain related features of human existence, for example, increasing life expectancy. Such development is situated with respect to historical and archaeological time to highlight when and how such human progress has been organized.

On that scale, it will readily be seen that mankind as a whole has accomplished more, in the relatively brief span of the last 500 years, than during any previous period of his existence. And also, therefore, that the ideas which catalyzed the changes of 500 years ago, must also have been of sufficient power in their transforming effects, to have initiated the greatest transformation in human existence.

The host and the parasite

The healthy tissue of the economy has been the body of ideas which, transmitted as culture, has been responsible for the increase in human productivity, which, over the last 500 years, has permitted man to free himself from dependence on nature and the relatively bestial, chattel-slave or serf existence which condemned up to 95% of the human population to bare subsistence existence on the land, and to consider now, how in the forward march of the species, he might extend his dominion into nearby space and beyond.

The parasite, typified, in our report, by one of its modes of reproduction, through the consequences of the untrammelled growth of usury and speculation on financial turnover, is the organized form of the political opposition to the world-history-transforming power of the ideas of the fifteenth-century European Golden Renaissance.

Someone might object, how can you claim that 500 years ago man freed himself from the bestialities of rural existence? Do not more than two-thirds of humankind still live under such conditions? Don't the very existence, say, of India or China, and their vast peasant populations, argue otherwise?

There one can see and hear the parasite talking through the host. We humans are all created equal in the eyes of the Lord. If some have proven, as the populations of western European nations and the United

States have done, that a method exists by which the productivity of human labor might be willfully increased, such that 3.5 million farmers who earlier fed 4 million, including themselves, might now feed 250 million and more, then all of mankind can do that.

That was proven by the developers of the ideas from which flowed the Golden Renaissance foundation of the nation-state, based on the beginnings of public education of the young, in the vernacular.

The development and assimilation of such ideas are what make us uniquely human, and, therefore the parasite, and its voice, not human.

As we document, the disease, or the parasite, has so weakened the host, that either the host summons the strength to free itself, or both must die.

We assembled the arguments for this under three principal headings.

First, assuming that the standards of consumption of 1967 were roughly adequate to perpetuating a population, qualified and capable of reproducing itself, in continuation of the principles developed 500 years ago, from which the establishment of this country flows, we show that we are now barely capable of producing half that identified level of consumption, at productivity levels overall which are half what they were a generation ago. In the process, we show that the collapse thus detailed has been proceeding at an average trend rate of around 2% per year. This is shown in Figure 2. The documentation to support our assertion is presented in

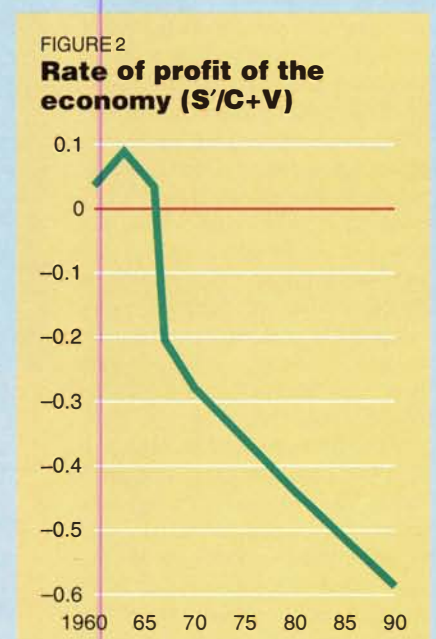
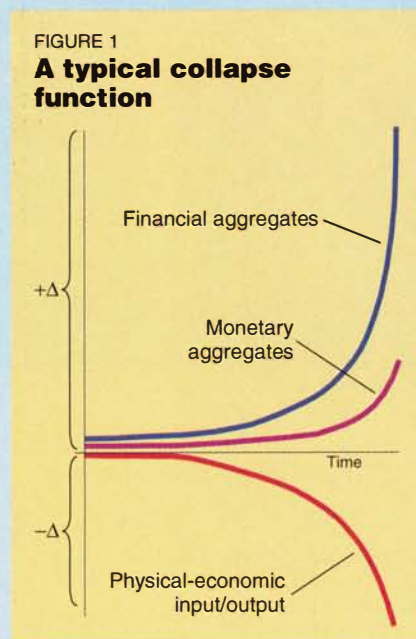
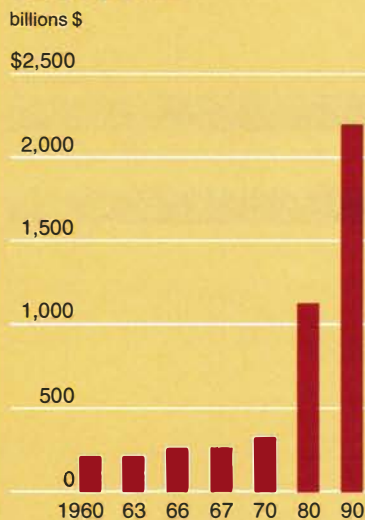


TABLE 1

Development of human population

	Life expectancy at birth (years)	Population density (per km ²)	Comments	World population (millions)
PRIMATE COMPARISON				
Gorilla		1/km ²		.07
Chimpanzee		3–4/km ²		1+
MAN				
Australopithecines B.C. 4,000,000–1,000,000	14–15	1/10 km ²	68% die by age 14	.07–1
Homo Erectus B.C. 900,000–400,000	14–15			1.7
Paleolithic (hunter-gatherers) B.C. 100,000–15,000	18–20+	1/10 km ²	55% die by age 14; average age 23	
Mesolithic (proto-agricultural) B.C. 15,000–5,000	20–27			4
Neolithic B.C. 10,000–3,000	25	1/km ²	"Agricultural Revolution"	10
Bronze Age B.C. 3000–1000	28	10/km ²	50% die by age 14 Village dry-farming, Baluchistan, 5000 B.C.: 9.61/km ² Development of cities: Sumer, 2000 B.C.: 19.16/km ² Early Bronze Age: Aegean, 3000 B.C.: 7.5–13.8/km ² Late Bronze Age: Aegean, 1000 B.C.: 12.4–31.3/km ² Shang Dynasty China, 1000 B.C.: 5/km ²	50
Iron Age B.C. 1000–	28			50
Mediterranean Classical Period B.C. 500–A.D. 500	25–28	15+/km ²	Classical Greece, Peloponnese: 35/km ² Roman Empire: Greece: 11/km ² Italy: 24/km ² Asia: 30/km ² Egypt: 179/km ² Han Dynasty China, B.C. 200–A.D. 200: 19.27/km ² Shanxi: 28/km ² Shaanxi: 24/km ² Henan: 97/km ² * Shandong: 118/km ² * Irrigated river-valley intensive agriculture	100–190
European Medieval Period A.D. 800–1300	30+	20+/km ²	40% die by age 14 Italy, 1200: 24/km ² Italy, 1340: 34/km ² Tuscany, 1340: 85/km ² Brabant, 1374: 35/km ²	220–360
Europe, 17th Century	32–36		Italy, 1650: 37/km ² France, 1650: 38/km ² Belgium, 1650: 50/km ²	545
Europe, 18th Century	34–38	30+/km ²	"Industrial Revolution" Italy, 1750: 50/km ² France, 1750: 44/km ² Belgium, 1750: 108/km ²	720
Massachusetts, 1840 United Kingdom, 1861 Guatemala, 1893 European Russia, 1896 Czechoslovakia, 1900 Japan, 1899 United States, 1900 Sweden, 1903 France, 1946 India, 1950 Sweden, 1960	24 32 41	41 43 40 44 48 53 62 73	90+/km ² Life expectancies: "Industrialized," right "Preindustrialized," left	1,200 2,500
1970 United States West Germany Japan China India Belgium	59 48	71 70 73	1975 26/km ² 248/km ² 297/km ² 180/km² 183/km ² 333/km²	3,900

FIGURE 3
Inflation hidden in value added



the first and second sections of our report.

This meets the criteria of a collapsing physical economy of Figure 1's "Typical Collapse Function."

Second, we show that monetary processes, for example, the old-fashioned kind of money-in-circulation money, that fits in a wallet, and is not made out of plastic with a magnetic identifying strip, or the volume of transactions typified by Gross Domestic Product's netting of sales and purchases, have become divorced from the economic processes to which they should properly be subject. We summarize such demonstration in Figures 3 and 4.

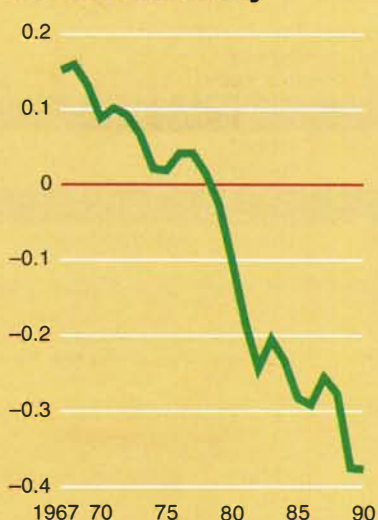
There is a tenfold increase in the monetary value-added equivalent of a market-basket unit, but the ratio of net income to costs in monetary terms shows the same kind of collapse we saw in the ratio of physical productivity in Figure 3 above. The principal difference between the two being that the monetary collapse lags that in the economy.

Figure 5, showing rate of change of M1 as a percentage of GNP, summarizes the point. As payment for, and financing of, productive or necessary transactions have been separated from the idiotic measure of Gross Domestic Product which is supposed to represent them, so, too, has the growth in money supply per se been separated from the same GDP.

This meets the case of the second, monetary part of Figure 1's "Typical Collapse Function." The documentation is presented in this report by Marcia Merry Baker and Richard Freeman.

Third, financial turnover as a whole has

FIGURE 4
Financial profit ratio of the U.S. economy



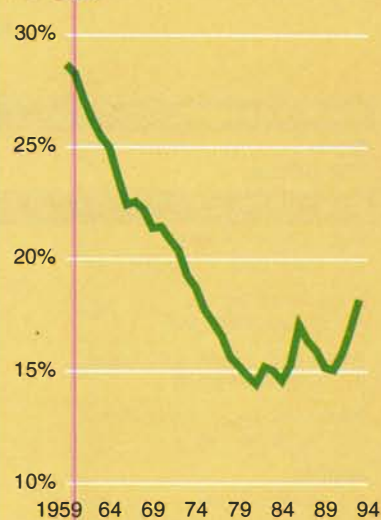
indeed assumed a hyperbolic growth rate with respect to both monetary and economic processes. This is exemplified in Figure 6, showing \$440 of financial turnover chasing each dollar of money in circulation.

No more 'cycles'

Taken separately, someone might be found to say that none of these phenomena are new, that each has been seen before, and even, perhaps, that they will be again, "in the next cycle." That's the parasite speaking, again.

There will not be another "cycle" of the sort such creatures love to fantasize about. There has been no such conjuncture in human history as is defined by the triple collapse function documented here. The reason is

FIGURE 5
Money supply as percent of GDP



because the kind of economy that has functioned over the past 500 years has been unique in human history, even if that economy has represented a symbiosis of human host and parasite. The conjuncture documented here is such that the host and the parasite cannot continue to survive. The parasitical form is doomed from its own nature. The human host can act on its humanity to free itself of the doomed parasite, to save the best that human culture has created. But only by reaffirming on a global basis the principles that have been responsible for human existence, can humanity be freed of parasitism.

How that will be accomplished is set to be the key question mankind must take up for solution in 1996, and hopefully before things go right over the edge.

FIGURE 6
Dollars of turnover per dollar of M1

