
Statistical Fraud Exposed

Unemployment Explosion Signals Bottom Falling Out of U.S. Economy

by Richard Freeman

The official number of unemployed American workers jumped from 6.088 million in March to 6.402 million in April, an increase of 314,000, the largest monthly increase in a decade, according to figures released by the U.S. Department of Labor's Bureau of Labor Statistics (BLS) on May 4. During March, the official number of unemployed had increased by 152,000, swelling the number of unemployed for the two months by nearly one-half million workers (466,000). The job losses hit the manufacturing sector particularly hard.

The BLS also reported that employment on non-agricultural payrolls fell by 223,000 workers during April, the steepest monthly decrease since the economy lost 259,000 payroll jobs in February 1991. During March, payroll employment declined by 53,000 workers.

(There are three expressions to describe job loss: layoffs, increase in unemployment, and payroll employment decline. Because the BLS employs all three, it is necessary to distinguish them. *Layoffs*: During a month, assume that institutions fire 250,000 workers; that constitutes 250,000 layoffs. *Increase in unemployment*: This is a "net" concept; if, during a month, 250,000 workers are laid off, but 50,000 workers who had been previously unemployed, find jobs, then the net increase in unemployment is 200,000. *Payroll employment decline*: This is also a "net" concept. Assume, that during a month, 250,000 workers are laid off, and that companies and governments create 100,000 new payroll jobs. Then, for that month, the net decline in payroll employment will be 150,000. All three categories sharply expanded during April, although by different amounts.)

The last two months' unemployment explosion indicates with far greater accuracy than most so-called "economic measures" and "indices," that the U.S. economy has shifted from its previous phase of accelerating downturn, into a new phase of free-fall. This is given away by the fact that the unemployment is heavily concentrated in manufacturing, far more so than during previous periods of growth in unemployment.

The manufacturing sector's breakdown has far-reaching implications for the rest of the world. For the past decade, but especially during the last five years, the United States has functioned as the world's "importer of last resort." An increasingly collapsed U.S. economy, unable to produce the physical goods for its own physical existence, and as well,

shipping many of its factories and industrial jobs to low-wage virtual slave-labor concentration camps in the Third World, has gotten by, by sucking in physical goods imports from the rest of the world. At the same time, many countries have become heavily dependent on the U.S. market, to which they ship a huge amount of their physical goods. As the U.S. physical economy collapses, it shuts off physical goods exports from other nations to the United States. This sets off a world trade collapse, and in turn, a further collapse of production in the United States and elsewhere.

Yet, as bad as the official BLS unemployment figures look, they pale by comparison to the real level of unemployment, as constructed by *EIR*.

Soaring Manufacturing Unemployment

A highly disproportionate amount of the growth in unemployment is concentrated in manufacturing. This is especially threatening, because of the role manufacturing plays in the economy. The manufacturing workforce is a critical element in the productive labor force, which also includes workers in agriculture, transportation, construction, mining, and power generation.

All economic wealth starts from the developable power of cognition of the sovereign individual mind, through which the individual generates or re-creates valid discoveries of principle. The productive labor force assimilates and transmits these revolutionary discoveries, transforming the entire economy. The productive labor force effects the transmission of these discoveries through the machine-tool-design sector and the building of infrastructure, which themselves have been upgraded by these revolutionary scientific discoveries.

There are two types of jobs in the manufacturing sector: white collar, including engineers, supervisors, clerks, etc.; and non-supervisory or production, that is, those who do the actual production. Total manufacturing employment includes both white collar and production workers. **Table 1** shows both "Total Manufacturing Employment," and its subsector, "Manufacturing Production Workers."

Table 1 shows that between July 2000 and April 2001, total manufacturing payroll employment fell by 609,000 workers. Between July 2000 and April 2001, production worker manufacturing payroll employment fell by 518,000

TABLE 1

Cumulative Manufacturing Employment Job Losses Since July 2000

	Total Manufacturing Employment	Production Worker Manufacturing Employment
July 2000	—	—
August	116,000	111,000
September	168,000	159,000
October	170,000	158,000
November	188,000	177,000
December	236,000	226,000
January 2001	328,000	299,000
February	424,000	374,000
March	505,000	441,000
April	609,000	518,000

Sources: Bureau of Labor Statistics of the U.S. Department of Labor; *EIR*.

workers. Thus, the overwhelming loss of manufacturing jobs was concentrated among the critical production manufacturing workers. The fact that unemployment in both of these categories has steadily built up since July of last year, with much of it occurring in 2001, and with a heavy job loss in just the last two months, accurately shows the trajectory of the U.S. economy over this period.

To depict just how much of total U.S. job loss is concentrated in manufacturing production, compare two slightly different categories. Since October 2000, total U.S. unemployment has increased by 866,000 workers, and total job loss among manufacturing production workers has been 360,000. So, manufacturing production workers' job loss represents 42% of all growth in unemployment in the United States since October. Manufacturing production workers represent only 9% of the U.S. workforce, yet they accounted for more than two-fifths of those thrown into unemployment.

The Industrial Shutdown

The shutdown of the U.S. industrial sector is driving the increase in unemployment.

The outplacement firm Challenger, Gray & Christmas keeps track of layoffs, which it calls "job cuts." Although its series on layoffs is not as comprehensive as that of the BLS, it gives a focussed picture.

On May 4, Challenger Gray & Christmas announced that in April, "The record for the highest monthly job-cut total [had been] broken for the fourth time in five months." In April, U.S. companies had announced 165,564 new layoffs/job cuts. According to Challenger et al., "it was the fifth consecutive month in which more than 100,000 job cuts were announced, a survey record." So, through April of this year, U.S. companies have announced 572,370 new layoffs, compared to just 179,144 for the same period last year. So far, the job cuts have been mostly concentrated in the manufacturing sector. Through April, telecommunications companies have an-

TABLE 2

EIR's Estimate of Real Unemployment, April 2001

Official BLS Unemployment	6.40 million
Want a Job Now, But Not in Labor Force	4.45 million
Part-Time for Economic Reasons	3.20 million
Total Real Unemployed	14.05 million
Real Unemployment Rate	9.6%

Sources: Bureau of Labor Statistics of the U.S. Department of Labor; *EIR*.

nounced 91,799 layoffs; automakers, 81,903 layoffs; and electronics firms, 46,668 layoffs.

Real Unemployment vs. BLS Fraud

The BLS report claimed that the official unemployment rate rose to 4.5% in April, up from 4.2% in February. As dramatic as the increase of the last two months has been, the BLS figure is a fraud, which vastly understates the real level of unemployment, in order to assuage the fear that would be generated if the reality were known. By counting the numbers of workers that the BLS official report conveniently excludes, *EIR* shows that real unemployment is more than twice the official level. *EIR* used one of two methods developed in coordination with Lyndon LaRouche, for measuring real unemployment.

The BLS excludes two groups which are, in reality, unemployed or, in one case, seriously underemployed. First, the BLS excludes a category of workers called "Want a Job Now," who want work but do not have it. But, the BLS "cleverly" has put this category in the "Not in the Labor Force." The trick is this: To be counted as unemployed, one has to be "in the labor force," and if one is categorized as "not in the labor force," then one does not qualify to be unemployed. It is as if the BLS has placed a worker on a path which leads straight out of the labor force and into oblivion.

The BLS also excludes from its count of unemployment, workers who are in the category of "part-time for economic reasons." These are workers who want to work a full-time job, but for "economic reasons"—e.g., the full-time jobs aren't there—are forced to work part-time. Part-time work is 19 hours or less per week, but in reality, many of the workers in "part-time for economic reasons" only work one to ten hours per week. They are really unemployed, or close to it. **Table 2** shows *EIR*'s measurement of the real level of unemployment.

Thus, the BLS claims that in April, 6.40 million American workers were unemployed, but the true level of unemployed was 14.05 million workers, more than double the official level. The actual unemployment rate is 9.6%.

If the out-of-control economic policy of George W. Bush and Alan Greenspan continues, this will intensify the underlying physical economic collapse, which will cause unemployment to explode even further.