

U.S. Productive Employment Plunges To 1950 Levels

by Anita Gallagher and Richard Freeman

The U.S. production manufacturing workforce has been reduced to 11.790 million workers as of July 2001. This is the result of the ongoing collapse of the U.S. real economy, of which U.S. Democratic Presidential 2004 pre-candidate Lyndon H. LaRouche, Jr. alone has warned. The last time the workforce in production manufacturing workers was this small, was in 1950—half a century ago.

In an address on July 24 broadcast internationally on the Internet, entitled “How To Beat The Depression,” LaRouche warned, “We don’t have a system that has problems, such that when it goes down, it will bounce back. *There will be no recovery from this system, under this system. . . .*”

“But economic systems are funny things. For example: They don’t collapse all at once, at the moment you make bad policies. For example, in the case of long-term infrastructure investments, in terms of education policies. It takes a generation to educate a child. It takes a generation, or about 25 years or so, to realize the full benefits of infrastructure policies. . . . So that you don’t see the effects of bad policies immediately. You see the effects down the line, when the failure to make certain investments catches up with you.”

So, the United States is now faced with a terrible crisis: a collapse in the real productive sector, that produces power, food, transportation, and other infrastructure and products, and a correlated collapse in employment of production workers, which is perceived as a “shock” to experts who refused to face reality.

The Dimensions Of Unemployment

Unemployment is rapidly accelerating. In August 2001, the number of unemployed exploded from the previous month by 562,000 workers, as U.S. official unemployment, as calculated by the Department of Labor’s Bureau of Labor Statistics (BLS), increased from 6.395 million in July to 6.957 in August. This produced a jump in the unemployment rate, from 4.5% to 4.9%. There has not been a monthly 0.4% increase in the official unemployment rate in five years.

Responding to the BLS figures, Standard and Poor’s chief economist David Wyss said: “We thought it was going to be bad, but it was worse. The continued weakness in manufactur-

ing is our basic problem; manufacturing was all of the decline.”

Production manufacturing workers in the United States fell to 11.790 million workers in July 2001—a level last seen in 1950. The total U.S. manufacturing workforce (production workers plus technical and administrative support workers) fell to 17.545 million workers. The last time the U.S. total manufacturing workforce was so small was 1964.

From July to August, 141,000 payroll manufacturing workers lost their jobs—double the 71,000 payroll jobs lost in July. (One “payroll job” may be held by more than one worker.)

Table 1 represents the cumulative job loss since July 2000 for two categories: the total manufacturing workforce, which includes technical and administrative white-collar support workers and manufacturing production workers (column 1),

TABLE 1
Cumulative Manufacturing Employment Job Loss Since July 2000

	Total Manufacturing Employment	Production Worker Manufacturing Employment
July 2000	—	—
August	69,000	57,000
September	133,000	129,000
October	150,000	143,000
November	177,000	172,000
December	222,000	205,000
January 2001	297,000	294,000
February	365,000	362,000
March	438,000	434,000
April	545,000	522,000
May	672,000	622,000
June	785,000	727,000
July	837,000	764,000
August	978,000	871,000

and the production manufacturing workforce alone (column 2).

Nearly 1 million jobs were lost between July 2000 and August 2001 in total manufacturing payroll employment, of which 871,000—nearly 90%—were *production* manufacturing workers, who produce the goods human beings need. It is these critical manufacturing jobs that comprise the vast majority of jobs lost in the U.S. economy.

The Real Rate Of Unemployment

Under LaRouche's direction, *EIR* has always compiled its own unemployment figures, because unemployment is vastly undercounted by BLS methods. Besides the BLS "official unemployed," *EIR* also counts those workers in the category "want a job now, but not in the labor force," plus those in the category "part-time for economic reasons." On that basis, 15.308 million workers is the *real* total unemployed in the United States now, yielding a rate of 10.46%—*double* the official rate.

At the same time that unemployment hits record highs, the "safety-net" aspect of unemployment has been eroded. (In fact, initial claims for unemployment were 33% higher in August 2001 than a year ago.) As documented by the Jackson, Mississippi *Clarion Ledger*, chiselling in unemployment benefits has hit low-wage workers and working parents nationwide the hardest. For example:

- Despite the bubble economy of the 1990s, which allowed many states to run record budget surpluses, many states don't have the recommended reserves in their unemployment trust funds.

- Regulations on who qualifies for benefits are more restrictive in many states than during the 1990s; in the last five years, 19 states have increased the earnings requirement to qualify for unemployment benefits, while only one state has lowered it.

- Of the 10 million workers who filed unemployment claims in 2000, some 3 million were found ineligible. Others never apply, are found ineligible, or remain unemployed after exhausting their benefits. For 2000, the *Clarion Ledger* estimates that only 38% of the jobless received unemployment checks, as opposed to the 1950s, when half the unemployed received benefits.

- Laws in most states fail to accommodate a changing American workforce of single parents and two-income couples, who must structure work around childcare. If an applicant can't work nights or weekends, for example, ten states deny that applicant unemployment benefits, according to the Government Accounting Office.

- If an applicant can't work more than 30 hours a week, 30 states will not give benefits if the applicant won't work full time.

- Former welfare recipients who took low-wage jobs, and were then laid off, are finding that they are ineligible for unemployment benefits because they didn't earn enough. For



The lines of unemployed—this one, in California's Alameda County—are a lot longer than the official unemployment figures. The nation's productive manufacturing workforce has shrunk to its level of half a century ago.

example, a person working 30 hours a week for the minimum wage of \$5.15 per hour earns \$154.50 a week—below the minimum weekly earnings of \$169 required for benefits in Ohio.

- All employers pay at least 6.2% of an employee's first \$7,000 in earnings under the Federal Unemployment Tax Act; 41 states tax wages beyond the first \$7,000. These payroll taxes generated billions of dollars in revenue, of which \$54.6 billion was in reserve at the end of 2000. There are also three Federal unemployment trust funds that have grown to an estimated \$38.8 billion. Yet, in 2000, twenty-three states were considered to have insufficient reserves to cover benefits in a one-year recession—the minimum period recommended by a Federal advisory commission in 1995. Why? Many states aggressively cut their unemployment payroll taxes during the 1990s—bubble-headed thinking to match the financial bubble.

Telecom Sector Meltdown A Paradigm

The anatomy of the collapse of the telecommunications sector which recently appeared in the London *Financial Times* presents a case study of the disintegration of the "New Economy." In the last 18 months, \$3.8 trillion has been lost in the stock of telecom operators and manufacturers glob-

TABLE 2

Lay-offs In The Telecom Sector Since Jan. 1, 2001 (Firms Which Have Laid Off 5,000 Or More)

Company	Job Cuts	Function
Lucent Technologies	44,910	Network equipment
China Unicom	34,478	Telecom operator
Motorola	32,000	Mobile phone equipment
Nortel Networks	30,000	Network equipment
Alcatel	25,300	Network and mobile phone equipment
Ericsson	22,000	Mobile phone equipment
Solectron	20,700	Contract network equipment
JDS Uniphase	16,000	Optical network components
Philips	11,000	Mobile phone equipment
Siemens	9,700	Mobile phone and network equipment
ADC	9,500	Broadband equipment
Cisco Systems	8,500	Network equipment
Marconi	7,000	Network equipment
WorldCom Group	6,832	Alternative telecom operator
Corning	6,800	Fiber-optic components
Agere Systems	6,000	Network components
British Telecom	6,000	Telecom operator
Cable & Wireless	5,500	Network operator
NTL	5,000	Cable operator

Source: London *Financial Times*, Sept. 7, 2001.

ally—for comparison, an amount that far exceeds the \$850 billion losses in Asian stock markets during the 1997-98 “Asian financial crisis.”

A large telecom operator has gone bust every six days, on average, for the past six months. Spending on the telecom sector in the United States and Europe amounted to \$4 trillion between 1997 and 2001. More than \$1.8 trillion was lent to the telecom sector by banks, bond markets, and private equity issuers during 1996-2001.

The telecom companies shown in **Table 2** have laid off 5,000 or more workers since Jan. 1, 2001, as compiled by the London *Financial Times*—totalling over 300,000 workers in eight months.

The telecom industry was overbuilt in “Al Gore” lunatic fashion, based on the belief that an explosive expansion of the Internet (perhaps by the 60% of the population in Asia who make less than \$2 day becoming users) would create a virtually infinite demand for telecom capacity. In fact, only 1-2% of all the fiber-optic cable laid in the United States and Europe is “lit,” or turned on; and, of the capacity turned on, only one-tenth of that capacity is actually used. Thus, only one-one-thousandth of the total fiber-optic capacity in the United States and Europe has ever been utilized.

Test New Damming Method On Ohio River

by Marcia Merry Baker and Walter Merry

The Army Corps of Engineers is in the process of creating an engineering first, for a new dam construction method, in a dam-replacement project on the Monongahela River, just upstream from Pittsburgh.

Internationally, we face economic depression, made worse by chaos ensuing from the Sept. 11 strategic operations hit on the United States. Yet now is the right time to be thinking ahead to how infrastructure advancement could proceed—especially by leap-frogging over outmoded technologies, with new, effort-saving methods. Many of the dams on U.S. river navigation systems are nearing 100 years old, and way past due for replacement. For these, and similar locations in other nations, the Engineering Corps project could be a major advance.

The simple approach being demonstrated on the “Mon,” is to build the dam in advance, elsewhere, in parts, then float them to the final location, and join them together at the permanent installation site. A nice idea, but the trick is the execution of it.

The test project is to replace the 1905 dam at the Locks and Dam No. 2 of the Monongahela River, at Braddock, just upstream from where the Mon, rising from the South, joins the Allegheny, rising from the Northeast, to form the Ohio River at the “Point” in Pittsburgh. On July 26, the first of two sections for the new dam was floated 27 miles from its construction site, near to where it will be joined by the second section early next year, for final installation in 2002 as a new dam. No coffer, no diversions, and only minimal down-time for shipping in the Ohio-Monongahela system will be required. This means vast savings in labor, funds, and resources.

The photograph shows the new dam site schematically (not exactly), and the existing old dam. The features shown include a 1953 lockmaster tower (white), between the two locks; and the prominent Edgar Thomson Steel Works.

Floating Into Place

The first of two modular sections, “Braddock Dam Segment No. 1,” for the new dam at Locks and Dam 2 on the Mon, was constructed in a joint venture by the Corps, J.A. Jones Construction Co., and Traylor Brothers Inc., at Leetsdale, some 26 miles down river from its intended site. “No. 1 Segment” is made of concrete, with an airtight central