

EIR **Economic Survey**

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

by Chris White

Could the United States go the way of Russia? Could there be a point, perhaps in the coming years, before the end of the century, when, as Russians found during that morning in August 1991, the "system," which they had taken for granted for so long, disappeared, almost overnight?

Not a fitting subject, it might be thought, for a review of the U.S. economy at year's end 1993. Yet, without fundamental changes, that is precisely where the United States is headed.

The international spread, from New York City, of the cancer of derivatives, is one of the year's signposts of this course of events. Another is the institutional reaction to the once-in-500-years flood which devastated the Upper Mississippi and Missouri river valleys during the spring and summer.

It can be said that any nation which tolerates the spread of an evil as pernicious and insane as that represented by financial derivatives, has lost any mooring in higher purpose or morality that it might once have had.

When that toleration is combined with the obscene insistence that "non-constructive" means be employed to rebuild from the effect of the floods, that once-productive communities be dismantled and paid to dismember themselves, and that land, won from nature for human cultivation and habitation over more than 200 years, be permitted to revert to its so-called pristine purity, then one has to ask: Just how much longer can this insanity go on?

For, it can be proven, such practices, and their broader toleration, are as much of a violation of the Creator's law to "go forth and multiply, replenish the earth and subdue it" as communism in Russia was. It was in March 1993 that jailed presidential candidate and world-renowned economist Lyndon LaRouche proposed that transactions in financial deriva-

tives be subjected to a tax of 0.1% on their notional value. Over the course of the year, LaRouche and his associates did indeed push the matter of derivatives onto the international agenda, as well as that of several individual countries, in a new way.

But, nothing has thus far been done to bring under control the threat represented by this insane concoction from the world of the financial powers that be.

How can such a failure be noted as a litmus test of a nation's capacity to survive? The answer is very straightforward. No one, outside the ranks of a few, seems to have any comprehension of what the derivatives insanity actually represents, and what LaRouche's tax was designed to achieve. What might that mean? That no one knows any longer what they are talking about on these questions. Their lips move, words come out, but, by and large, the results bear less correspondence to reality than do certain experiments which have been concerned with teaching chimpanzees how to write, or otherwise communicate.

The proponents of derivatives, such as Paul Volcker's Group of 30, J.P. Morgan, Citicorp, and their apologists at the International Swap Dealers' Association, insist that those of us who so much as question what they are doing are hopelessly naive, dangerously out of touch, ignorant about how the modern world works, and unaware of the great benefits that accrue to all of us by adopting their methods of managing so-called "risk."

This is no different than what the same people said not so long ago about the great benefits that would accrue from leveraged buyouts, bank real estate lending, savings and loan involvement in money markets, and Third World debt, and, they say, we have learnt the lessons of those events. With our new methods we can ensure that it doesn't happen again.

So, as the year draws to its close, various agencies are releasing estimates which conform to what we insisted, when the notional value of derivatives was estimated at \$4-5 trillion, that no one knew what the size of the problem actually was.

For over the month of November, it was first reported that derivative exposure of banks was in the order of \$7.5 trillion, and then the Office of the Comptroller of the Currency, part of the Treasury Department, and thus part of the U.S. government, reported its finding that such exposure was nearer \$12 trillion. This is roughly the same as the total accumulated debt of the U.S. economy as a whole, and nearly twice the size of the Gross National Product, so-called, and three times the size of the federal government's debt.

How can it be that a pile of liabilities, whose extent is still not fully plumbed, sprang up, from relatively nothing in 1987, to at least \$12 trillion six years later, and no one noticed; no one wanted to know, hey, what on earth is going on here? What are you characters getting us into now?

How come the decision to employ so-called non-constructive means in the Upper Mississippi and Missouri river valleys has not been greeted with howls of protest? It is a long way from the coastal centers of population, to be sure. It is the land of farmers, and the communities which service farm labor, the concern of a mere minority, according to some. It might have some effect on the food supply, and food prices, but now we've got derivatives, so that can be handled. We can hedge against the effects of price movements, and as for those who don't have enough food, and can't afford to buy it, they do not count. They, two-thirds of the world's population though they may be, do not constitute "effective" demand. That kind of decision signifies that there is no longer existent any commitment to defend the integrity of the United States as a nation. That might sound extreme, perhaps, but it is nonetheless true.

The logistical heart of the nation

The area bounded by Paducah, Kentucky and Cairo, Illinois in the south, where the Ohio River meets the Mississippi, to the confluence of the Illinois River and the Mississippi in the north, near Grafton, Illinois, cut in two by the intersection of the Missouri and the Mississippi, constitutes the logistical heart of the nation, and therefore, given its sheer size and topographical and industrial layout, its economic heart also. The four rivers which come together there are the means whereby, over more than 200 years, successive generations have bound the cities and settlements of the coastal regions to the north, east, south, and west into a functioning whole. Still, to this day, more than 50% of the U.S. population lives within less than 100 miles of a coastline, whether that be on either one of the oceans, the Gulf of Mexico, or the Great Lakes.

The confluences of the great rivers of the country, on that single stretch of the Mississippi, are the key nodal points in the entire ground transportation system, such as it is, and

1960s plans for plentiful power, water in the 1990s

In 1958, President Dwight Eisenhower addressed the United Nations on the subject of water and power development proposals for the arid Middle East: "The ancient problem of water is on the threshold of solution. Energy, determination, and science will carry it over that threshold" (U.N. General Assembly, Aug. 13, 1958). At the same time, government and private plans were in the works for guaranteeing that water and power infrastructure development projects would be advanced in the United States—and for continental North America—to be sure that the United States, Canada, and Mexico would have a continuing supply of plentiful water for the 21st century.

In 1962, the book *Project Plowshare* presented the ways in which atomic power could provide energy and earthmoving muscle to build the water systems, ports, canals and other big projects to further economic development (Washington, D.C.: Public Affairs Press, 1962).

In 1966, the book *The Coming Water Famine* was released by Texas lawmaker Jim Wright, advocating the North American Water and Power Alliance (Nawapa) approach (New York: Coward McCann, 1966). Wright later became Speaker of the House of Representatives and was driven out of office by scandals in the 1980s. Wright credits Donald McCord Baker, former water planning engineer for Los Angeles County, with the original idea for Nawapa, and reports that Baker enlisted the Ralph M. Parsons Co. to develop the proposal.

thus in the national organization of production and distribution over a territory which extends about 3,000 miles east to west, and 750 or so miles north to south. To found a so-called policy on the grounds that nature has first claim over this area, is to assert, in effect, that human activity will not be defended there, unless humans submit to the periodic ravages of the uncontrolled and unrestrained rivers that come together there. While at the same time, refusal to act against derivatives, asserts further that human activity will continue to be subordinate to whatever usurious looting swindles the financial community dreams up.

No surprise then, that such excitement continues to reign over monthly movements in reported unemployment, while government series show that for 10 years, the full rate, in-

cluding discouraged, part-time, and so on has not dropped much below 17%. Or, that monthly increases in food stamp recipient numbers show more than one-quarter of the nation's households enrolled in the program. Or, that poverty levels, from official, wildly contentious reports, have returned to what prevailed before John F. Kennedy was elected President. All, while the leading, useless indicator, Gross National Product, continues to grow.

Perhaps other events, or developments, could be chosen to characterize the past year. But these two—the failure to act on the matter of derivatives and the failure to defend achievements out of which a very nation was built—highlight what has gone abysmally wrong. LaRouche and this magazine have insisted, over months, and indeed, since summer and fall 1983, what potentialities were being set loose in Russia. LaRouche has warned, since the summer of 1991, what the foreseeable effect of the application of the so-called shock therapy reform policies associated with Jeffrey Sachs and the International Monetary Fund would be, given the predominant culture of Russian society. This past year seems to have been, once again, the year in which, on the Russian question, LaRouche was proven right, and all those who opposed him dead wrong.

But, those who have opposed, disagreed, or have chosen to follow their agenda of the “New Condominium,” ought to look over their shoulders at these United States. If they've been wrong on Russia, why should anything they take for granted about the United States in the world, have any lasting validity either? Are not such opinions ultimately to prove as delusionary and as worthless in effect? Don't errors made, consistently, about Russia, reflect the reality that their whole way of thinking about everything, starting from their own backyard, is wrong, and therefore, every particular judgment made, or conclusion drawn, from that false way of thinking has to be wrong too?

The emperor's new recovery

But, it has been objected, the United States is the mightiest economic power on the face of the earth, the strongest, most productive economy the world has ever seen. The United States, it is said, is in the early phases of a new economic recovery, emerging leaner and more competitive, from the “restructuring” of the past decade. This reviving U.S. economic power is supposed to be the basis for continued U.S. global power and what is euphemistically called our world leadership role. It might be remembered by those who so insist, that it was not so long ago that communist-ruled Russia had its “restructuring” under the banner of Gorbachov's perestroika. It might also be remembered how the citizens of Hans Christian Anderson's story admired their emperor's suit of new clothes.

Look at some of the idiotic fairy-tales which are continually issued to beguile us, and the rest of the world: We are in a recovery because we have lowered interest rates. Lower

interest rates cheapen the cost of credit, permitting everybody from Citibank's John Reed to the holder of one of John Reed's credit cards, to rebuild their balance sheets. Lower interest rates and rebuilt balance sheets combine to stimulate household consumption. Increased demand from households revives producing industries which have to provide the supply. The revival of producing industries will create jobs, though so far, it is admitted, we have a jobless recovery. But be patient, lower interest rates will work their magic eventually. All this, in the global context of “free trade agreements” and regional associations, such as the North American Free Trade Agreement (NAFTA), will ensure continued prosperity, as long as the government keeps its deficit under control, so as not to provoke any rise in interest rates, which would reverse the whole process. This has been the refrain of Federal Reserve Chairman Alan Greenspan over the last period. And he is not the only one.

This string of formulas functions as a template on which all economic policy discussion hangs. In this insane world, every little dropping, out of any agency or official or corporation, is referenced back to the supreme question: What will the effect be on interest rates, and how will the bond market respond, on long-term interest rates, on short-term interest rates? Because, it is presumed, that is what governs the cycle which starts with the perception of expansion of consumer demand. So we go from cycle to cycle, because the expansion of demand leads to over-heating, which leads to increases in interest rates, has negative effects on stock markets, and other sources of money, and we go back into recession.

Why no one has yet stepped forward to declare that this phenomenon is no longer a problem, because we now have derivatives, which permit us to manage such risks, is quite beyond the limits of imagination. Why those who insist that derivatives are the best, most wholesome, invention since sliced bread, are among those afraid of the effects of interest rate increases “at some point in the cycle,” is a good indicator that the sales job they have been doing for their “product line,” and its capability to manage “risk,” is just that, salesmen's patter.

Count them, backwards, or forwards, it doesn't matter: The oil shock-induced recession of 1973-74, the Arthur Burns-organized recovery, based on promoting consumer spending, which led to inflation, which led to Paul Volcker's high interest rates, and the recession of 1979-82, which led to “the longest sustained recovery” in U.S. history, which led to recession, which the country officially began to come out of in 1991. This nonsense affects everything and everyone. “At this stage of the cycle, we would expect. . . .” “At this stage of the cycle we ought to be seeing. . . .” “Given the stage of the cycle we are in and the impact of the President's tax increases, we should begin to see the economy slowing down sometime between the end of the second and the beginning of the third quarters of 1994.” “Economists are puzzled that at this stage in the cycle the strength of the recovery has

not yet begun to make itself felt in the employment picture.”

Of course, if you believe the chatter, then the twelvefold increase in six years of a new class of financial liabilities is merely testimony to the wealth-creating powers of markets unleashed and left to regulate themselves according to the laws of the cycle, and the requirement that money, or the smell of money, be permitted to flow from cheapest source to best return, unhindered by any consideration or contrary priority whatsoever. And the worst devastation in 500 years represents a good buying opportunity for consumer goods stocks, because all those people who were flooded out have to replace their furniture and appliances, and the farmers need new machinery, and it will all strengthen the fundamentals of the cycle.

Anyone who is actually capable of submitting his mind to that kind of psychotic straitjacket is actually no more capable of dealing with real ideas and the real world than were the bureaucratic leaders of restructuring Russia prior to August 1991. Because a mind so degraded that it can do that, will also assimilate all evidence that it is crazed, as proof positive that its beliefs are right, absolutely correct, and have been all along. All contrary indications can be made coherent with the cycle theory; after all, they are part of the cycle, aren't they? What goes around, comes around. So such people, if they keep to their idiotic nonsense, will turn out to be as incapable as Russia's former rulers were, of reading what is going on right under their noses. After all, as the communists used to insist, it's all part of the plan.

You see, there isn't any recovery. There isn't a recovery gathering steam out there somewhere right now, whether it's in the floating casinos on the Mississippi, or the bank accounts of householders in Teaneck, New Jersey, or San Leandro, California. There wasn't any "longest, sustained recovery in economic history" which began sometime between 1982 and 1983, to be sunk eventually by George Bush's tax increases. Nor was there any consumer-led recovery, organized by the genius of Arthur Burns in the 1970s. These events, which we have either been going into, or coming out of, for 20 years now, didn't actually happen at all. They weren't real.

How come the peak of each "recovery" phase is lower than that of the recovery phase which preceded it? Because the stuff and nonsense about "cycles" is as much pure bunk as the stories about successive recoveries. If environmentalists were really serious about what we are doing to trees, they could do us all a favor by getting every newspaper in the country shut down which reports this stuff. The interest rate-driven, consumer demand-led "business cycle" does not exist. It is a piece of hokum, like the tooth-fairy.

So, the case of derivatives: Assume the rarity, someone who knows there's a problem out there that is running out of control, and might do much worse than that, and probably will, given the track record of those involved. Say to such a person, look, there's a difference between the real economy

and this financial stuff, we can agree on that, can't we? And the answer will probably be "yes, of course." But what is agreed on? Nothing, because absolutely nothing behind the words is understood. Where do you find yourself? Right back in the midst of the "economics" of the business cycle. Or, yes, of course we *should* rebuild in the Upper Mississippi Valley, just as we should have rebuilt in Los Angeles, or Homestead, Florida, or even Charleston, South Carolina. But we haven't got the money. We can't afford it.

Behind the cycle nonsense, the crass stupidity that keeps on coming up is money—that economy is about money, its availability, its cost, the return on it, and the idiotic idea that you can't do anything, as a nation, without it.

What distinguishes human beings

Something thereby gets left out of the picture. What might that be? Mankind. Except for LaRouche and his associates, there is no one else in the world who can present the case that economy is human activity. Yes, ants do have social organization, and an ant-like functional division of labor. Yes, chimpanzees do use tools to help with the daily round of being a chimpanzee. But neither ants, nor chimpanzees, nor any other of the lower life forms, have been endowed with the individual capacity to use their minds to create and improve tools, or develop a division of labor, that their species might continually improve itself. To say that man, individual man, is not at the center of the process of improvement of himself and his own existence, which is economy, is to say that man is subordinate to something other than himself, be it mumbo-jumbo about cycles, money or whatever. It is to insist that man's identity as self-improving species is limited and constrained, that he, then, is not who he is, but just another creature, no different than the lower beasts, because the worth of his individual brief span of life is not measured by his potentially enduring contribution to the improvement of the species as a whole.

On those grounds, Russia's former communists and the elites of the West have more in common than meets the eye. The one suppressed the individual in the collective restraints of a brutal police state, the other suppresses human individuality in fostering the brutal conformity of egotistical "everyone for himself" hedonism, the life-boat economics of the 1980s. In the one, the individual is subjected to a commonality enforced by repression; in the other, any conception of a higher purpose which binds man to man, whether that of family, community, nation, or religion, is dissolved through the competitive assertion of the "I" against everything and anything else. The common features of these apparently divergent methods are what ensure that without fundamental changes, the United States will, sooner or later, itself go through the process of dissolution that communist Russia went through in 1991.

Most people no longer have a reference point in their lives for any such considerations. The population ages, and

Dr. King saw economic buildup as key to justice

Dr. Martin Luther King, Jr., in organizing for civil rights, frequently spoke on the necessity for a just economic program for the United States. The following comes from the chapter, "The Days to Come," in the book *Why We Can't Wait*, which was released 30 years ago (New York: Harper, 1963):

"Civilization, particularly in the United States, has long possessed the material wealth and resources to feed, clothe and shelter all of its citizens. Civilization has endowed man with the capacity to organize change, to conceive and implement plans. . . ."

Dr. King called for a "Bill of Rights for the Disadvantaged." He said, "While Negroes form the vast majority of America's disadvantaged, there are millions of white poor who would also benefit from such a bill. The moral justification for special measures for Negroes is rooted in

the robberies inherent in the institution of slavery. Many poor whites were the derivative victims of slavery. As long as labor was cheapened by the involuntary servitude of the black man, the freedom of white labor, especially in the South, was little more than a myth. It was free only to bargain from the depressed base imposed by slavery upon the whole labor market. . . ."

"It is a simple matter of justice that America, in dealing creatively with the task of raising the Negro from backwardness, should also be rescuing a large stratum of the forgotten white poor. A Bill of Rights for the Disadvantaged could mark the rise of a new era, in which the full resources of the society would be used to attack the tenacious poverty which so paradoxically exists in the midst of plenty. . . ."

Dr. King called for full employment in building the national economy. "The energetic and creative expansion of work opportunities, in both the public and private sectors or our economy, is an imperative worthy of the richest nation on earth, whose abundance is an embarrassment as long as millions of poor are imprisoned and constantly self-renewed within an expanding population."

as it ages, those whose knowledge stretched back to days gone by, when things were different, pass on, and the survivors are left with their memories of those who knew, to pass on through family or other means, and the quality of the culture is attenuated. So it is in our time. There are two defining moments, for people of a certain age; three for those of an older generation. Most, out of childhood at the time, know precisely where they were, and what they were doing, at that moment, 30 years ago now, when President John F. Kennedy's assassination was reported to the world from Dealy Plaza in Dallas. And again, later, when no credible solution to that crime was forthcoming from the highest levels of the country, everyone old enough knew, whether they wanted to admit it or not, that we had a big problem on our hands, if such a monstrous thing could be done, and then covered up. Most of those, and some others, also remember that moment, in the summer of 1969, when Neil Armstrong took his "one small step for a man, one giant leap for mankind" and stepped off the ladder of the Apollo spacecraft's lunar module to raise the Stars and Stripes on the surface of the Moon. At that moment, the project Kennedy had launched when he called on the nation to make the commitment to put an American on the Moon, within the decade, had been brought to fruition. It was a project which involved us all, a project whose success was a victory for us all. For an earlier generation, VE-Day 1945 is similar, a day that lives in memory, precisely because it also affirms that the higher purpose which unites us all as humans is knowable,

and does exist, no matter what anyone else says to the contrary.

Such considerations not only tell us that individuals can and do contribute to a higher purpose, but they also tell us, if you want to comprehend what is going on, now, in the United States, you have to go back in time, 25 to 30 years, to days when things were organized differently—not perfectly, but differently. Though we have maintained some of the capabilities we developed to put men on the Moon, cities, such as Detroit, Newark, Los Angeles, Oakland, Hartford, also still do bear the unreconstructed scars of the riots of a generation ago.

Compare what went before with what changed, and how it changed. If you're too young to know, you should want to find out. If you're old enough to remember, it's your life, you changed too, becoming a different, lesser person, and the chances are, if you are honest with yourself, that you can remember the moments of decision in your life which mark that process of decline, just as clearly as you can remember the large-scale events which shaped the world in which you made them. And, of course, the rationalizations employed to justify them. It seemed like it was all for the best. It seemed like the lesser of various evils. There didn't appear to be any choice. "I knew it was wrong, but there was nothing I could do about it. I didn't want to do it, but I had to." Out of such seemingly small decisions, consolingly cloaking themselves with such justifications for impotence, tragedy, of classical proportions, is written for the life of nations and cultures.

1967 a turning-point

That is one of the reasons why we go back to the year 1967 to present material which refutes the insane garbage about the cyclical theory of the behavior of the U.S. economy. Because in a sense, 1967, the year of the "Summer of Love," "if you're going to San Francisco, be sure to wear some flowers in your hair," "turn on, tune in, drop out," "just do your own thing, man, don't get hung up about it," is the dividing line between the world which went before, and the world which came after, which we inherited. It was the year in which the rock-drug-sex counterculture emerged as a mass movement among the generation of baby-boomers, raised by Dr. Spock's method, who, a generation later, have risen to power in national institutions of all types. The year in which the rationality of the old moral values, under which a family could create better conditions of life for the children it was bringing up, than those known by parent generations, through skills acquired to facilitate productive work, began to be replaced by the utter lunacy of so-called spiritual self-fulfillment through the "trip into inner space," whether drug-assisted or not.

That year 1967 also, not coincidentally, happens to be the year in which the policy reversal, adopted after the assassination of President Kennedy, began to win out, over the recovery programs, such as the investment tax credit, or the space effort, which Kennedy had launched to pull the economy out of the "cyclical" recession that had been the outcome of the Eisenhower years. "Consumerism" and "redistributing the wealth," ideas embodied in what became of Lyndon Johnson's Great Society program, began to win out over the older, alternate idea, that wealth production was the effective and equitable way to solve all such problems.

So, for both these reasons, 1967 happens to be a good bench mark to assess the direction of the U.S. economy, from which to situate the insanity of the propagandists of short-term cyclical theories. We will present this material under two main headings. First, from the standpoint of the family household and employment; second, from the aspect of the household's ability to produce the means of its own existence. We will show that there has been an across-the-board reduction of about 40% in the productive power of the U.S. household over the years since 1967. That such a decline has indeed gone in phases, which roughly correspond to the recession and recovery phases of the crazies. But, that each such phase actually represents a brief period of, so to speak, metastability, in a continuing, and accelerating downward spiral. At each phase, for example, called "recession," capacities developed over years, both in terms of capacities of the work force, as well as the physical capacity represented by various types of production and consumption, are lost. Each successive period of so-called recovery has represented an "adjustment," so to speak, to the newer, lower level of functioning. Things might appear to improve, for a while, but the capacities lost are not like winter clothing,

which can be put in the closet in the spring, and forgotten till next year. They cannot be brought back, unless someone does something to bring them back.

Thus, there has been no rebuilding of what has been lost during any so-called recovery phase. Thus, the peak of each such successive recovery phase has to be lower than the peak of the so-called recovery phase which preceded it. So the decline from capital goods production capabilities which could roughly provide for a nation's own internal needs, with some capacity for export, especially in areas such as power generation, chemical and petro-chemical processing industries—capabilities that shrunk during the '70s—to a sector, for example machine tools, largely supplying internal consumption of primarily consumer goods, like automobiles. The shrunken capacity, not capable of supplying the industries which used to export, then depreciated, without replacement, for the remaining capabilities it served, to disappear, in its turn, in the early 1980s. Leaving the industries thus exposed, unable to recapitalize themselves with plant and equipment, and thus unable to produce at what had been the earlier level. And, thus, the import dependency, looted out of the rest of the world, which has developed, over the recent so-called recovery cycles. This, to the point that once-existing capabilities of both labor force, and plant and equipment, have been destroyed more thoroughly than was done during the so-called Great Depression of the 1930s. And all in the name of successive "recoveries."

A real recovery

It is worth remembering that the depression of the 1930s was not really called a "depression" till it had been turned around by the mobilization of the economy for war. It too was seen, at the time, as a succession of coming out of, and going into, recovery and recession. The level of attrition and collapse permits rough, rule of thumb parameters to be set down to establish what an actual recovery would have to achieve, or project with reasonable certainty that it would, and could be achieved, before it could be considered to be a real recovery.

Assuming, in first instance wrongly, that what had been lost could be rebuilt, using the technological capabilities of the past, then employment in the manufacturing and raw materials processing sector of the economy would have to double, and more, from around 12 million people thus employed, to between 25 and 30 million people. That would require, in its turn, a doubling of the power and fuel supplied to industry, and a doubling in present capabilities of the transportation system to move goods through the system. Since, for example, industrial electricity use is about 30% of the 20,000 kwh total electricity consumed per household, doubling industrial use would mean increasing overall electricity consumption by roughly 60%. The transport system would have to handle 10-12 million tons of freight per year, instead of 5-6 million.

If technologies are employed to increase worker productivity, by the doubling which could readily be achieved by the extension of systems based on coherent energy applications to raw materials and intermediate goods processing, e. g., laser isotope separation and related processes, then the employment requirements for recovery would be reduced to between 6 and 8 million new jobs in the manufacturing sector; but this would not change significantly either the power requirements, in electrical terms, or the scale of freight movement the transportation system would have to be redesigned to handle. Under standing engineering cost estimates of the \$50,000 investment required to create one goods-producing job per year, the cost, in money terms, would be in the order of \$300 billion per annum.

Anybody who talks about "recovery," and isn't prepared to discuss from the standpoint of those kinds of crude parameters, does not know what he is talking about. He isn't even in the proverbial ball-park. But, he is playing the game the Russian communists played before August 1991.

Furthermore, the whole effort presupposes the existence of a cadre of management and labor skills capable of organizing the effort to bring such a process off the drawing boards and into the real world. Since the last great such national effort was Roosevelt's wartime mobilization, the population cohorts which have the direct knowledge of how such processes are effectively organized, are all in the range of 70 years old, or more. With what vileness then, do we condemn such a precious resource to a second childhood in the playground graveyards of Florida and southern California, assuming they can escape the clutches of children and grandchildren who want "what's coming to them," now, or their assistants, the Dr. Kevoorkians of the world.

Against the proponents of the cycle of recovery and recession, we are considering a spiral form of cyclical action which is made up, on one side, of the action of family household organization and replacement, action governed by the actuarial life expectancy of the individual, from cradle to grave, from childhood through education qualification to employment and household formation, and production of a successor generation, to later years, and retirement. Each, as employment typifies, is a sub-cycle of the whole. And, on the other side, of the physical organization of the process of production and distribution which permits the cycle of household organization and replacement to proceed. Here, determining characteristics of the action would be the required skill and cultural level of the work force, and its working life, as well as the physical investment cycle, and useful lifetime, of plant and equipment.

Given a growing population, LaRouche has proven, since for any level of technology employed, the level of resources defined by that technology is relatively fixed, for each part of the spiral action to advance, there must be a flow of technological innovations which not only continually cheapen the cost of raw materials, but also define new classes of raw

materials, and thus new skill levels, new consumption standards, and new qualification levels for effective household functioning. Creative ideas, generating a succession of scientific principles, transformed into a force for change through the application of new scientific principles in more advanced machine-making capabilities, make the growth of the whole spiral of action possible.

Basic economic infrastructure, man-made improvements in nature to provide power, water, and transportation, like new scientific principles embodied as new classes of machinery, bring both sides of the spiral of action together. And when those new classes of scientific principle can be applied though the application of new technologies of basic economic infrastructure, there the ensuing economic growth will be the most rapid.

Such principles are reflected in the historical growth of the few million potential members of the human species during the Pleistocene, to about 6 billion of us today, and thus in the increasing population density of the human species, achieved as a function of increasing potential relative population density, relative to the potentials of rising per household, and per square kilometer, productivities in power application and throughput, in the social division of labor, increases in the capital intensity of production, and the improvement, and cheapening, of the goods and services which make human life possible, made possible by the application of new scientific ideas to advances in technology applied.

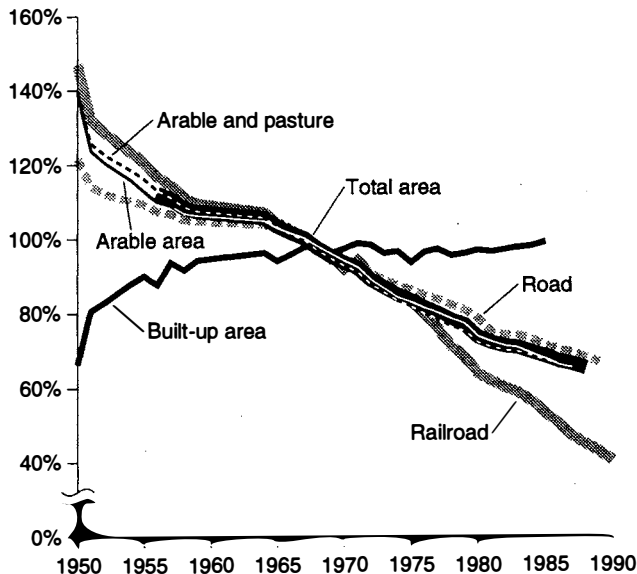
For growth to occur, and the human race to survive as it should, all such criteria must be satisfied in such a way that technology advances more rapidly than power applications and throughput increase, and capital intensity increases. Only thus can the relative depletion of apparently fixed raw materials production and processing modes be avoided. If any one of those criteria is not met, there isn't growth, and there will be problems coming. If none are met, or some stagnate, and others decline, then disaster is either here already or not so far away at all. That is what has happened to the United States since the 1960s.

Infrastructure

Let's take some parameters which reflect what has happened to basic economic infrastructure over that period of a generation, since infrastructure is that parameter which bridges both sides of the spiral of action. **Figure 1** shows two things. First, some measures of what has happened to population density, by type of land use, since the mid-1960s. Built-up area per household has increased, reflecting the spreading sprawl of the cities, and therefore, as is apparent to anyone, the accumulating destruction of organized urban life.

But at the same time, the land area required to produce the crop- and livestock-sourced food products for each household has declined dramatically. The 1967 values are: 0.158 square kilometers of total area per household, 0.074 km² of

FIGURE 1
Land area per household, by use
 (percent of 1967 level)

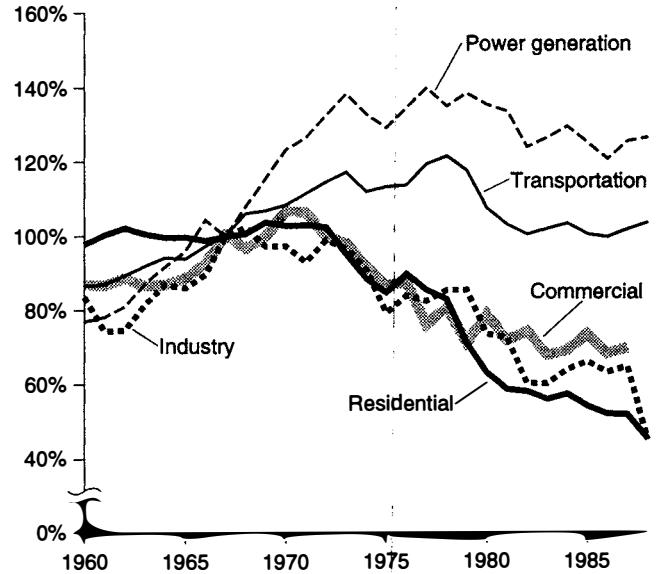


Source: EIR.

arable area and pasture combined, 0.032 km² of arable area, 0.002 km² of built-up area. The lengths, for roads and railroads are respectively 1,000 km and 9.9 km. Compare then the reduction in crop and livestock area employed per household with the charts of railroad track density per household, and road density per household. By the end of the 1980s, each household had 60% of the highway network, and 40% of the railroad network it had in 1967. The railroad shrinkage reflects the absolute reduction of the extent of the railroad system's layout which has been pursued relentlessly in the name of cost-cutting, especially since the bankruptcy of the Penn Central system in 1971. The road system decline disguises the completion of the Eisenhower-initiated interstate highway system, but does reflect the fact that, while the cheapest form of ground transportation has been wiped out, except for bulk goods like coal, which no other carrier can move in the volume required, the less effective highway system has not kept pace.

Even the proponents of the cycle theory ought to concede that if there are more households—and there are 50% more of them than there were in 1967—and the urban area has expanded faster than the number of households has, that there ought to be some growth in the per household density of the transportation network. The more so, as crop and pasture area employed, the largest extensive land use, has remained in total roughly the same. The 50% increase in the number of households is offset by a more than 40% decline in crop land per household. So the transport network ought to be

FIGURE 2
Fuel consumption
 (percent of 1967 levels)



Source: EIR.

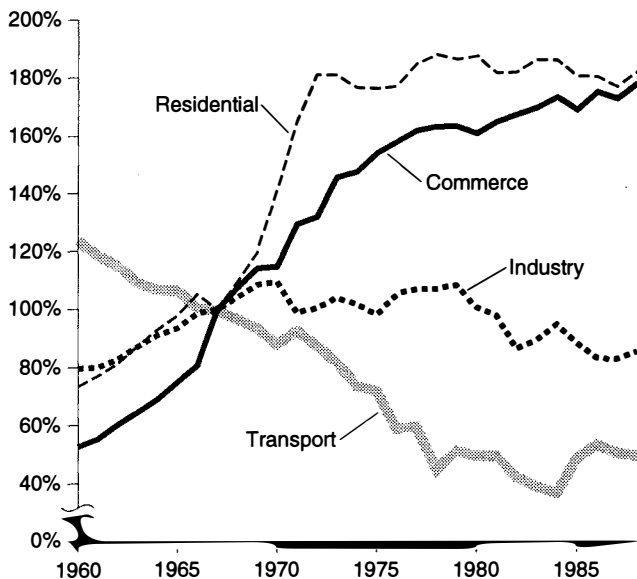
sufficient to serve both the same area, and the city area expansion which primarily follows the growth in the number of households. Compare then **Figures 2 and 3**, showing fuel and electricity consumption.

To start, note that where fuel consumed in both power generation and in transportation has increased above where these figures were in 1967, this is, in effect, to use more to deliver a lesser capability. Set those two figures against industrial fuel and electricity consumption, and household electricity consumption. Again, the relevant starting values are: For total electricity consumption, 22.233 megawatt-hours, of which 10.799 was used in industry, 5.560 in residences, and 5.05 in commercial activities and public use, such as educational establishments and hospitals.

For the fuel supply, the 1967 base value is taken as 17.08 metric tons, of which 5.72 were consumed in industry, 5.1 in transportation, and 6.77 to generate electrical power. The declining volumes, and the changing relationships between the different uses, show that we are no longer doing what we used to do with our power and fuel supplies. Of course, the environmentalists might argue that we are now fuel efficient, where before we were not. In the case of the household switch out of fuels and into electricity, that might indeed be true. But, the decline in industrial fuel and electricity use both argue that more "energy savings" have been achieved by reducing essential capacities than have been by improving the so-called efficiency of fuel use.

Thus the decline in total fuel consumption closely follows

FIGURE 3
Electricity consumption
 (percent of 1967 levels)



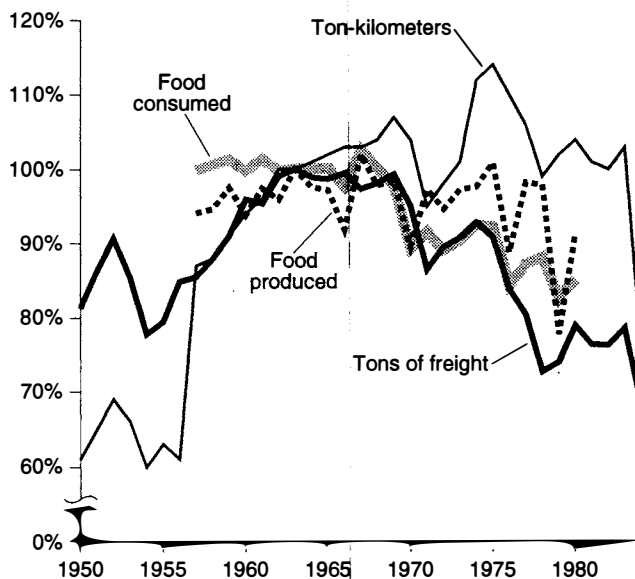
Source: EIR.

the decline in industrial and residential uses, and offsets the increase, and later stagnation, in transportation and electrical-generating uses. Fuel used for transportation, which accounts for 60% of all oil consumption, increased in per household terms during the 1970s, coming to stagnate at a level comparable to that of 1967. Both sets of charts reveal the pattern which the cyclical theorists identify with their recoveries and their recessions. This is seen more clearly in the chart of fuel consumption, where for example, the upward trend in both fuel for transportation and electrical generation uses reverses at the beginning of the 1970s, bounces, stagnates, declines again, and then bounces along at a lower level than that from which it previously declined.

The same pattern is shown in the more sharply declining usage of electricity and fuel in industry. Note too that the same essential pattern is reflected in residential use of electricity, which grows more rapidly than total electricity consumption, to then level off, and bounce around the higher level, while total consumption stagnates, and all else continues its bouncing decline.

Figure 4 shows what has happened with the movement of freight, by all modes, and with the ton-kilometers traveled to move the freight. Note the 20% reduction in freight carried, and also, the changing relationship between the tons carried and the ton-kilometers—a relationship which has changed since the 1960s, when the volume of goods carried increased at the same rate as the ton-kilometers the goods were carried, to subsequently shift, such that the declining

FIGURE 4
Freight transported
 (percent of 1967 levels)



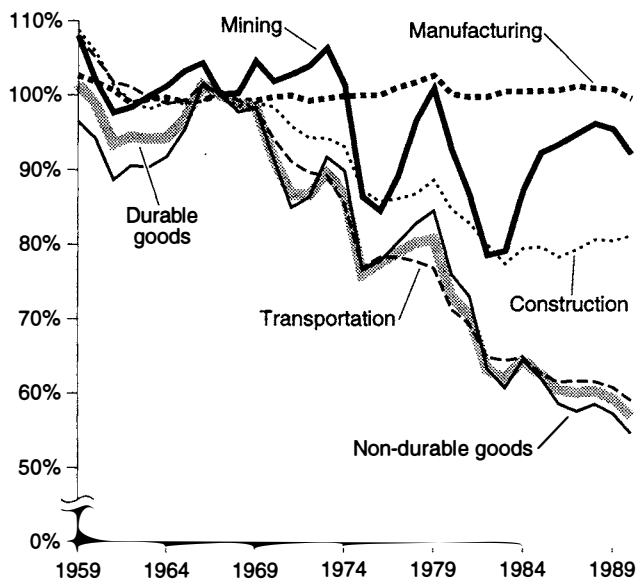
Source: EIR.

volume of goods transported is being moved ever farther. The volume of freight carried, about 80 tons per household in 1967, approximates the total movement of goods through the economy. The ton-kilometers, at about 5,000 per household, mean that each ton had to be moved 67 km on average. By the late 1980s, the lesser tonnage was being carried on average more than 20% farther. Again, something the proponents of so-called energy efficiency do not take into account. Below we will see how this same pattern is elaborated for the case of particular types of capital and consumer goods produced and consumed.

The work force

What has happened to the work force which produces and moves the goods, and uses the machines which are powered by the fuel and electricity? Figure 5 shows the changes that have occurred since 1967. The number of workers per household has remained roughly constant, at roughly 1.3. Identified in the chart are workers in manufacturing industries, in durable and non-durable goods branches of manufacturing, and in construction, transportation, and mining. Note that if each of the identified categories has declined, dramatically, then the number of workers per household has remained constant because workers have been added elsewhere. So we have 40% fewer manufacturing workers producing 20% less goods, to be transported by 20% fewer workers in that sector. Combined workers in goods production, distribution, and construction account for about 20% of

FIGURE 5
Composition of the labor force
 (percent of 1967 levels)



Source: EIR.

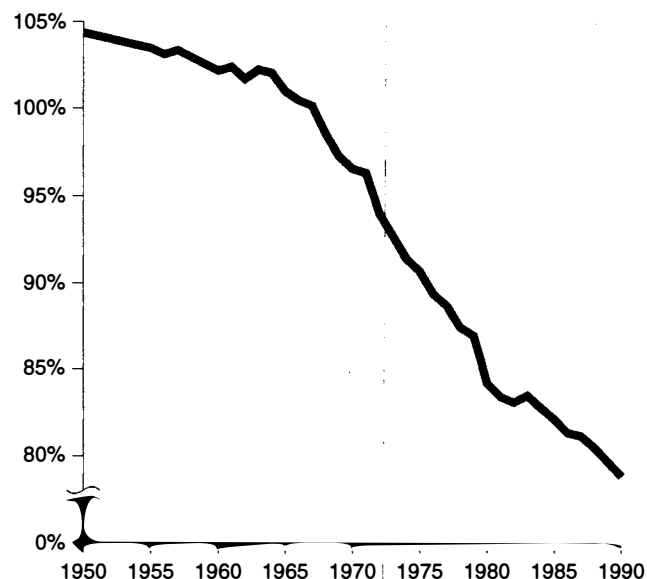
the work force. The balance, 80% of the 1.3 workers per household, is made up of workers in sales and administrative functions, and other more directly parasitical or wasteful types of pursuit. And again, the “recovery/recession” pattern, the bounce, followed by a decline, followed by a bounce and another decline, for again, three successive waves of bounce and decline. But again, also, as in the fuel, electricity, and transportation charts, the bounces are taking place on a pathway whose trend is ever more steadily downward, with manufacturing employment and manufacturing power and electricity use leading the way.

This is not a picture of the “lean and hungry,” “newly competitive” U.S. economy, after 10 years of restructuring, purging itself of bloated and padded costs to take on the world.

As for the household, the form of organization which produces the workers who use the technology which produces the machinery and goods to permit households to go producing another generation of labor, what has happened there?

Figure 6, which compares household size and numbers of births per household, shows the answer. There were about 3.35 people per household in 1967. Since then, household size has shrunk to around 2.6, which is to say that household size has been declining at about the same rate as the nation’s freight bill has been falling, about half as fast as employment in the manufacturing sector has fallen. In 1967, the average 3.35 person household produced 0.059 new

FIGURE 6
People per household
 (percent of 1967 level)



Source: EIR.

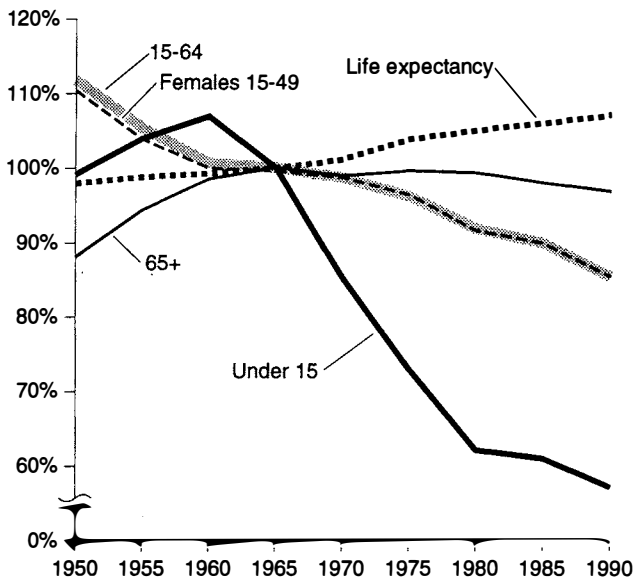
births every year, one for roughly every 17 households. By 1990, the 2.6 person household produced 0.044 births per year, one for nearly every 23 households. More than 40% of the 1.3 workers per household are female, of those more than half are in their prime child-raising years. The male portion of the work force has fallen from well over 70%, as workers in the age groups over 45 have left, and as the historically more than 95% employment ratios for male workers under 35 have been left far behind.

Figure 7 shows how the collapse of the family structure is reflected in the changing profile of household members by age group. In particular, it shows that the collapse in household size is led by the collapse of that portion of the population which is under 15 years, to about 40% less than its 1967 level in per household terms. Of course the problem with “averages,” or totals divided by totals, is that half the “observations” will be above, and half below. Not therefore shown, only 10% of all households in 1990 were family households in which one wage-earner was able to support a family with children. That’s 10% of 90 million households. Then there are the single wage-earner households without children, the one-parent households with children, all the way down to the perverse oddlots who now get counted as their very own type of household. The effect is, since the mid-1950s—rather than the mid-1960s, for then the standard was a single wage-earner family household with children—about a 50% reduction in the living standards of households, as represented by how many people have to do what to enable

FIGURE 7

Age groups per household

(percent of 1967 levels)



Source: EIR.

how many other people to function, and that, without respect to the nominal dollar amount contained in the weekly wage packet.

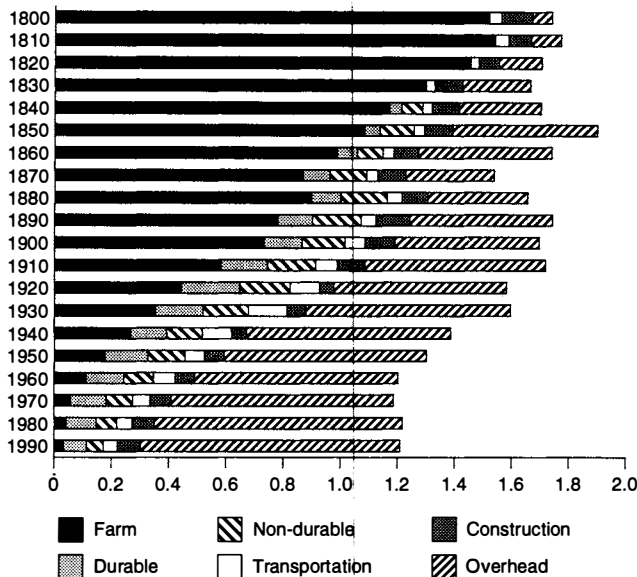
What about the rest of the world?

This isn't only a matter of the last 25 years, in the United States as an isolated country. A generation ago, the United States used to account for around 50% and more of the world's productive capacity across whole classes of industry. In the intervening years, that proportion has fallen to 30% and below. From what we have seen, it ought to be clear that more of that loss on a world scale is due to what we have done to ourselves, than it is to capacity and capabilities which have been added in other countries around the world. The question is, what happens to the world, if the United States does not rediscover the wellsprings of morality, and turn back in horror from the consequences of the hedonistic excesses of the last generation. Because, making allowance for different cultural traditions, in what has happened in Russia since 1991, the United States can see the kind of future toward which it is inevitably sliding, if the insanity is not cut out. And what that kind of world this would be, who would ever want to find out, if they could remotely do anything to stop it? Why such focus on Russia? Because the people who have been wrong about Russia have also been wrong about the United States. And because the origins of this mess are not be found in the last 25 years, but in something much older. **Figure 8**, for example, shows the per household distribution of workers, by the same type of division employed above,

FIGURE 8

Workers per household, 1800-1990

(number of workers)

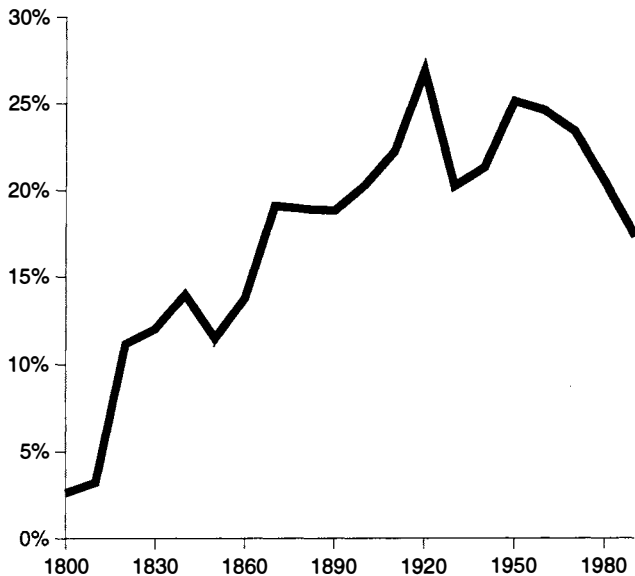


Source: EIR.

over the history of the country. It was at the end of World War I, or rather the end of the decade of World War I, that U.S. employment in non-agricultural, non-overhead activities reached its height. That is the decade of the establishment of the Versailles System, and of the Bolshevik Revolution.

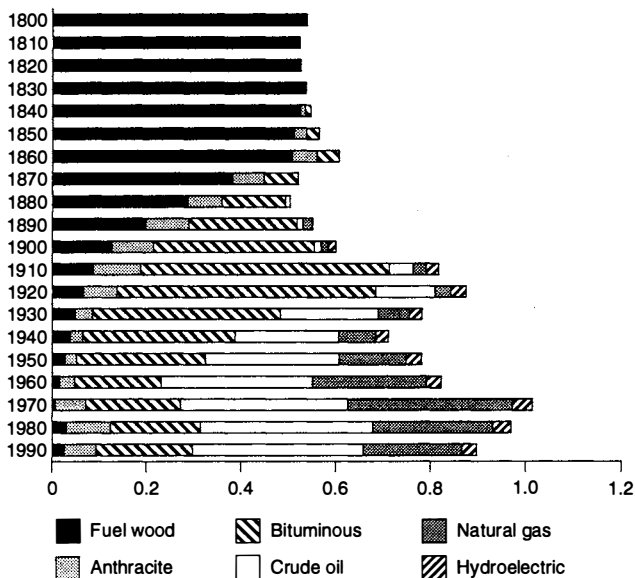
How many nations have been permitted to join the ranks of the industrialized world as equal partners, in the intervening three-quarters of a century? It is really difficult to find any. Argentina in the 1950s and 1960s was on a par with contemporary European economies, like that of Italy. It no longer is. Set **Figure 8** against **Figure 9**, which simply portrays the evolution of manufacturing employment in the United States over the course of its existence. Work backwards from 1990. It's downhill all the way from World War II. In fact, the proportion of the work force in manufacturing industries has been cut in half over that period. Move backwards in time again, the next peak is the aftermath of World War I. The proportion of the U.S. work force employed in manufacturing has never been higher than it was 75 years ago, or so, at the end of World War I. It was during the same decade that the country's railroad grid reached its peak, a peak from which it has declined ever since. It was in the same decade that the country's urban electric mass transit system reached its peak, from which it has declined ever since. When was the proportion of the U.S. labor force employed in manufacturing industries at the same level as it was in 1990? Look across the chart. The answer is 1865, the year which marked the end of Lincoln's war for the Union and Emancipation.

FIGURE 9
Manufacturing labor force, 1800-1990
 (percent of total labor force)



Source: EIR.

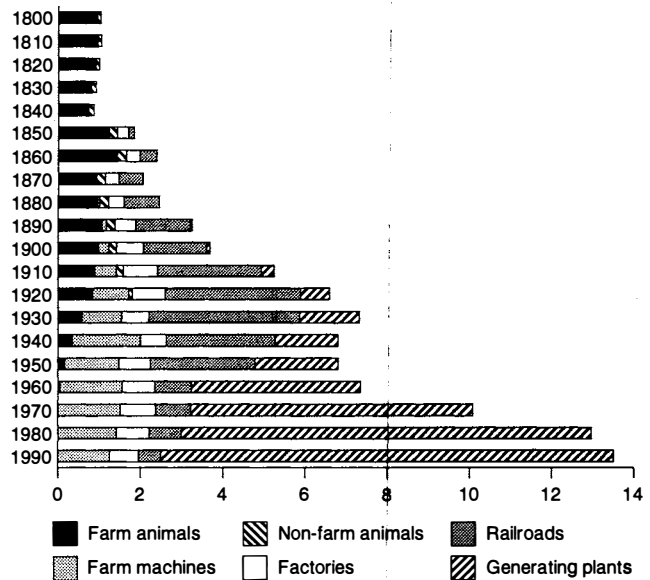
FIGURE 10
Energy sources, 1800-1990
 (trillion BTUs per household)



Source: EIR.

Of course, this is only employment. Other things ought to be considered too. Figure 10 shows the development of different forms of power sources, and their deployment, over

FIGURE 11
Horsepower applied, 1800-1990
 (horsepower per household)



Source: EIR.

the existence of the country. And that development can be compared with the rise and fall of successive different types of fuel used to power the equipment denoted in Figure 11. The two charts behave differently. Where the power applied of Figure 11, except for animal power, increases, the fuel used to power that equipment marches along as if going up a series of steps. The advancing technology increases the power made available per unit of fuel that has to be made available to generate the power, and the productive power of labor is thus increased. But why is it that such great benefits, accruing over longer than a century, have not been translated more broadly into mankind's use? How is it, that over much more than a century, U.S. manufacturing capabilities have only been mobilized for war, as reflected in the manufacturing employment profile, and not to help harvest the fruits of peace once war has been brought to an end? How come science has been applied to the development of technology in such away as to produce a near tenfold increase in the power available to each household over the past rather more than a century, but two-thirds of the human population is still left dependent on brute muscle power to perform its necessary work, at or, increasingly, below, the margin of subsistence?

If the United States cannot rediscover that about itself which permitted it to contribute to the discovery of such potentially universal benefits, and rededicate itself to contributing to the solution of such problems for all mankind, then it must indeed be asked whether, as a country, the United States will itself outlive the turn of the century.