Manufacturing Workforce Dying, Amid Phony 'Recovery'

by Richard Freeman

A linked series of developments speak volumes about America: Between July 2000, and September 2003, the U.S. manufacturing workforce lost jobs each and every month, over 38 consecutive months. The most important sub-sector of the manufacturing workforce, the *manufacturing production workforce*—which directly alters nature to provide for man's existence—lost 18.3% of its workers. This is the single greatest percentage decline in that labor force since the depths of the 1930s Depression.

In parallel, unemployment exploded since July 2000. More than 7 million people became unemployed in 38 months, in the determination of *EIR*'s Economics Staff, refuting the lies of the Bureau of Labor Statistics (BLS), according to which the rise was only 3.3 million.

This barometer of the performance of the labor force tells us that in the three-plus years since the middle of 2000, the U.S. economy has undergone a ferocious contraction. The ongoing depression, which has battered the U.S. physical economy and the labor force since the imposition of the post-industrial society policy 35 years ago, is now sending the United States hurtling into the abyss. This is perhaps the most significant phase-change toward breakdown in the post-World War II period. Yet, the worst is yet to come, as the world financial system undergoes the final phase of *systemic* disintegration.

Still, the fools on Wall Street speak of a "jobless recovery," an exotic concoction which both Republicans and Democrats parrot. How can there be a recovery, when manufacturing employment contracts 38 months in a row? The real issue is the massive disappearance of jobs. Wall Street has fraudulently framed the debate in terms of a cyclical "recession," and told each political faction to pick what it thinks will be the best *counter-cyclical* medicine to apply.

Currently, the Presidential campaign has been dishonestly presented as being between President George W. Bush (and his handler, the fascist Dick Cheney), who have caused most of the damage described above; and the nine recognized Democratic Party dwarves, most of whose policies would be as, or more destructive than those of Bush.

It is imperative that Americans cut through this drivel. Counter-cyclical measures, even if honestly formulated, will have no effect in solving a systemic breakdown crisis. Lyndon LaRouche, the sole candidate running for the Presidency who is qualified for that office, has proposed putting the bankrupt world financial system through a Chapter 11 bankruptcy reorganization. Simultaneously, he would establish a New Bretton Woods monetary system, pivotted on great infrastructure projects of the Eurasian Land-Bridge and development of the Great American Desert.

Imperial Rome Model

In order to solve this crisis, it is necessary to consider what is its origin, and where it has left the economy.

Under Wall Street's direction, the U.S. economy has shifted to imitate that of Imperial Rome during its decay, becoming increasingly unable to reproduce its own existence. Rome subsisted by extracting loot from its satraps; America also extracts loot—called imports. It does this through an artificially overvalued dollar. Other nations are obligated to accept these dollars for the goods that they export to America, because the United States presents the aura of being the world's only superpower, and because 65% of world trade is conducted in dollars.

This Imperial Roman policy is the outgrowth of an earlier policy. In the mid-1960s, the City of London-Wall Street financier oligarchs imposed the policy of a post-industrial society upon the United States. Foolish moves on behalf of this degenerate policy include President Richard Nixon's August 1971 delinking of the dollar from the gold reserve system, which severed financial flows from productive processes, and opened the way for wild unregulated speculation. In October 1979, then-Federal Reserve Board Chairman Paul Volcker raised interest rates into the stratosphere, on behalf of a policy that he called "the controlled disintegration of the economy." This buckled manufacturing and agriculture. Over 35 years, this policy deliberately razed industrial, agricultural and infrastructural production, and built a gigantic speculative cancer, which sucked dry the underlying physical economy.

Starting in the late 1980s, as industry became more and more crippled, America became increasingly unable to produce goods sufficient for its existence, and shifted to being an importer of other countries' goods. While industry had tough sledding in the United States, many financier-linked companies found it profitable to ship production to low-wage manufacturing plantations overseas. The depression-induced shrinkage of production intermingled with this outsourcing of work and jobs, to accelerate the contraction of manufacturing employment from the late 1990s to the present.

The U.S. physical goods trade deficit became ever larger. Based on the trade conducted during the first eight months of the year, it is projected that for the whole of 2003, the United States will run a physical goods trade deficit of an astounding $545 billion.

But the Imperial Roman paradigm is on its last legs. Foreign nations and investors are acutely aware of the dollar's overvaluation, and its potential weakness. When they decide, for self-preservation, to move out of the dollar and dollar-denominated investments, this will collapse the dollar by 40-50%. The dollar-based world financial and banking system will experience a systemic breakdown; America's manufacturing sector will plummet further; and the Imperial Rome paradigm will shatter like a toppled statue.

Devastation of the Labor Force

The past three-plus years of breakdown of the economy gravely aggravated the already severely weakened condition of Americans in the lower 80% of households, by income class. Let us consider three matters that vividly show how actually bleak matters are for these households, and how vulnerable they are to a new downward shift.

• According to a report released by the Census Bureau of the U.S. Department of Commerce, 43.6 million people—one-sixth of the population—have no health insurance. But this may be an understatement. A March 2003 study by Families USA found that over 75 million people were uninsured at some point over a two-year period (2000-01). For these, a medium-sized hospital bill produces a crisis. Additional tens of millions of people have only marginal health insurance.

• By making its own adjustment to data released in a Commerce Department report, *EIR* has determined that approximately 64 million Americans have actually fallen below the poverty threshold, representing a stunning 22.5% of the population.

• Living standards are plummeting and in an attempt to compensate, many American households are working three to five jobs. *EIR* documented that since 1963, the purchasing power of an American worker's average weekly paycheck—measured in physical terms, by a household market basket of goods essential for human existence—has plunged by a staggering 50% (see "Depression Collapses Purchasing Power by 50%," *EIR*, May 16, 2003).

We turn now to the flood of unemployment, and the attack on the manufacturing workforce.

Flood of Unemployment

The rise in unemployment is one of the biggest in recent history. The Bush Administration, which is completely unable to handle the world financial disintegration and the domestic economic breakdown, is determined to cover up the full extent of unemployment. After each monthly announcement about unemployment, Commerce Secretary Dan Evans and Labor Secretary Elaine Chao issue statements trying to put an even more favorable spin on the already-doctored BLS unemployment statistics.

The BLS is the Federal agency that records unemployment. In the past, it has lied about the unemployed, whether the administration was Republican or Democratic. But this time, it has resorted to a wild trick it appears never to have used before.

The BLS official unemployment measure is the unemployment report based on a survey of 50,000 American households every month, known as the "household survey." Based

Findings of This Study

The following are the major findings of this study of the U.S. workforce, with special emphasis on the changes between July 2000 and September 2003.

• The total figure of unemployed, as of September 2003, is over 20 million Americans, as compared to the official figure of 8.97 million.

• The increase in the unemployed, between July 2000 and September 2003, is 7 million, as compared to the official figure of 3.3 million.

• The BLS has used the category of "Not in the Labor Force" to hide up to 700,000 additional unemployed per year, between the period of July 2000 to September 2003.

• The manufacturing production workforce, now at 10.2 million persons, is smaller in absolute numbers today than it was in 1941. This puts it at a level of 7.8% of the total workforce, compared to 33.8% in 1941.

on this survey, the BLS reported that in July 2000, official U.S. unemployment stood at 5.65 million; by September 2003 (the latest month for which data are available), it had risen to 8.97 million unemployed Americans. The BLS's conclusion: an increase of unemployment of 3.32 million—a substantial increase, even using these fudged figures.

But the growth of unemployment was far greater than the BLS's faked figures. *EIR* has chosen July 2000 as its starting point, because that is when the unemployment floodgates started to open. The New Economy stock market and economic bubble had gone bust in March-April 2000. Those working in dot.coms, Internet, and IT companies started losing their jobs, and the unemployment spread to the companies that manufacture the computers, IT hardware, etc., as we shall see.

Long aware of the BLS's legerdemain, *EIR* looked into the hiding places where the BLS has previously concealed unemployed workers, and constructed an unemployment measure that accurately measures unemployment: the *EIR* Real Unemployment Measure. The measure has three components. The BLS's official unemployment level is used as a starting point. The two other components are:

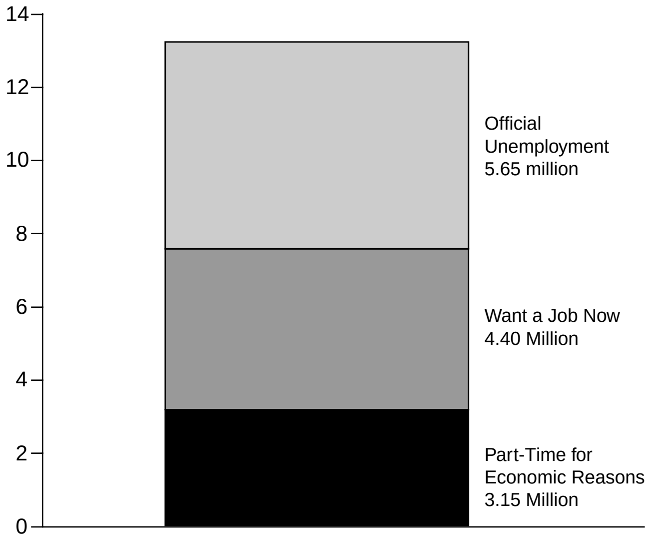
- The workers placed in the BLS category "Part-Time for Economic Reasons." This represents a worker who would work a full 35-40-hour work week, were the work available; but because of economic conditions—layoffs, plant closings, short-time, etc.—is only able to obtain a part-time job. The person whom the BLS classifies as "Part-Time for Economic Reasons," may work as few as two hours per week; but ludicrously, the BLS will still count such a person as *employed.* In reality, the workers who have been forced to work "Part-Time for Economic Reasons" work for fewer than 20 hours per week, and many only 5-15 hours. They are, in reality, much closer to being unemployed.
- The workers placed in the BLS category, "Want a Job Now, But Not in the Labor Force." This represents a worker who wishes to work, but doesn't have a job. Here is the catch: The BLS classification of "Want a Job Now" is in the broader category, "Not in the Labor Force." But to be counted as unemployed, one must be in the category, "In the Labor Force." Therefore, *workers in the category, "Want a Job Now" are not counted as unemployed.*

To fathom the weird workings of this process, consider the following example. Say that an individual who has spent 20 years as a full-time steel worker, is fired. He searches the want ads and can find no steel jobs or jobs of comparable skill and pay in his region. After months of seeking work, he stops actively looking. Assume further, that this unemployed steelworker is interviewed by a trusty BLS analyst, who asks the standard question, "Have you actively looked for work during the past four weeks?" The steelworker answers, "No." The analyst asks, "Have you looked for jobs at Walmart or McDonalds?" The steelworker answers, "Well, I'm a skilled worker and I don't want to flip hamburgers for $6.50 per hour." The BLS analyst says, "Thank you," and then checks a box that says that this steelworker is "Too Discouraged To Look for Work."

FIGURE 1

Unemployment Is At Least 13.20 Million

(July 2000)



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

However, "Too Discouraged To Look for Work" is in the category, "Want a Job Now," which, under the BLS's hierarchy, is located in the still-broader category, "Not in the Labor Force." The BLS has constructed "Want a Job Now" as a chute leading to oblivion. Through the process of dumping a worker into the category "Want a Job Now," the BLS has taken a worker who is actually unemployed, *but will never be counted as unemployed.* All those in the category "Want a Job Now," will not be counted as unemployed.

In its assessment of real unemployment, *EIR* found the workers that the BLS refused to count. **Figure 1** shows real unemployment for July 2000. In that month, there were 5.65 million Americans officially unemployed, as reported by the BLS; there were, as well, 4.40 million workers in the category "Want a Job Now," and also 3.15 million who were "Part-Time for Economic Reasons." *EIR*'s total real unemployment tallied 13.20 million. This was easily more than twice the official unemployment level of 5.65 million that the BLS reported. In parallel, the real unemployment rate was 9.1%, also twice the official rate.

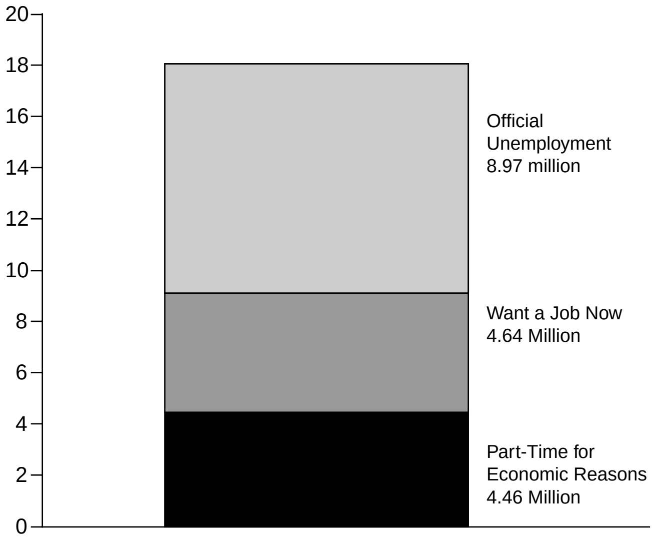
EIR's next task was to compare the real unemployment level of July 2000 to that of September 2003. This would disclose the extent of the breakdown. Here, we came upon a singular difficulty, which revealed that the BLS had made use of a new trick, to cover up the true extent of unemployment.

Figure 2 shows a first approximation of real unemploy-

FIGURE 2

Real Unemployment, the First Approximation

(September 2003)

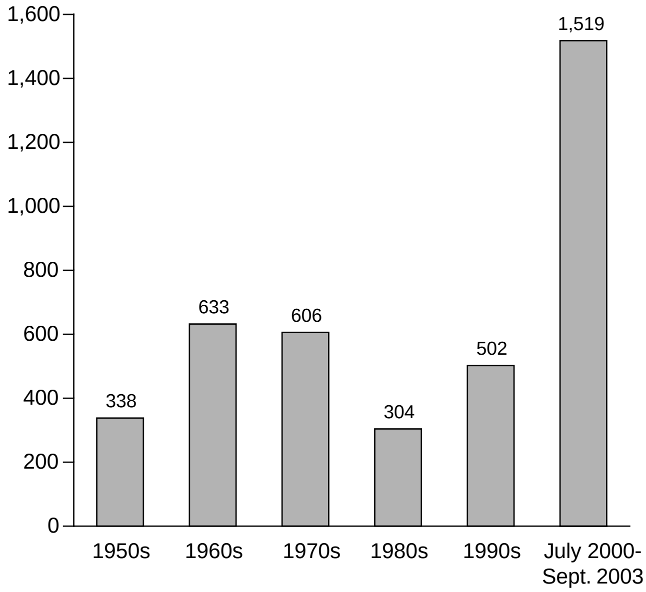


Sources: U.S. Department of Labor, Bureau of Labor Statistics; *EIR.*

FIGURE 3

Annual Growth in the Number of People Classified as 'Not in the Labor Force'

(Thousands)



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

ment for September 2003. *EIR* added up the three components of the measure, and found that real unemployment tallied 18.05 million. But something was disturbingly wrong. Comparing Figures 1 and 2, one can see that the categories of official unemployment and "Part-Time for Economic Reasons" grew by substantial amounts—the former by 3.32 million, the latter by 1.31 million. But the category "Want a Job Now" scarcely grew at all—less than one-quarter of a million workers. This defied reason. If anything, "Want a Job Now" should have experienced the highest rate of increase. It is known that many workers had exhausted their 39 weeks of unemployment benefits, and their supplemental benefits, and should have ended up eventually in the category "Want a Job Now." But the BLS manipulated "Want a Job Now" statistics to argue, at least on the surface, that this had not happened.

But if unemployed workers had really exhausted their unemployment benefits, and then disappeared from the unemployment rolls, where had they gone? After much searching, *EIR* found them dumped into "Not in the Labor Force" categories *other than* "Want a Job Now."

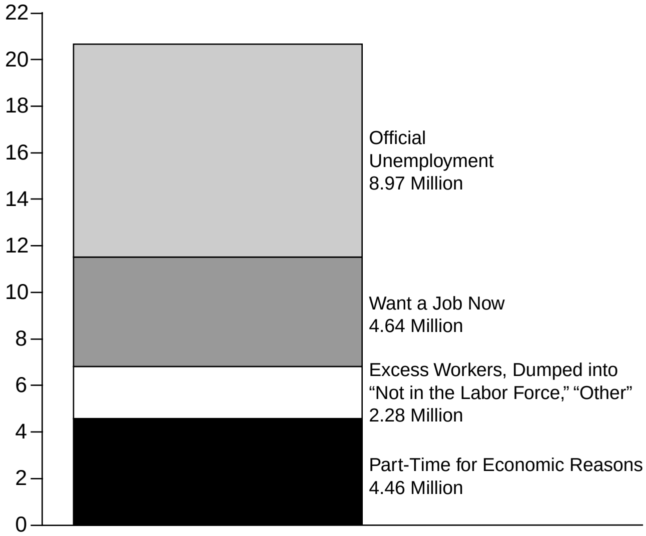
To understand what comes next, it is necessary to grasp that the real purpose of the category "Not in the Labor Force" is to count people who are not in the labor force *principally for demographic or health reasons.* In evaluating a nation's population, one divides it into two groups. There are those who are eligible to be in the labor force, usually in the age range of 16-65; there are also those who are not in the labor force, including those who are too young and are in school, and students above the age of 18 who are in college or graduate school. Not in the labor force also includes those who have retired from work (although some of these people work past the age of 65). It also includes housewives, who nurture children; the physically disabled; and others. "Not in the Labor Force" is a natural division; there is nothing illegitimate about it, as it exists in all societies.

It should not be a dumping ground to hide unemployed workers! However, this is exactly what the BLS did. It dumped unemployed workers into categories of "Not in the Labor Force" other than "Want a Job Now." It was hoped that nobody would detect this.

Figure 3 unearths the BLS's dirty trick. It shows that, on average, during the decade of the 1960s, the category "Not in the Labor Force" grew by 633,000 persons every year. This was for natural demographic reasons. This slowed down to, on average, 602,000 people per year during the 1970s, and 304,000 during the 1980s. There was a "recovery" of sorts in the 1990s, when, on average, 502,000 people every year entered the "Not in the Labor Force" category.

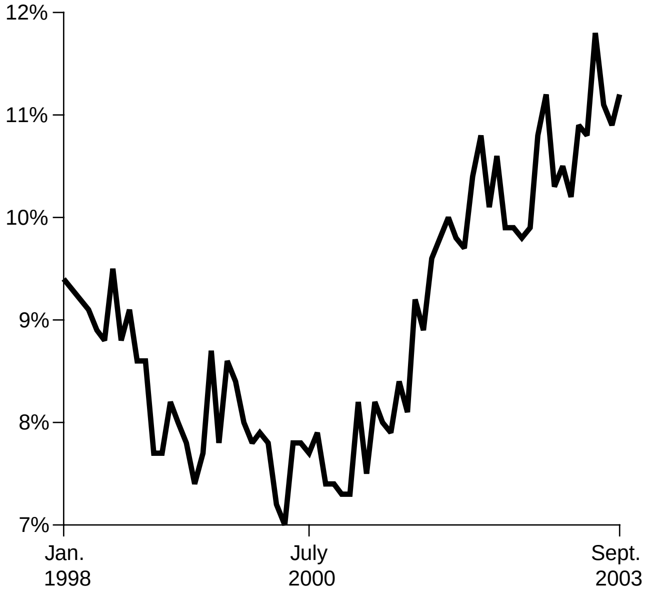
However, notice an anomaly. Between July 2000 and September 2003, the BLS reports that, on an average annualized basis, 1,519,000 people were entering the "Not in the Labor Force" category every year. There was no reported surge in the number of handicapped people, nor in the number of young people suddenly going to school (although there is

FIGURE 4
Real Unemployment Is At Least 20.34 Million
(September 2003)



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

FIGURE 5
'Official' Unemployment Rate for Afro-American Workers Surges



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

usually a marginal increase in the number of people who stay in school during a depression).

There is only one explanation for this development: a desperate BLS, trying to cover up the explosion in unemployment, dumped millions of unemployed into the "Not in the Labor Force" category.

The question is, how many unemployed did the BLS dump? First, one must determine a relatively "normal" growth rate for "Not in the Labor Force." Prior to now, the highest extended growth of "Not in the Labor Force" occurred in the 1960s, when it grew by 633,000 people every year. In order to be very conservative (and to take account of some statistical changes), *EIR* assumed that the normal growth of "Not in the Labor Force" for the period July 2000 through September 2003, should have been 800,000 annually.

Any increase in "Not in the Labor Force" above 800,000 per year would *not* be natural, but would represent the BLS's statistical fraud. That means that during July 2000 through September 2003, when "Not in the Labor Force" grew by an astounding 1,519,000 every year, there was an increase of 719,000 per year above the natural level, which represents the BLS dumping of unemployed into "Not in the Labor Force." Extracting out those who were actually unemployed, but wrongfully dumped into "Not in the Labor Force," cumulatively for the period July 2000 through September 2003, shows that there were an additional 2.44 million who were actually unemployed.

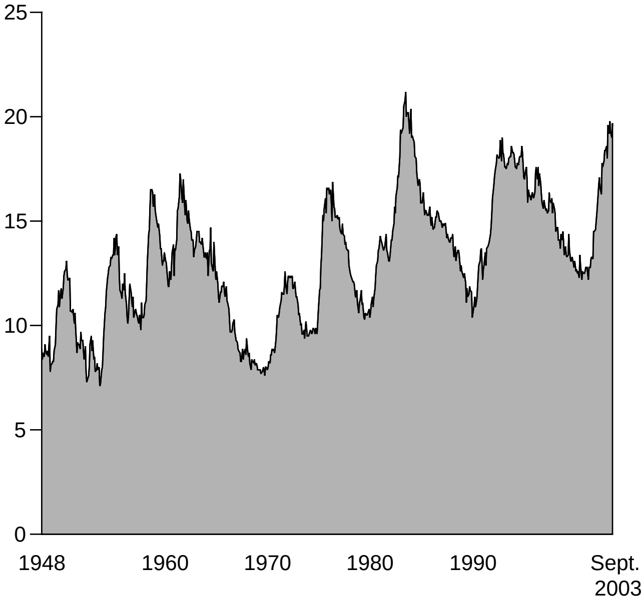
Incorporating this discovery, *EIR* reassessed the real unemployment for September 2003. **Figure 4** shows that adding up the three basic components—official BLS unemployment; "Want a Job Now"; and "Part-Time for Economic Reasons"—with the 2.44 million who were wrongfully dumped into "Not in the Labor Force," *in September 2003, a staggering 20.27 million Americans were unemployed. This represents an unemployment rate of 13.2%, far above the official rate of 6.1%.*

That means that real unemployment increased by 7.07 million from July 2000 to September 2003. This huge scope of unemployment is deeply and bitterly felt by the population; it also shows the dimensions of the overall physical economic breakdown.

However, there are other indicators that show just how deep the unemployment really is during this period. **Figure 5** shows that the official unemployment rate for Afro-American workers had fallen from 9.4% in January, 1998, to 7.0% in April 2000, and then rose slightly to 7.7% in July 2000. However, since then, it has risen steadily, reaching 11.2% in September 2003. Afro-American and other minority workers are usually the last hired, and first fired. If the official unemployment rate for Afro-American workers is 11.2%, then based on what is shown above, the real rate is likely 20% or more.

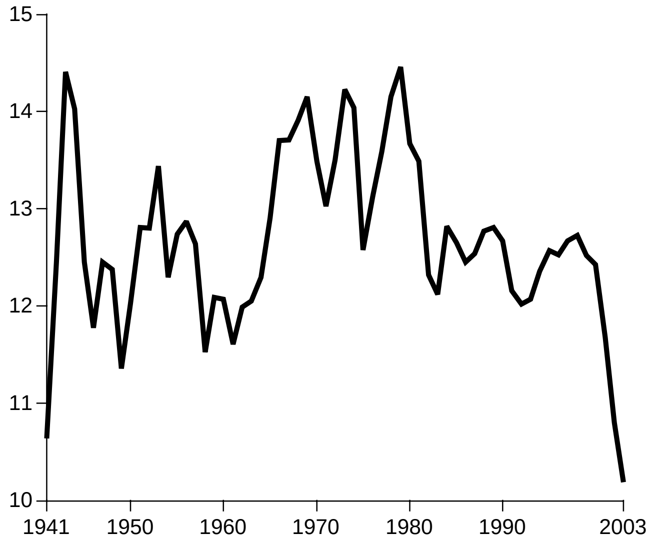
Figure 6 shows the duration of unemployment for those whom the BLS acknowledges as officially unemployed. In September 2003, the average number of weeks of an unemployed person was 19.7, just 0.1 weeks short of the level in July of this year, and the second-highest sustained level since

FIGURE 6
Average Number of Weeks an Unemployed Worker Is Unemployed



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

FIGURE 7
U.S. Manufacturing Production Workforce
(Millions)



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

1983. When workers are out of work that long, that indicates not a passing Summer shower of problems; these workers are having serious difficulties. Remember that of those 2.44 million unemployed who had been dumped wrongfully into "Not in the Labor Force," many likely had been unemployed for six months to a year, or even longer.

Manufacturing Production Collapse

The depressionary downslide, which has gathered force since July 2000, has cut an immense swath of unemployment, but it is not undifferentiated. It has concentrated its greatest force on the *production manufacturing workforce,* which has been contracted by 18.3%, the greatest percentage of decline in almost seven decades.

When the Bush Administration and professional economists prattle on about "a temporary downturn," they are in complete fear and denial. Such a large destruction of the manufacturing workforce can only occur within the geometry of a wrenching new phase-shift of bottomless breakdown. Unless we intervene to halt it, the destruction of manufacturing will become permanent, rendering America unable to function as an economy or a nation.

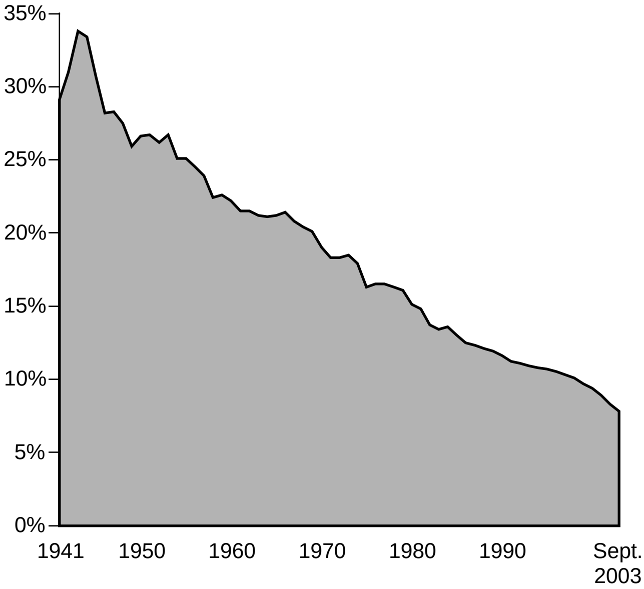
The difficulty is that the recent 18.3% contraction represents a sharp downward plunge within the broader decline of the size of the production manufacturing workforce since 1979. The United States has suffered nearly 25 years of damage on this account, amid a culture of resignation and acceptance. However, as the civilian labor force increases each year, the United States would need a rising production manufacturing workforce just to do all the useful work America needs, and to keep it at the same percentage relative to the total civilian labor force. In fact, the manufacturing production workforce as a percent of the total labor force should be four times higher than it is now, which is 7.8%.

The larger issue is, how does manufacturing function to advance growth of the economy? To grasp this, one must throw out decades of false teaching by schools and universities.

The manufacturing process takes the raw copper or iron ores and the unprocessed lumber from nature, transforms them into the semi-finished products, such as steel, wood, and rubber, and then transforms them again into the finished products, such as machine tools, tractors, electric generating systems, clothing, and transportation equipment, which are consumed by the production process itself and by mankind. Mankind consumes these products directly, and indirectly through the production process, to advance itself cognitively and materially.

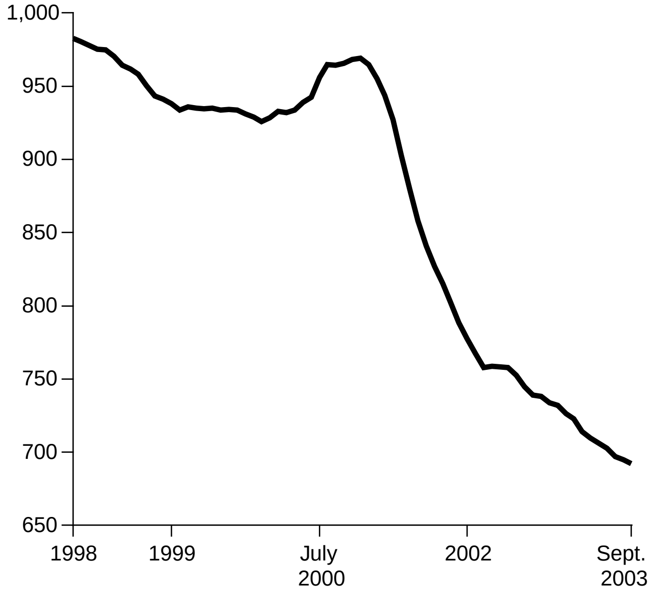
This is subsumed by a higher principle. Economic wealth is not the value of stocks, nor the market value of homes. The source of all economic wealth is the creative capacity of the sovereign human mind, which makes revolutionary scientific discoveries of fundamental principle. These discoveries are transmitted to the economy, through a productive labor force, which has been enriched by Classical education, and through

FIGURE 8
Manufacturing Production Workers as a Percent of Total Labor Force



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

FIGURE 9
Computers and Electronic Products, Production Workers
(Thousands)



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

a machine tool-design sector, which has incorporated the most advanced scientific ideas. In the work process, this productive labor force is conjoined to the machine-tool design sector and other scientifically advanced machinery, to generate real anti-entropic economic development. This is the source of all real productivity growth in manufacturing.

This manufacturing capacity, with its advanced assembly lines, has been torn down. It has been either crippled by the depression; or the banker-controlled companies, such as General Motors and Ford, have shipped the capacity overseas. At the same time, the skilled labor force that once worked at these plants is now driving taxi cabs or has learned new skills and is working as computer programmers. The loss is immeasurable. Idiot publications such as the *Wall Street Journal* and *Fortune* brag that this capacity is never going to be restored or come back, and was not necessary; that America will now be "leaner." Indeed, it has become leaner, like the victim of the Auschwitz concentration camp, who has been reduced to skin and bones, and soon will be dead.

To understand what has occurred, a distinction is necessary. The manufacturing workforce has two groups of workers. First, white collar workers, who serve as supervisors, clerks, engineers, etc. The second group comprises the *manufacturing production workers*, who, by working on assembly lines, machine shops, etc., directly alter nature for mankind's advancement. These are the indispensable workers spoken of above, whom we concentrate on here.

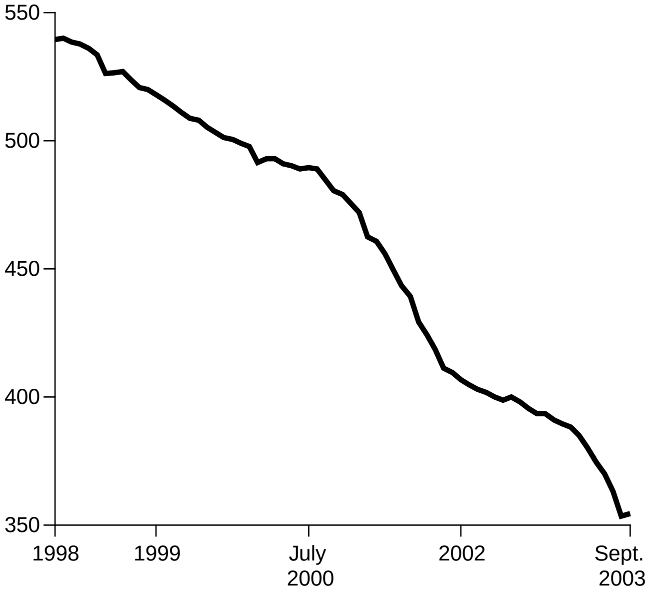
Figure 7 shows the trend of manufacturing production worker employment, from 1941 through the present. During President Franklin Roosevelt's economic mobilization for World War II, the manufacturing production workforce reached a peak of 14.45 million in 1943. It slid, and then rose to match that peak again, at 14.46 million manufacturing production workers in 1979. Immediately after 1979, this workforce experienced a significant decline, and then levelled off to a range of 12.0-12.5 million workers by the late 1980s, and continuing through the end of the 1990s. In July 2000, America had 12.475 million production manufacturing workers.

However, a series of financial-economic forces combined to deliver a shock to the manufacturing production workforce, starting July 2000. In March-April of that year, the New Economy stock market and economic bubble burst. Computer programmers and Internet moguls lost their jobs in droves. But soon thereafter—and less well observed—the manufacturing plants that produced the goods used by the New Economy—computers, transmission systems, cable fiber-optic, etc.—began to shut down, as their order books shrank. Another vitiating force was the insane policy of Federal Reserve Board Chairman Alan Greenspan. Since the misnamed Asia Crisis of 1997-98, and the near meltdown of the world financial system following upon the failure of the Long-Term Capital Management hedge fund in September 1998, Greenspan had

FIGURE 10

Textile Mills and Products, Production Workers

(Thousands)

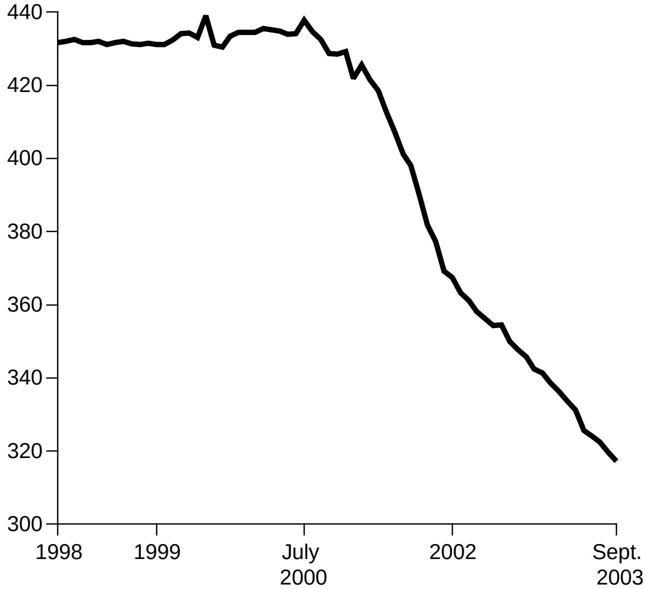


Sources: U.S. Dept. of Labor, Bureau of Labor Statistics; *EIR.*

FIGURE 11

Electrical Equipment and Appliances, Production Workers

(Thousands)



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

implemented a policy of turning on the printing presses, with large-scale money emission. Though this may have seemed helpful, as it lowered interest rates, that had nothing to do with Greenspan's purpose. Greenspan was propping up the over-leveraged world speculative financial system, thereby enabling it to loot the underlying physical economy even more, thus ravaging it.

Starting late 2000, the fiscal budgets of the state governments started blowing out. In desperation, the states cut back state budget expenditures for many infrastructure projects, which cut back on the demand for tractors, machine tools, structural steel, etc.

A self-feeding process was set off. One manufacturing sector would implement production cutbacks, which led to the cancellation of orders to other manufacturing sectors, which then implemented production cuts, and so on. The demolition of manufacturing intensified.

Figure 7 shows that in July 2000, America had 12.475 million manufacturing production workers. For the next 38 months, the manufacturing production workforce contracted. By September 2003, it had plunged to 10.219 million workers, a fall of 2.256 million workers, or 18.3% of the total. This is the steepest decline, by percentage, since the 1930s Depression. This is depicted at the end of the curve in Figure 7, as almost a straight downward plunge.

Today, the U.S. manufacturing production workforce, in absolute numbers, is smaller than it had been in 1941. However, compared to 1941, the size of the U.S. civilian labor force has nearly tripled. This presents a tremendous problem. The ratio of production manufacturing workers as a percent of the civilian labor force, should ideally be what it was in the early 1940s, a very healthy 33.8%. The reason is that over the years, the American household's standard of living should have increased, to keep up with the skill levels needed for technological advance. This would require a the production of wide variety of goods, of improved quality. At the same time, the United States should be producing those goods needed for world development.

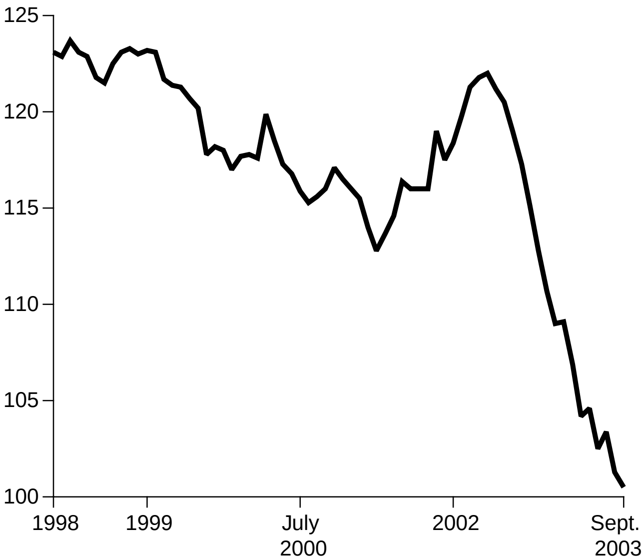
Figure 8 shows that the size of the U.S. manufacturing production workforce as a percent of the size of the U.S. civilian labor force reached its peak, in 1943, at 33.8%. Thus, one out of every three U.S. workers was employed as a manufacturing production worker, producing goods. But from then on, there was an almost unbroken decline. By July 2000, the manufacturing production workforce constituted a mere 9.4% of the civilian labor force. By September 2003, that percent had tumbled to 7.8%.

Consider the serious and perplexing implications of the process shown in Figure 8. In 1943, each manufacturing production worker manufactured enough goods to support himself and his family, and two other workers and their families. Today, each manufacturing production worker would have to manufacture enough goods to support himself

FIGURE 12

Beverage and Tobacco Products, Production Workers

(Thousands)

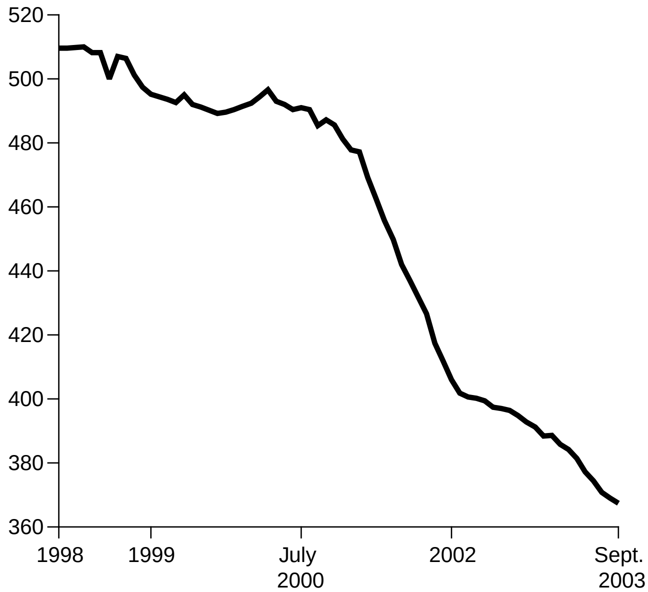


Sources: U.S. Dept. of Labor, Bureau of Labor Statistics; *EIR.*

FIGURE 13

Primary Metals, Production Workers

(Thousands)



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

and his family, and 13 other workers and their families. This simply cannot be done, and has not been possible for the last several decades, as the ratio of production manufacturing workers to civilian labor force has been dropping. *This puts into high relief America's inability to manufacture its own physical existence.**

The destruction of the domestic manufacturing production workforce helped foster a shift to the import of manufactured goods, moving deeper onto the path of Imperial Rome. The more the disastrous Imperial Roman model gained policy dominance, the more it ravaged the manufacturing production labor force, triggering a self-feeding cycle.

Further, even as the Wall Street banks and the Bush Administration wave aloft faked Gross Domestic Product (GDP) figures, claiming that there is a recovery—two-thirds of GDP consists of services and speculation, and it is this portion of the GDP that is growing—the collapse of the manufacturing production labor force strikingly verifies that the country is actually in a depression.

Indeed, the sharp curtailment of manufacturing has left U.S. manufacturing functioning at only 73% of capacity.

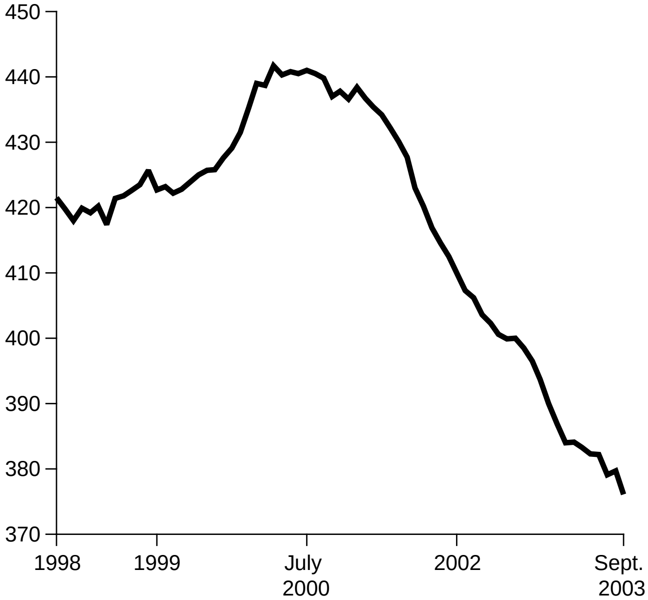
* The argument that "rising productivity" makes such a large ratio of manufacturing production workers unnecessary, is another hoax, which *EIR* will take up in forthcoming articles.

The collapse of manufacturing production employment is widespread across categories of production. The BLS divides manufacturing into 20 principal sub-sectors. Stunningly, since July 2000, of these 20 sub-sectors, there is not one in which manufacturing production worker employment did not fall. During other periods in the post-World War II era, which are described as "economic downturns," some manufacturing sectors fell, but some kept growing. This time, every single one has fallen. Further, the states in which manufacturing is still a significant force—California, Ohio, Michigan, Illinois, Pennsylvania, and others—have been devastated.

The extent of loss of employment in the manufacturing sector is mind-numbing. It struck consumer goods production, intermediate (semi-finished) goods manufacture, and capital goods production. In the case of almost every one of the 20 manufacturing sub-sectors, manufacturing production worker employment started to fall either at, a few months before, or a few months after, July 2000. A survey of key sectors shows the depth and breadth of the fall.

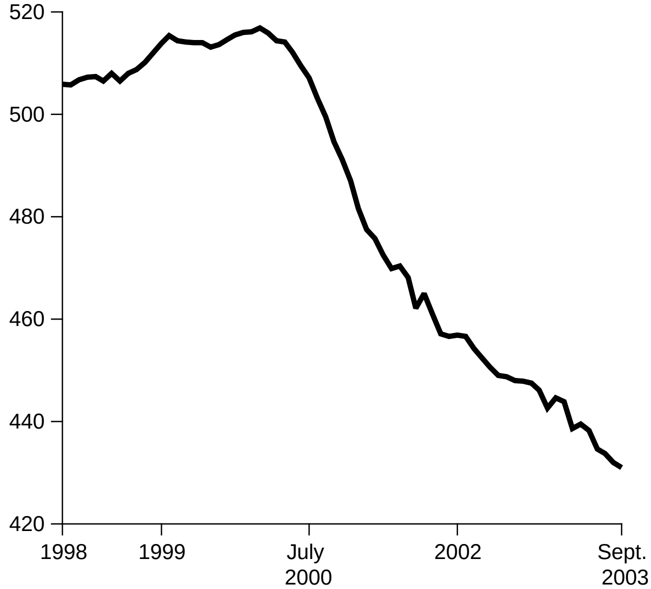
Take the case of Computers and Electronic Products, which represents the manufacture of computers and peripherals, including printers and components. **Figure 9** shows that starting in 1998, this sector started losing manufacturing production employment, but then at the start of 2000, it started to regain it. A few months after July 2000, it reached its peak

FIGURE 14
Stone, Clay and Glass, Production Workers
(Thousands)



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

FIGURE 15
Wood and Related Products, Production Workers
(Thousands)



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

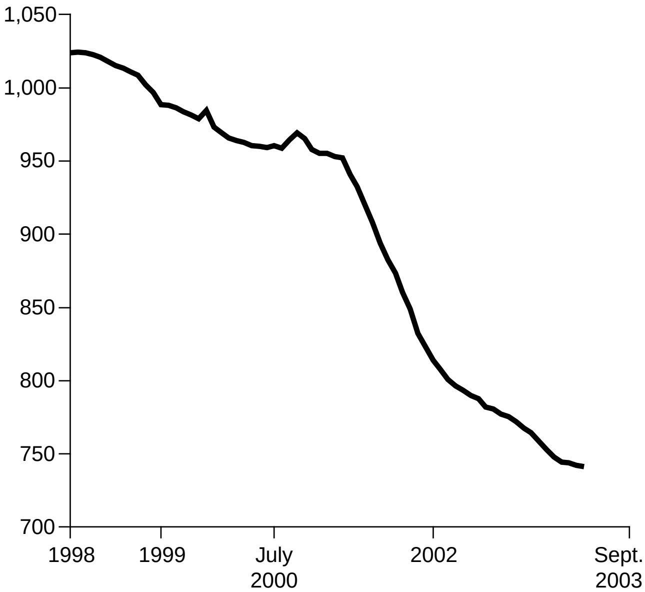
employment, and then fell like a stone. To be able to make comparisons amongst the different sub-sectors, we will use July 2000 as the month against which to make comparisons. In July 2000, Computers and Electronic Products had 956,200 production workers; by September, 2003, it had 692,000, a loss of 264,200 workers, or 27.6%.

Consumer goods production manufactures the goods that are crucial to the household market basket. We look at this sector, selecting three examples. **Figure 10** depicts Textile Mills and Products. Clearly, this manufacturing sector had already been in decline. Between January 1998 and July 2000, this decline had been rather steady. But notice that starting in July 2000, the rate of decline accelerated; between July 2000 and September 2003, this sector's manufacturing production workforce plunged by 27.6%. In the discussion that follows, we shall characterize this period between July 2000 and September 2003 as the crucial interval. **Figure 11** depicts the Electrical Equipment and Appliances manufacturing sector, which manufactures refrigerators, stoves, air conditioners, and televisions. During the crucial interval, it lost 27.4% of its manufacturing production workforce. **Figure 12** shows that Beverage and Tobacco Products did not exhibit a sharp downturn in manufacturing production employment until the first quarter of 2002; nonetheless, during the interval July 2000-September 2003, it shed 13.3% of its manufacturing production employment.

Intermediate products are vital for production. They start out as ores, or unprocessed lumber in nature, and are put through the manufacturing and/or refining process to become intermediate goods. They will be put through a second manufacturing process, to be machined into finished products, such as machine tools, automobiles, appliances, etc. **Figure 13** shows Primary Metals, one of the major intermediate goods sectors. It includes the manufacture/refining of steel, copper, aluminum, zinc, lead, etc. During the crucial interval, primary metals manufacturing production employment collapsed by 25.2%. **Figures 14-15** show that for Stone, Clay and Glass, and for Wood and Related Products, during that interval, the manufacturing production workforce fell by 14.7% and 15.6%, respectively.

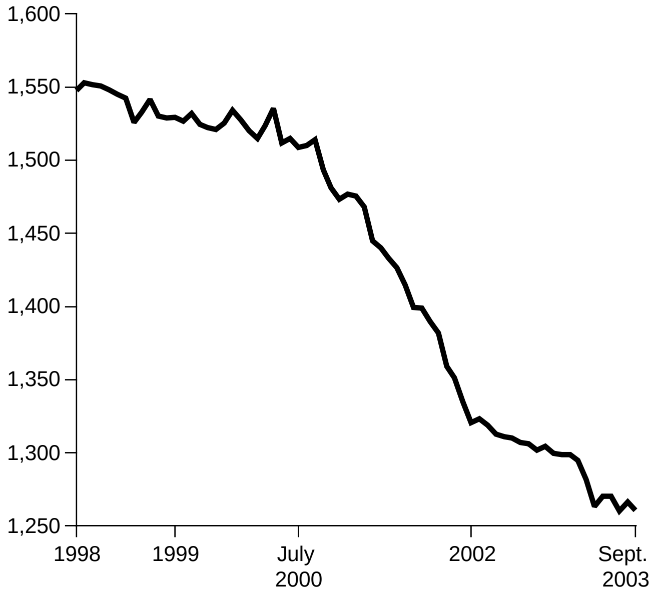
Producer goods are a driving force of the economy, and for the most part, comprise the capital goods sector. **Figure 16** shows the Industrial Machinery and Equipment sector, which includes some of the most important manufacturing processes, including the manufacture of machine tools, power generator systems, food-processing equipment, etc. In the 38-month interval, their manufacturing production employment plummeted 23.5%. **Figure 17** displays the Transportation Equipment sector, which produces both consumer goods, such as cars, but also capital goods, such as aircraft, aerospace equipment, ships, and trains. Its relevant labor force collapsed

FIGURE 16
Industrial Machinery and Equipment, Production Workers
(Thousands)



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

FIGURE 17
Transportation Equipment, Production Workers
(Thousands)



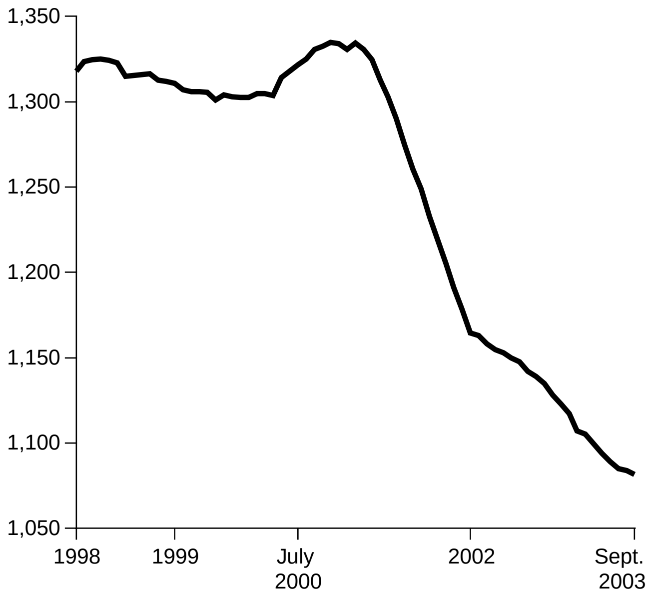
Sources: U.S. Department of Labor, Bureau of Labor Statistics; *EIR.*

15.6%. **Figure 18** demonstrates that for the Fabricated Metals sector, during the crucial interval, the manufacturing production employment declined by 18.8%.

For the past 38 months, unemployment has continued to spread, and the assault on the manufacturing sector and its production workforce is unrelenting. While the population is lured to discuss the questions, "Will GDP rise?"; or, "Will the stock market go back up?"; or, "Can I refinance my home before mortgage rates rise?"; right beneath their noses, something far more profound is taking place: a breakdown that will take away what remains of America's manufacturing capacity.

This is not a cyclical event: Something very fundamental has shifted. The composition and change in the labor force is by far the most accurate barometer of what is happening. America has been shifted onto an Imperial Roman model, premised upon an overvalued dollar. This model has temporarily fed America's addiction to imports. The dollar is poised to fall by 40-50%, and the model is about to be shattered. Unless the financial system is put through bankruptcy reorganization, America's existence as a manufacturing nation will soon be a faint glimmer—like the sheen of Rome's imperial "glory."

FIGURE 18
Fabricated Metals, Production Workers
(Thousands)



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