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P O. Box 1972, G.P.O.
New York, New York 10001
Editorial (212)279-5950
Customer Service (212)564-8529

# New 'Recovery' Statistics Show Depths Of Collapse

March 7 (IPS) — Contrary to doctored statistics released by the Commerce Department and disseminated by the nation's news media, in the fourth quarter of 1975 the U.S. economy began an irreversible contraction in manufacturing production, employment, shipments and orders and personal income. Taken together with the current dollar sector financial crisis, this contraction promises to feed into a full-scale shutdown of the economy and bank-credit collapse in the weeks ahead.

Once the fraudulent mask of "seasonal adjustment" is removed from the outpouring of U.S. Government economic data, it is crystal clear that the U.S. economy and its vital manufacturing base have been in a state of functional breakdown and disuse since October 1974, and that the much-celebratrated March-September 1975 "upturn" was no more than an "intra-depression" period of marginal growth, which like the 1934-37 recovery will collapse into depression levels well before it reaches pre-depression production levels. The methods by which this interim growth period occured — government pump-priming and devastating productivity — cannot themselves be repeated without unleashing simultaneous hyperinflation and a depression shrinkage of production.

Since October 1975, manufacturing production has fallen at a 14 per cent annual rate . . . according to unadjusted figures. Reflecting this drop, manufacturing employment fell at a 3.1 per cent annual rate. On this basis, the unemployment rate rose to 9.9 per cent rather than dropping to 7.6 per cent — as was officially reported. In turn, all the economic trends which foreshadow future production schedules (60-90 days hence) plummeted during the September-January period; new orders placed with manufacturers declined by a whopping 38 per cent and 40 per cent annual rate, respectively.

Unless manufacturers begin to slash production at comparable rates they will be instantly plagued with inventories which their current illiquidity does not permit them to finance. The prospect for a reversal of this process by a step-up in retail sales that feeds back into distribution and production has no basis in reality. Since September 1975, personal income — the money available to workers for the purchase of goods and services — has been eroding at a 25 per cent annual rate. All that has prevented the current production decline from turning into a complete industrial shutdown is the fabled auto boomlet, itself based on unsupportable inventory pile-up and installment credit extension to consumers. As documented in the last issue of this newspaper, the auto boomlet is near its blow-out phase.

**Where Are the Inventories?**

How could all this be so when every economic statistic and indicator coming out of Washington and turning up in the lead news items of the nation's media reveal a picture of a slow-but-sure economic recovery characterized by 10 per cent growth rates? The explanation is simple: these statistics are outright lies, doctored by a fraudulent "seasonal adjustment." They are a hoax, dutifully carried out by government statisticians. In a depression period, normal "seasonal" behavior loses all meaning. Such seasonal adjustments are only applicable to "average" years characterized by moderate fluctuations in economic activity, and are therefore irrelevant under the current conditions of staircase-like collapse. The fact that the government's professional liars have figured in last year's industrial shutdown and mass unemployment as a basis for this year's adjustment exposes the figures as pure fraud.

For those economists and government officials who insist with slide rule in hand that this is an unproven allegation and yell "where are the facts!," we will perform the following exercise asking in response "where are the inventories?" In the October through January period, final retail sales computed in constant dollar terms remained flat. It is therefore reasonable to assume that if manufacturing production rose — and by the amounts the Commerce Department insists — it would have appeared in the form of increased stocks at either the manufacturing, wholesale, or retail level. According to the Commerce Department's "seasonally adjusted" figures manufacturing inventories fell at a 9.2 per cent annual rate. The government statistician will insist that such inventories reappeared in the form of wholesale or retail inventories. But after adjustments are made for inflation, manufacturing shipments actually declined. In any case, wholesale and retail inventories during these months fell by 9.6 per cent and 9.8 per cent per annum. The question therefore arises: where are the goods that were produced but are nowhere to be found on the shelves of the nation's warehouses, department stores and discount centers? The answer, as the Government's own fine print "unadjusted" figures reveal, is that they were never



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produced. The next question that comes to mind is: where are the several million workers that supposedly produced these goods and are counted in the employment figures? The answer, we anticipate from the Government, is that they have been employed to look for the missing inventories.

Unmoved by these realities, the same government statisticians and press conduits insist that recovery is at hand and cite the rise in personal income as proof. According to the theory, as workers' pocketbooks start to bulge, so do sales and in turn production. While the theory is itself baseless in the face of consumer indebtedness and inflation rates, the facts are equally so. Personal income is arrived at by multiplying the number of employed times the average earning per hour. But, as documented above, the employment figures are based on the fraudulent seasonal adjustment fudge factor.

These fraudulent figures have baffled and totally confused the more honest economists who still clutch on to them. The only economist on Wall Street who predicted the October 1974 inventory bust and production collapse admitted, "I can't make any sense of these seasonally adjusted figures. I used to be able to make predictions. Now I expect production to collapse and when the figures come out it rises."

**What's Behind the Fraud**

But these fraudulent statistics are designed for more than to baffle well-intentioned economists. They are black propaganda to keep the U.S. working class and other opposition to Wall Streetçs policies in the dark about the current depression crisis. For the worker whose everyday reality convinces him that he is in the middle of a depression this upswing propaganda is intended to provide a fantasy belief structure to muddy his understanding of the programmatic political initiatives of the U. S. Labor Party. For export-dependent European capitalists, it is designed to convince them that the world's largest national market is in an upswing, and therefore there is no reason to break with the Dollar Empire. In fact, during the fourth quarter of 1975, European capitalists stepped up their exports to the U.S. on the basis of the fraudulent but encouraging economic figures coming out of Washington, only to find that roughly half their exports are now sitting in the ports, on the docks and in dealer parking lots.

These deceptions, however, cannot be masked for more than a few weeks as the present contraction turns into an all-out collapse.

**Why the Contraction and Collapse?**

The reality of the current industrial contraction and imminent collapse reflects the irreversibility of a staircase depression collapse that started in October 1974. At that time the ratio of debt to income measured four times greater than on the eve of the 1929 stock market crash. To keep up such payments on debt and forestall the inevitable deflation of stocks, bonds and debt capital, U.S. capitalists put the economy through a managed liquidation: junking labor, capital investments, inventories, housing and everything else that could be turned into case for bill payments.

To the extent that this liquidation process was halted and temporarily reversed during the March-September 1975 period, it was due principally to two factors — government debt and murderous productivity — both of which guaranteed renewed and more severe industrial shutdown. Through a $28 billion tax cut, money was simply put into the hands of individuals to liquidate corporate inventories and provide them with the cash to pay down their debt. The rise in industrial production during the March-September period at a 16.6 per cent annual rate was simply to keep inventories from falling through the floor as a result of this artificial sales boost. Combined with record rates of speed-up which cheapened current operating costs, this permitted corporations to pay their debts to the banks, which in turn provided the latter with the cash to cushion against loan losses and bankruptcy.

The erosion of working class income over this period combined with the exhaustion of tax cuts ensured the late summer downturn in retail sales — the spark which ignited the October industrial contraction.