DOMESTIC MARKETS NEWSLETTER

Government Lies

A leading Chicago banker told IPS March 4, "In the press, the Commerce Department reports are being used to show that there is an upswing. However, in my discussions with my clients, no one believes it." Nonetheless, the U.S. press continued to fill its pages this week with more unbelievable lies about the U.S. recovery.

February auto sales were reported March 3 to have risen by 20 per cent over January, reaching an 8.8 annual rate. One auto analyst, however, was quoted in the March 4 Wall St. Journal as saying "I just don't think the gains we've had recently are sustainable." The consulting firm of Gilbert Hass explained why in a recent newsletter, noting that the recent expansion of consumer installment credit underlying the rise in auto sales "probably has gone as far as it is likely to go" since "consumers are having trouble meeting their payments."

According to the Wall St. Journal, the February sales figures were boosted by dealer sales contests, a tell-tale sign of desperation. Despite this Detroit auto producers plan to add over 100,000 additional cars to dealer inventories in March. Inventories especially continued to pile up at foreign car dealerships, as the entire February sales increase was gobbled up by domestic producers. One analyst told the Wall St. Journal that foreign car dealers have "cars coming in on them like a ton of bricks and I think they're going to have to do something pretty drastic soon to start selling them."

Nonetheless, Wall St.-based auto industry analysts undauntedly continue to manufacture theories about the auto "recovery." According to one consulting firm contacted by IPS, "There has to be a recovery because the people haven't bought cars for two years and their cars are falling apart, so they have to buy new ones." Where will people get the money to buy such cars (i.e. to put a down payment on an installment loan)? According to another firm, they could get it from the money saved for the new home they can't afford. "Auto sales are going to rise because the homebuilding industry has collapsed," he assured.

* The Labor Department reported yesterday that the unemployment rate in February dropped to 7.6 per cent, from 7.8 per cent in January. This figure is so fraudulent, however, that even AFL-CIO President George Meany has been forced to denounce it as a lie. As IPS has previously shown, the Labor Department simply reduces the unemployment rate by using unjustifiable "seasonal adjustment" factors to increase the number of employed workers while simultaneously decreasing the size of the labor force by writing out of existence so-called "discouraged" workers who are supposedly no longer looking for work.

* The Commerce Department reported March 3 that personal income rose about 1 per cent in January, or at a 12 per cent annual rate. However, the Commerce Department computed its personal income statistics by multiplying the number employed times the average hours worked times average earnings per hour. The Commerce Department however got its employment statistics from the Labor Department — the aforementioned experts in manufacturing non-existent employed workers. When the Labor Department's hocus-pocus with the employment statistics is corrected, along with the effects of inflation, personal income actually declined at a 20 to 30 per cent annual rate in January.

* The above, accounts for the continued "softness" of retail sales. The major retail stores released their February sales figures two days ago. Although the press headlined huge percentage gains, these were computed on the basis of one-year gains over the unprecedentedly low levels of last year. According to retail analysts, the February sales were actually unchanged from January. Retail stores continue to refuse to build their inventories.

* With consumer demand still miserable, the press tried to get some mileage out of a mythical anticipated pickup in capital spending; puffing up a report put out March 4 by the well-known businessmen's propaganda group, the Conference Board. The report only spoke of business "plans" to increase in capital spending in 1977. The fate of General Motors planned $2.6 billion capital spending program for 1976, which was indefinitely shelved last week, indicates how seriously such reports should be taken.

The Commerce Department released March 4, January figures showing manufacturing orders and shipments both up 1.9 per cent while inventories remained unchanged. Since retailer and wholesalers are also not increasing their inventories and sales have remained essentially flat, where did the increase in shipments go? There was no increase. The Commerce Department seasonally adjusted upwards by over 7 per cent actual orders and shipments in January. In actuality, order and shipments have been falling, along with industrial production, since September.