

The financial burden is not sustainable

by John Hoefle

While the energy of the system of the U.S. economy has been winding down, the financial claims against the economy have been rising hyperbolically. The ability to pay these claims depends upon the output of a relative handful of workers in the productive sector of the economy.

In 1956, out of 67 million members of the labor force, some 30 million worked in the productive sector, or 44 out of every 100 workers (see **Figure 1**). By 1990, only 33 million people out of a labor force of 125 million were involved in productive activity, or 27 out of every 100. If you compare that to the total population, only 13 of every 100 people were involved in production. It fell upon this 13% to support not only themselves, but the other 83% of the population, and all the financial claims against the economy.

When we say productive workers, we're making a scientific judgment rather than a value judgment. Productive workers are those involved in the manufacture and distribution of goods, and more broadly those who educate and maintain the health of those workers. Productive workers include non-supervisory workers in mining, construction, manufacturing, transport and public utilities, agriculture,

teachers, doctors, dentists, nurses, engineers, and scientists. Those not in the productive sector are, in economic terms, overhead. That is, they produce no economic surplus themselves, but are instead costs to be deducted from the economic surplus produced by the productive sector.

Some of the jobs classified as overhead are quite important to the proper functioning of the economy. The output from the productive sector must be sold and maintained, which requires salesmen, stores, and repairmen; enterprises require managers, supervisors, and clerks; people need grocery stores, restaurants, cultural events. These are useful functions, in proper proportion, but they are expenses.

Other overhead jobs are useless, or even destructive, such as prostitutes, drug dealers, and Wall Street speculators.

A properly functioning economy should have at least half of its workforce in the productive sector. As you can see, we did not meet that standard in 1956, but at 44%, it was bordering on acceptable. It's been downhill ever since.

The debt kept growing

While the productive sector has been shrinking relative to the workforce, the debt of the economy has risen sharply (see **Figure 2**). In 1956, the total debt in the economy was \$661 billion. By 1990, that debt had grown to \$14.5 trillion, an increase of 2,100%. In absolute terms, we gained 3.8 million productive workers over that 34-year period, while we gained \$13.9 trillion in new debt, or about \$3.6 million in debt for every new productive worker.

The result is that by 1990, we had \$435,000 in debt for every productive worker (see **Figure 3**), a jump of 1,850% from the \$22,000 in debt per productive worker in 1956.

Even an economist should be able to tell from these num-

FIGURE 1
Productive workers
(percentage of total workers)

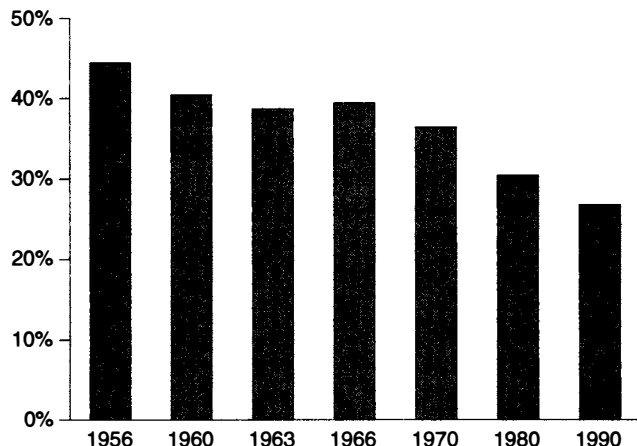


FIGURE 2
Total debt in the U.S. economy
(trillions \$)

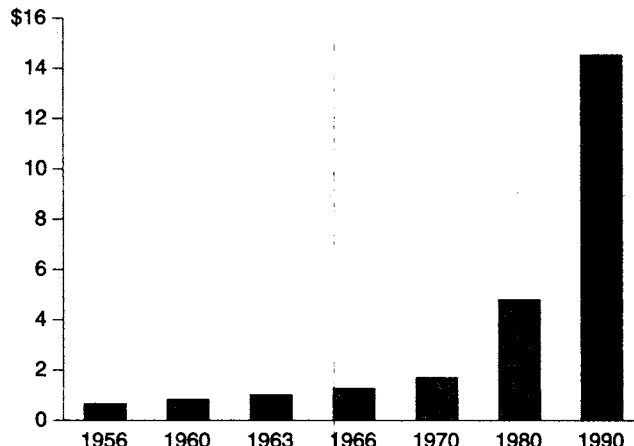


FIGURE 3

Total debt per productive worker

(thousands \$)

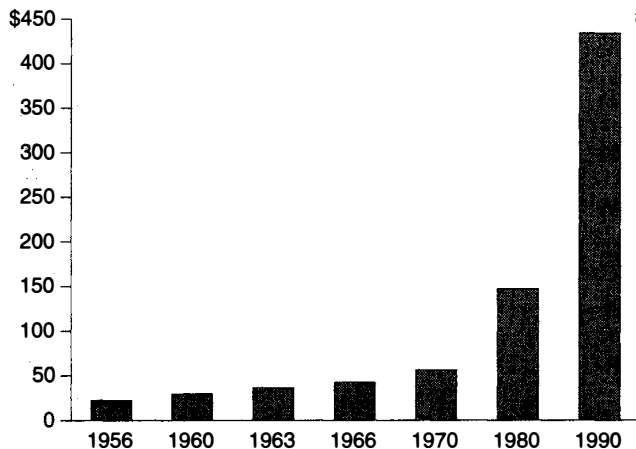
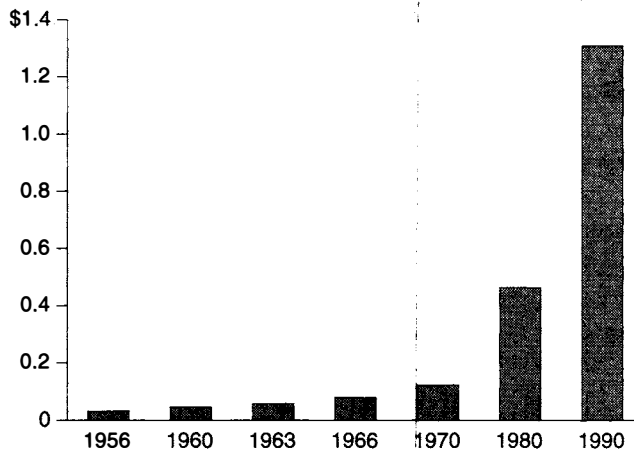


FIGURE 4

Annual debt service

(trillions \$)



bers that the economy is in what George Bush once called, “deep do-do.” It is clear that, in the current geometry, there is no possibility of paying this debt. It isn’t going to happen. The battle these days, is just to pay the interest, and even that fight is being lost.

This is actually well-known in informed financial circles, which is why we have had this series of financial bubbles, from real estate to junk bonds to derivatives, in which the unpayable debt is rolled over from one bubble to the next. It’s like the cartoon character who runs off the cliff: As long as he doesn’t look down, he thinks he’s okay. Some of these guys know what’s coming, and want to put it off as long as they can. Others don’t have a clue. In this class falls most of the financial columnists, gurus, and experts, who look at these numbers and see only the profits to be made from usury.

We are now paying \$1.3 trillion a year in debt service in the U.S. economy (see Figure 4). That’s a 4,000% increase over the \$32 billion paid in 1956. We now pay in annual debt service alone, twice the entire debt of 1956. Some of this money goes to pay principal, but most is just interest payments. The Federal Reserve’s policy of lowering interest rates between 1989 and 1994, allowed many of these borrowers to refinance their debt at lower rates. This sleight of hand allowed the banks to keep their doors open, but it did nothing to solve the problem.

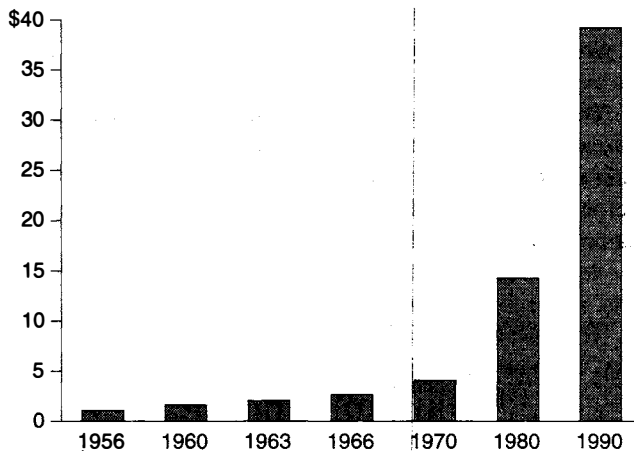
That \$1.3 trillion in annual debt service amounted to \$39,000 for every productive worker (see Figure 5). Since the median income of waged and salaried workers in 1990 was just \$22,000, each of these workers had to cover twice their annual salary in interest payments. No wonder so many people are working two or more jobs.

Debt and debt service are only part of the problem. We also have the matter of funding the federal government and

FIGURE 5

Debt service per productive worker

(thousands \$)



the state and local governments (see Figure 6). Some of the activities of these governments are useful, such as infrastructure development and maintenance, national defense, education, and the deployment of a social safety net. Other government activities are not. But ultimately, the productive sector has to pay for it all.

The tax revenue base has collapsed

Total government revenues were \$2 trillion in 1990, a 1,600% increase over the \$120 billion in 1956. Despite this sharp rise in revenue, there are those who say the government is broke, and cannot afford to pay for entitlements to protect

FIGURE 6

Government taxes and revenue

(trillions \$)

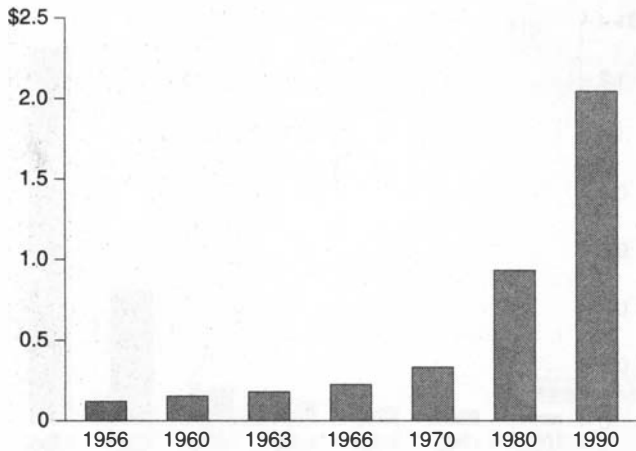
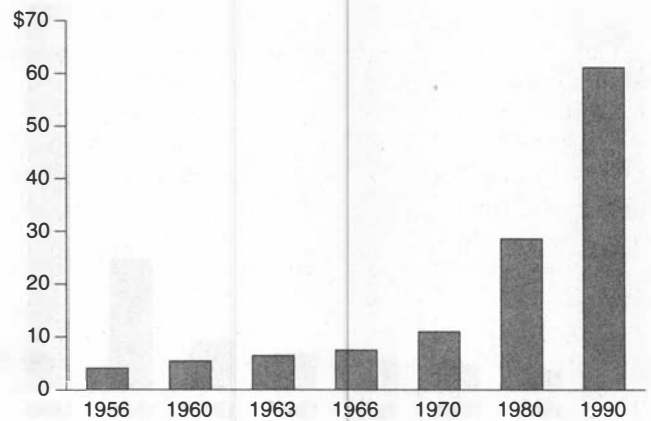


FIGURE 7

Government taxes and revenue per productive worker

(thousands \$)



the poor and infirm. There is some truth in this: The government does not have enough money to meet all of its obligations. But those, such as the British Empire's Lord William Rees-Mogg and his puppet, House Speaker Newt Gingrich (R-Ga.), who demand that large segments of the population be thrown on the scrap heap in the name of fiscal prudence, are using that to perpetrate an evil lie.

The problem has been the deliberate take-down of the productive sector, in the guise of building a post-industrial utopia. We have strangled the greatest economic engine in the history of the world, and we have gutted our tax base in the process. This is why we cannot meet our needs.

When one has more heads than hats, one builds more hats, rather than cutting off heads.

The effect of listening to Rees-Mogg and his predecessors, advocates of the post-industrial society, resulted in a cost of government of \$57,000 per productive worker in 1990 (see Figure 7).

All told, the debt service and the cost of government came to \$3.4 trillion a year by 1990 (see Figure 8), all of which must ultimately be paid by the productive sector.

That comes to just over \$100,000 per productive worker in 1990 (see Figure 9), or nearly five times the median wage. That means that every productive worker would have to work five full-time jobs—all in the productive sector, of course, no hamburger flippers here—just to allow the economy to break even. Since these jobs don't exist, it's not likely to happen. Instead, we'll just go deeper into the red.

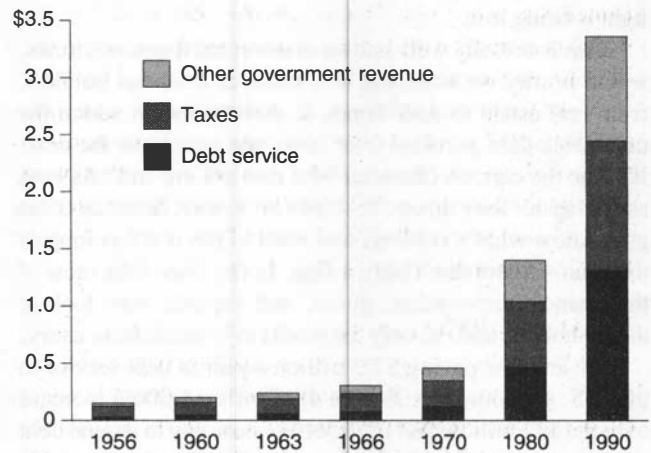
Internal economic decay

Now let's turn our attention to rock, drugs, and sex, that which used to be considered the counterculture, but is today just considered culture. The economic aspects of the rock-

FIGURE 8

Annual financial drain

(trillions \$)



drug-sex culture are many, and are in many ways immeasurable. How can one measure the cost to society, of a damaged young mind which has been robbed of its potential? How many potential geniuses have been destroyed, by a culture which turns minds inward, rather than turning them outward to master the laws of the universe?

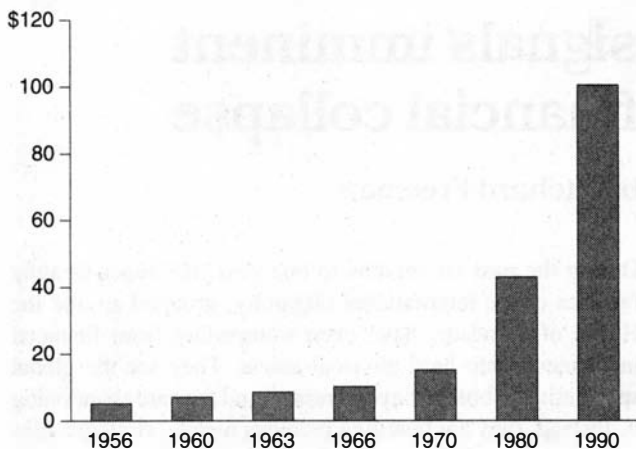
Certain lesser costs can be measured, such as the cost of keeping drug offenders in jail, and the loss of the wages those offenders might otherwise have earned.

For now, we have chosen to measure just two aspects, the money spent on illegal drugs and the money spent on illegal gambling. There was no drug trade to speak of in

FIGURE 9

Financial drain per productive worker

(thousands \$)



1956, at least by modern standards, but there was about \$3 billion a year in illegal gambling. That number has risen tenfold, to \$35 billion in 1990. But the real growth is in the illegal drug trade, which we estimate was \$400 billion in the United States in 1990. That brings the total to \$435 billion, which is more than the federal government collected in taxes in 1980, and about two-thirds of what it collected in 1990.

Take the annual debt service, add the cost of government and the cost of just the illegal gambling-and-drugs portion of the rock-drug-sex culture, and you wind up by 1990 with a drain on the economy of \$3.8 trillion a year (see **Figure 10**), or \$114,000 per productive worker. Now we're up to five full-time jobs and one part-time job.

What should be saved

What we're facing, is a reorganization of the global financial system, either voluntarily, or involuntarily. We can choose to take preemptive action and put the system through the equivalent of a Chapter 11 bankruptcy proceeding, wherein parts of the debt will be written off and other parts reorganized in a rational manner, or we can wait until the system disintegrates and take our chances in the law-of-the-jungle-style chaos which will follow.

In a bankruptcy reorganization, the debt would fall into three broad classes: 1) that which we will try to save; 2) that which we will freeze for 20-30 years, with the intention of repaying all or part of it out of the economic growth which would follow; and 3) that portion of the debt which will simply be written off.

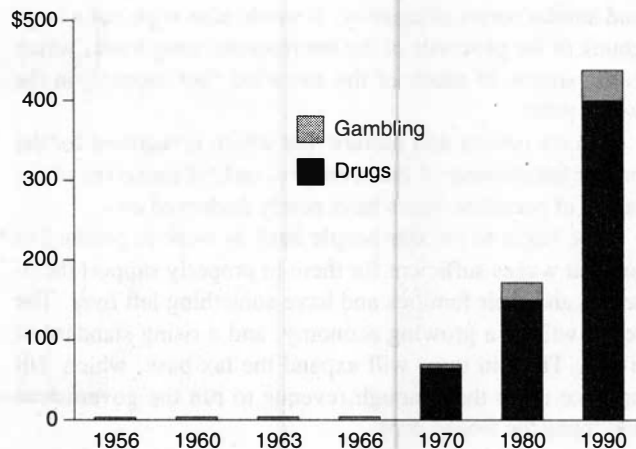
How do we divide up the debt into those categories? How do we decide what to pay, what to freeze, and what to throw out?

You start by making a list of what you need, what is

FIGURE 10

Money spent on gambling and drugs

(billions \$)



essential to the health and welfare of the population. We must ensure that food, water, and power are available in sufficient supply; that police, fire, medical, and other emergency services are maintained; and that the schools stay open. Trash must be picked up, sewage disposed of, potholes filled, and other essential services maintained.

We must not only protect, but expand our infrastructure, which provides the basis for productivity and efficiency. This includes "hard" infrastructure, such as water supply and distribution systems, electrical and gas power systems, roads, railroads, and water transportation grids. It also includes "soft" infrastructure, such as health-care systems, elementary and secondary schools, colleges and universities, trade schools, and scientific research and development institutions.

We must also protect and massively expand our productive industries, agriculture, mining, manufacturing, and construction. We will need, at minimum, another 25 million workers in the productive sector, an increase of 80%, just to bring the market basket up to the 1967 level.

To pay for all the materials needed as inputs in this economic expansion, we will need some \$4-5 trillion in new credits.

That is, credit, as opposed to debt. One of the first things to be done in this economic reorganization, would be to abolish the Federal Reserve, and replace it with a National Bank of the United States, similar to what was done by Treasury Secretary Alexander Hamilton. This new bank would issue long-term, low-interest credits for productive activity. The days of the federal government borrowing money through the Fed would be over.

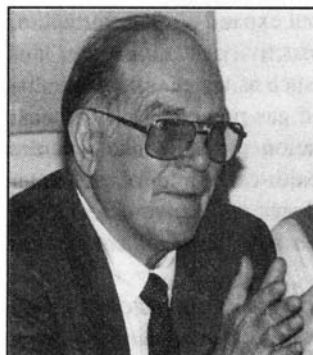
What we would not protect, is the portion of the debt which comes from speculation, usury, and other parasitical

activities in the economy. If it wasn't honestly earned, it's gone. That would take care of the derivatives markets, junk bonds, most of the debts from corporate takeovers, real estate speculation, currency speculation, commodities speculation, and similar forms of insanity. It would also wipe out a large chunk of the proceeds of the international drug trade, which is the source of much of the so-called "hot money" in the world today.

So we protect and nurture that which is required for the proper functioning of the economy, and rid ourselves of the layers of parasites which have nearly destroyed us.

We begin to put our people back to work in productive jobs, at wages sufficient for them to properly support themselves and their families and have something left over. The result will be a growing economy, and a rising standard of living. That, in turn, will expand the tax base, which will produce more than enough revenue to run the government and repay the frozen debt.

None of this is new. These policies have worked every time they've been applied. They work, because they are ultimately based upon the premise that it is the creative power of the human mind that is the source of wealth. The ability of man, created in the image of God with the divine spark of reason, to transform the world around him, is the source of wealth. That is what is precious, and that is what must be saved.



LaRouche Campaign Is On the Internet!

Lyndon LaRouche's Democratic presidential primary campaign has established a World Wide Web site on the Internet. The "home page" brings you recent policy statements by the candidate as well as a brief biographical resumé.

TO REACH the LaRouche page on the Internet:

<http://www.clark.net/larouche/welcome.html>

TO REACH the campaign by electronic mail:

larouche@clark.net

Paid for by Committee to Reverse the Accelerating Global and Strategic Crisis: A LaRouche Exploratory Committee.

Commodities hoarding signals imminent financial collapse

by Richard Freeman

During the past six months to one year, the super-wealthy families of the international oligarchy, grouped around the House of Windsor, have been stampeding from financial investments into hard physical assets. They see the global speculative bubble as beyond repair, and they are abandoning it. Instead, they are hoarding precious metals, strategic minerals, increasingly scarce food supplies, fuel resources such as coal, oil, and gas, and even stocks of blue chip companies that they think will survive the crash. As a report issued by the World Bank in mid-August, entitled "Toward Sustainable Water Development," indicates, they are setting themselves up to "privatize" and corner the world's entire supply of free available water.

The *Wall Street Journal* keeps clucking to tens of millions of suckers that the Dow Jones is at a record high, that now is the time to invest in stocks, bonds, and even derivatives. However, the rich oligarchs who manage family financial trusts, or *fondi*, who have been around 300-600 years, know from the inside that this is a lie. Their rush into hoarding is conclusive proof to anyone paying attention, that the collapse of the world's financial system is unstoppable and imminent.

The shift into hoarding represents a realignment by the international oligarchy with potentially horrendous consequences for mankind. The real purpose of the shift into hoarding is to fortify the Anglo-Dutch raw materials cartel's dominant control over the world economy. When the smoke clears from the crash, this cartel sees itself as controlling 60-70% of the flow of the world's most crucial commodities needed to support life.

The syndrome is governed top-down by the neo-Malthusian policy which Henry Kissinger, a prophet of genocide and a professed British agent at the time, wrote as U.S. secretary of state in 1975-76, under the title National Security Study Memorandum 200. This was a policy of genocide against the Third World, and eventually against the industrialized West. If 60% of food supplies, 60% of energy supplies, and 60% of metals and strategic minerals are controlled, this is the stuff on which human life depends. Based on historic holdings that in some cases go back centuries, the interlocked Anglo-Dutch-Swiss raw materials cartel has within its power the ability to cut back every phase of industrial and agricultural production. Don't think that the oligar-