

Business Briefs

Unemployment

June Figures Show Downward Spiral

The Department of Labor's July 3 report showed that American unemployment had increased by 913,000 workers in the second quarter. In June, *official* U.S. unemployment jumped to 9.358 million from 8.998 million in May, an increase of 360,000. The official U.S. unemployment rate increased by 0.3% to 6.4% in June, the highest level since April 1994. Most professional economists, who had expected the June unemployment rate to be 6.1% or 6.2%, were shocked, and scrambled for explanations, arriving at the absurd claim that increased "confidence" in the economy was causing more Americans to look for work, swelling the unemployment ranks!

Labor Secretary Elaine Chao claimed that the new round of Bush tax cuts would put people back to work.

In the trajectory of unemployment, during the second quarter of 2003, 913,000 workers became unemployed. Since June 2000, when this wave of unemployment began, 3.784 million workers have *officially* joined the ranks of the unemployed; and since January 2001, when George W. Bush took office, 3.402 million people have become unemployed. For black workers, official unemployment leapt from 10.8% in May, to 11.8% in June. In fact, the real unemployment rate for blacks is at minimum 16%, and as much as 22%, with rates at 30% in some cities and towns.

In June, more than half of the 9.358 million unemployed had been looking for work for more than 12 weeks, the highest level since 1983.

Unemployment continues to strike at the manufacturing sector. During June, a further 56,000 manufacturing workers' jobs were eliminated. Of these, 48,000 *manufacturing production workers jobs*, those who physically alter nature to improve mankind's existence, were eliminated. This is the 35th consecutive month in which manufacturing jobs have been axed. Since July 2000, there have been 2.623 million manufacturing jobs eliminated, of which 2.178 million were production manufacturing workers. This is the elimination of 15.1% of the U.S. manufacturing workforce, and 17.5% of its manufac-

turing production workforce. *EIR's* preliminary investigation shows that the last time the United States had 35 straight months of manufacturing production worker loss was during the 1930s Depression.

Bonds

German Economist Warns of Blowup

The bursting of the U.S. bond market "may have apocalyptic consequences," warned Kurt Richebächer, former chief economist of Dresdner Bank, in his July newsletter. "During the late 1990s, Mr. [Alan] Greenspan was keen to foster the stock market bubble by aggressively manipulating both market rates and market perceptions. This time, he is keen to foster the three new bubbles that he has kindled in fighting the bursting of the stock market bubble—the housing price bubble, the mortgage refinancing bubble, and the bond bubble. . . . But among the three bubbles, one is of crucial importance because it drives the other two. That is the bond bubble. In essence, it was the sharp drop of Treasury yields over the past two years that led the simultaneous, steep decline of mortgage rates." And falling mortgage rates drive refinancing.

Greenspan and other Fed members fed the bond bubble: First, they assured markets repeatedly, "that there would be no interest rate hike as far as the eye can see." As a consequence, "investors and speculators, desperately hungry for big profits, stampeded into heavily leveraged bond purchases, giving, through the sliding yields, a new strong boost to mortgage refinancing." Second, as part of the talk about deflation, "Greenspan signalled to the marketplace . . . that "senseless liquidity is available for the taking by the speculative financial community. The obvious result is a credit and bond bubble that vastly outpaces the excesses of the equity bubble.

"The fundamental dilemma today," Richebaecher wrote, "is that the Greenspan Fed and Wall Street are making desperate efforts to sustain unsustainable bubbles. In the end, all bubbles are unsustainable because in order to stay afloat they have to inflate endlessly. Our greatest fear is now the

bond bubble. Its influences are pervading the whole economy and the whole financial system, and its bursting may have apocalyptic consequences." In Richebächer's view, "this bursting cannot be far away." It doesn't even require that Greenspan prick it by hiking rates. "Long-term rates have already fallen to such extreme lows—which means bond prices have been pushed up sharply—that there will soon come a point where new buying ceases."

Overtime

Speedup Causing Assembly Line Deaths

Two workers in their 40s have died on the job in Detroit area auto plants in recent weeks, and there have been additional cases of heat-stroke, a union official reported to *EIR*, citing abuse of overtime requirements as one factor. This is the context for recent Department of Labor promulgation of new regulations on overtime pay—which would force millions of workers into overtime now paid at the normal time-and-a-half.

On July 3, *New York Times* columnist Bob Herbert, in an op-ed titled "Picking Workers' Pockets," warned that "one of the last major reforms of the New Deal"—the Fair Labor Standards Act, that established the 40-hour workweek and minimum wage—is under attack from the Bush Administration, which wants to "recategorize" skilled workers as "professionals" who don't receive time-and-a-half for overtime. The Economic Policy Institute published a study on the new rules, saying they potentially steal the overtime pay from 8 million U.S. workers.

The conditions in the auto industry, described by *EIR's* source, indicate that this is a conscious speedup, and it is deadly. Already, though the UAW contract says that workers only have to accept 9 hours per week overtime, the auto companies are pushing 12 hours. It is supposedly "voluntary," but if a worker refuses to take the 12 hours—there is never a 9-hour opportunity—he is put onto the bottom of the list, losing any overtime. After a round or two, the worker capitulates and works the longer hours. This is one of the ways that manufacturing jobs can be reduced. The health danger is also alarming.