Reality of Collapse Destroys Fantasy of Recovery

by John Hoefle

July 31—Here we go again! Headlines blare that the recession has ended, and the recovery is on. The hype machine is all revved up, pushing the line that the worst is over, the economy is stabilized, and poised for a recovery that, if it hasn't already started, is just around the corner.

The nominal reason for this giddy burst of propaganda is that the rate of collapse of U.S. GDP has slowed significantly. That means, according to legions of experts, that the uptick is on, just as they predicted. These are, of course, the same experts who have been telling us, constantly, since the crisis began, that the worst was over and the recovery had started. And, we should add, they are the same economists who assured us, before the system died, that the fundamentals of the economy were sound.

We bow to no one in our admiration for experts and their statistics, but we would be a little more confident in believing them if once, just once, reality would follow their fine theories. Unfortunately, reality does not seem to share their lofty views of their own competence, and in fact seems determined to disagree at every turn. Maybe that's because these so-called experts are a collection of idiots, incompetents, and whores, who can't see the collapse, even as it crushes them. They are little more than well-paid cheerleaders for a recovery that never comes.

It Is Gross

We've thoroughly debunked the statistic known as gross domestic product (GDP) over the years. GDP is a number which purports to represent the dollar value of the nation's output of goods and services. It has two devastating flaws: First, it makes no distinction between productive and overhead activities; and, second, it is denominated in dollars rather than in physical units. GDP makes no distinction between, say, the steel industry and the derivatives casino. Both add to the nation's dollar output, so both are treated as useful. GDP does not discriminate between the dog and the flea. Good thing, too, since if it did, it would be falling like a rock.

The keepers of the GDP are the folks at the Bureau of Economic Analysis (BEA), of the U.S. Department of Commerce. Commerce is largely run for the benefit of big business, the giant companies and cartels which dominate the global economy, and the financiers which control those companies. They are a rapacious bunch which expects the government to give them what they want, and Commerce does its best to please them. If they want statistics which hide the damage they are doing to the economy, that's what they'll get.

It's getting harder and harder for them to hide that destruction, but they do try. So they tell us that GDP fell at an annualized rate of just 1% in the second quarter of 2009, significantly less than the 6.4% in the first quarter. That's practically no collapse at all, and no collapse means the recession is over, and that means the recovery is on! Simple, once you non-think it through.

Of course, it helps if you overlook that, at the same time, the BEA reports that it has revised its past statistics to show that the "recession" was far worse than originally thought—in fact the worst "recession" since the Great Depression. But just because they got it wrong before, doesn't mean they've got it wrong again! At least until next month.

The '-Less' Recovery

We've already been told that this is a jobless recovery, but it appears that there are quite a few other "-lesses" as well. Production-less, trade-less, homeless, and profit-less, just to name a few.

Let's start with jobs. When Lyndon LaRouche declared at his July 25, 2007 webcast that the financial system was dead, the official U.S. unemployment rate was 4.7%, and it has doubled since, to 9.5% in June 2009. The real unemployment rate is probably around 30%, but even the official figures show a disaster. During that period, the official number of unemployed persons has jumped from 7 million to nearly 15 million. During that same period, the initial claims for unemployment insurance have also doubled, rising from some 308,000 for the week of that webcast, to 584,000 the week of July 25, this year.

These job losses have occurred across the spectrum. Manufacturing employment, which was already at historic lows, has dropped another 15% since LaRouche's 2007 webcast, and is down 39% from its 1979 peak. On a per capita basis, manufacturing employment is at levels not seen since the Civil War era. Given the importance of manufacturing production to an economy, this is an unmitigated disaster.

Jobs are also disappearing in the service sector, which had shown virtually uninterrupted growth since the 1940s. Some 2.4 million jobs in the "service-providing industries" have been lost since July 2007. Also hard hit—no crocodile tears, please—is employment in the financial sector, where employment has dropped 7%—563,000 jobs—since LaRouche's webcast.

Manufacturing production itself has fallen 17% since LaRouche declared the system dead, according to the manufacturing production index, while the production of durable goods has fallen 32%. Sales of autos and light trucks are off 37% over that period, and down 56% from their peak in October 2001.

Imports and exports have fallen off the cliff, with imports of goods down 27% since July 2007, and down 39% from their peak a year ago. Exports of goods are off 14% since the webcast, and down 30% from their peak in July 2008.

These elements are just a sampling of the level of collapse in the economy over the past two years, and, given the nature of official statistics, they probably understate the losses. They are, however, sufficient to blow out of the water the claim that a recovery is underway, or, even on the horizon. We are in a death spiral of collapse, one which can only be halted by adopting LaRouche's recovery plans.

Not Even Financial

Not even in the financial sector—where banks are claiming to make big profits and the financial markets are said to be improving—is there a recovery. The bank profits are an illusion, the result of accounting tricks, lying about losses, gouging customers, and apparently even stealing. If the big banks told the truth about their financial condition, they'd have to shut their doors. This, despite the trillions of dollars poured into them via the bailout swindle.

The Dow Jones (post-)Industrial Average has climbed back above 9,000, but the rise is largely the result of the criminal activity known as high-frequency trading. Goldman Sucks is the leading culprit.

There are other bodies waiting to surface, as well. AIG remains in deep kimche, as do Fannie Mae and Freddie Mac; and a company named Capco appears poised to take its place on the roll of disasters. GE Capital is also in big trouble, and will likely require huge amounts of government funds.

Years ago, when Enron was imploding, we noted that the difference between Enron and GE was just a matter of time. Most people took that as a joke, but we were serious.

It is high time to quit listening to all the fools and cheerleaders, and start listening to the man who has been on the mark all along, Lyndon LaRouche. Listening is not enough, though. What is required is to act on LaRouche's ideas, and to force the implementation of his policies.

We are rapidly running out of time, and every moment we delay, the damage grows; and the nation and the world draw closer to complete collapse. By mid-October, civilization itself could disintegrate, and even before then, as the panic of impending doom sets in. There is a solution, but we must act. Will we rise up and meet then challenge, or become just another failed civilization? It is up to us.

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