Congress's Sabotage Caused 2009 Crisis

by Paul Gallagher

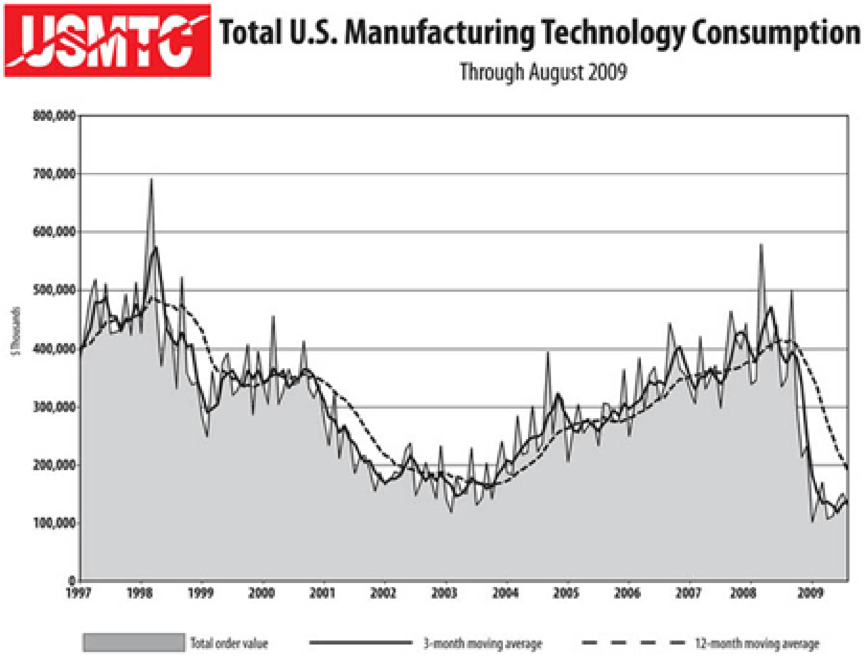
A U.S report on Oct. 12 announced the bad news for the U.S. economy, that manufacturing technology consumption (investment in new machine tools) was 67.7% lower in the first eight months of 2009, than in the same period the year before. Machine-tool investment was already falling in 2008 from the global financial crash triggered in July 2007, so the release by the Association for Manufacturing Technology and the American Machine Tool Distributors' Association was really reporting that, in 2009, the investment in this physical-economic productivity driver has been one-fourth of its 2007 level, and one-fifth of its level in the 1990s (**Figure 1**).

Machine tools, enabling the building and precision improvement of all machines, are the strategic investment that gives an industrial economy the power to implement scientific discoveries as new technologies, and the force of rising productivity. Without that investment, a nation cannot produce the most important military, aerospace, transportation, and power technologies on its own, nor realize its own citizens' creative inventions. Investment in machine tools and related technologies in the U.S. totalled barely over $1 billion from January through August 2009, down to just two-tenths of one percent of total U.S. business capital investment, which itself had fallen by 30%. Essentially, U.S. machine-tool investment—two-thirds of which was *imported* machine tools, already a decade ago—has now disappeared. It is at one-eighth of its 1980 level, when, in addition, 70% of machine tools used ("consumed") in the United States were American-made. A chart of machine-tool production published by *EIR* in 2001 showed the dimensions of this 30-year collapse (**Figure 2**).

Who Killed the Economic Recovery Act?

But, in 2005, a domestic machine-tool recovery and build-up was still possible, when economist Lyndon

FIGURE 1
Total U.S. Manufacturing Techology Consumption



Reliable Plant Magazine/RP news wires

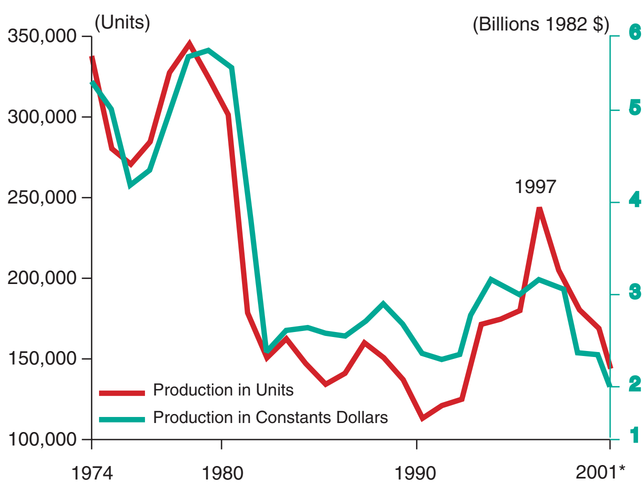
LaRouche proposed what became the Economic Recovery Act (ERA) of 2006. Of the two major strategic reservoirs of U.S. machine-tool capacity—the auto production and supply sector, and the aerospace industries—LaRouche's recovery strategy focussed on the auto industry, then in the early, but clearly recognizable process of collapse into bankruptcy. LaRouche proposed to launch a public corporation with large Treasury credits to take the unused machine-tool capacity—before it was auctioned off and/or scrapped—and retool it to purposes of large-scale modern economic infrastructure projects. The ERA was demanded by councils of over 200 U.S. cities in 2006-07; endorsed by state legislatures, and had backing from governors. United Auto Workers organizers joined the LaRouche PAC (LPAC) for mass lobbying on Capitol Hill. But there, the ERA was killed in 2007, by the Democratic leadership, in particular "Bailout Barney" Frank, Nancy Pelosi, and Harry Reid, under strong pressure from the financial circles represented by George Soros and New York banker-fixer Felix Rohatyn.

Then, in July 2007, began the crash LaRouche had forecast for that time, sweeping into bankruptcies more than half of the remaining production jobs in the American auto sector, among many other things.

As LPAC reported on Oct. 9, 2009, representatives of the machine-tool industry testified before Congress that day, that 75% of the metalworking/machine-tool manufacturing companies say they cannot secure sufficient credit for day-to-day operations, recapitalization, expansion, or retooling; the precision machine industry has shrunk its operations and employment by 40% in the past year; the auto supply industry, by 50%.

In Michigan's auto supply companies, according to those working in the industry, the situation has passed beyond mass layoffs, to complete destruction of physical-economic capability. Even the Internet auctioning-off of machine tools from closed plants to cheap labor countries, common in 2005-07, has died away. ("Even plants in Mexico don't bid on them anymore.") Now, the machine tools are simply hauled out of the plants and cut up for scrap dealers. One industry contractor named four large, closed auto plants, which have been converted to huge

FIGURE 2
Physical Economy: U.S. Machine Tools Production



* projected, based on first three quarters of 2001.

Sources: Association for Manufacturing Technology; U.S. Department of Commerce; *EIR.*

warehouses for copper and aluminum scrap—for speculation on international metals futures markets.

U.S. Navy/Mass Communication Spc. Seaman Oliver Cole

Machine-tool production—"human creativity in industrial form"—is now dead in the U.S., killed by the Congress, in 2005. Can it be revived?

Wichita and Detroit

In 2005-06, when LaRouche was fighting for a new national economic mission and future for the auto/machine-tool sector, the aerospace/machining industries—with half their 1980s employment levels gone—were, nonetheless, in the midst of a short-lived boom. The huge, Alan Greespan-engineered globalized speculative bubble, after the 2000-01 recession, pushed aircraft orders straight up—both Boeing and Airbus commercial planes, and the corporate and personal jets fueled by the big spenders of the derivatives-fed "liquidity boom."

The explosion of that bubble had devastated the remaining aerospace machine-tool capacities in one short year, as of September 2009, by a combination of reduced funding for NASA space exploration, aircraft and airline bankruptcies, and the blowout of the personal and business aircraft markets in the financial collapse.

In Wichita, Kan., the center of personal/business jet production, and an important subcontracting arm for both NASA and Boeing, the leaders of the International Association of Machinists union report a sickening jobs plunge. One year ago, 11,000 machinists' positions "went begging" in the Wichita area for lack of skilled workers to take them; but in that year, those openings have disappeared and 20,000 machinists have been laid off. The collapse is so rapid that warnings of "a new Detroit" have been heard.

Aside from these 30,000 "suddenly missing machinists jobs" in Wichita, other mass layoffs are occurring in rapid succession.

The *Salt Lake Tribune* reported Oct. 23 that the aerospace-rocketry engineering center, built around Hill Air Force Base, has seen over 1,000 layoffs since mid-Summer. Shuttle booster-rocket maker ATK Corp laid off 550 workers because of insufficient funds for NASA's new Ares I-X rocket on which ATK is working. Moog Aircraft, which makes flight controls for business jets, laid off 220 a month ago. SkyWest Airlines laid off 300, many of them mechanics.

In Hartford, Conn., Pratt & Whitney Canada will lay off more than 400 workers, 5% of its total workforce, including 250 by Christmas. It also will shut a plant in its home base of Longueuil, Quebec, eliminating another 160 jobs. The company's announcement said, "there are no signs of a recovery in 2010."

In Everett, Wash., Boeing is laying off 4,500 production workers and engineers this year, with rumors reported by Kiro-TV that an additional 300 are going in November. Boeing's increasingly serious problems with orders and production for its new 787 Dreamliner and 747-8 freightliner planes are also causing other layoffs, including those by Sundstrom in Wichita.

In Kansas City, Mo., American Airlines announced the closing of its aircraft maintenance hub, eliminating 700 more machinists' positions. The list goes on around the country.

Now the economic collapse has gone so far, that no "domestic" action, like the ERA alone, could turn the machine-tools crisis around. LaRouche's "Four Powers" proposal for sovereign exchange of credits for great infrastructure projects among the United States, Russia, China, and India is the one possibility for recovery of the now-dead machine-tool industry, human creativity in industrial form.