

Globalization Is Destroying The U.S. Labor Force

by John Hoefle

Nov. 13—It is no secret that the U.S. economy has been hemorrhaging jobs since the collapse of the global financial system in July 2007, and there is no end in sight to that process. However, it is crucial that people realize that, even were all the people who have lost their jobs suddenly to be rehired, it would not solve the fundamental problems facing the U.S. and world economies today. Returning to a point before the economy collapsed, is no solution.

Over the last four decades, since the 1967-68 period, the United States and the world have undergone a profoundly destructive shift away from economic production and self-sufficiency, into what is called globalization. In the U.S., we abandoned the Industrial Age in favor of the promises of the Information Age, an age in which the production of goods was replaced with the selling of “information” and “services.” Finance replaced industry as the engine which drove the country. Drove it straight into the wall, in fact.

Globalization is a marketing buzzword, designed to cast an ancient, predatory practice as some sort of new and improved instrument of progress. But what globalization is, is a return to economic colonization, a world in which the Anglo-Venetian empire runs the world through a combination of control over the supply and price of money, and the production and distribution of goods and essential services. The monetary system runs the financial cartel, and the financial cartel runs the network of global corporations which supply nations with

food, oil, and other essentials. It is essentially a return to the predatory practices of the dope-running, slave-trading British East India Company, aided by modern technology.

Composition of Labor

The damage these neo-colonial policies have done to the U.S. economy is reflected in the changing composition of the workforce. That is, changes in what people do for a living.

Jobs are divided into two main categories—productive and overhead—based upon the nature of the work done. To help illustrate the difference, imagine a small company with one shop. The company has a factory which manufactures, say, small electric motors.

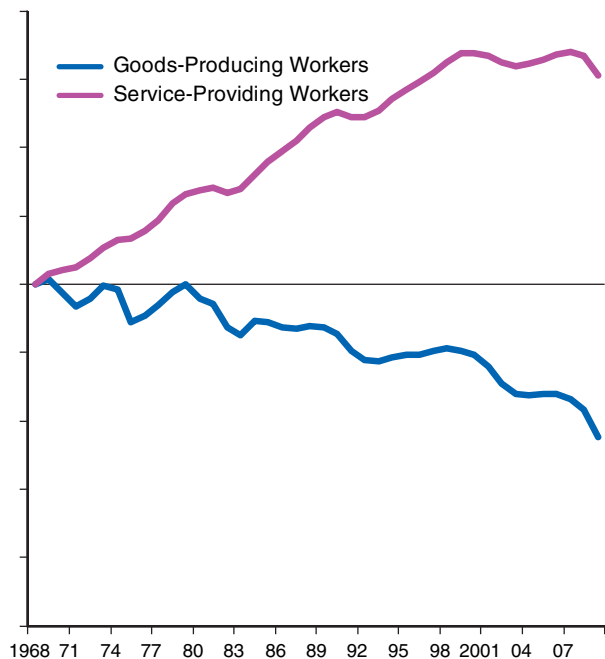
The workers on the factory floor, who make and assemble the motors, are classified as productive, because they transform various components into a finished product, in a way that increases the value of those components. This increase in value is measured in physical-economic terms, based upon the increased benefit to the economy of the output—an electric motor—over the benefit of the various inputs—the wiring, the housing, etc. The finished motor is more valuable than the parts, and wealth has been created.

The company also has an office staff, the buyers who purchase the inputs, the salesman who sells the finished product, the bookkeepers who handle the payroll, the managers who run the operation, and such. These

FIGURE 1

Overhead Grows, Production Shrinks

(Workers Per Capita, Indexed to 1968 = 1.00)

Sources: Bureau of Labor Statistics, U.S. Census, *EIR*

people perform necessary functions, but those functions are essentially overhead, costs which must be covered by the productive sector of the company.

Now imagine that the company is so successful, that the CEO decides to hire a finance manager, to manage the profits, and to handle relations with Wall Street. Over time, the finance staff grows, a personnel department is added, then, a public relations staff, and so on. Money which might have been better invested in increasing the productivity of the factory is, instead, spent on overhead functions, resulting in an increasing number of overhead workers compared to productive workers.

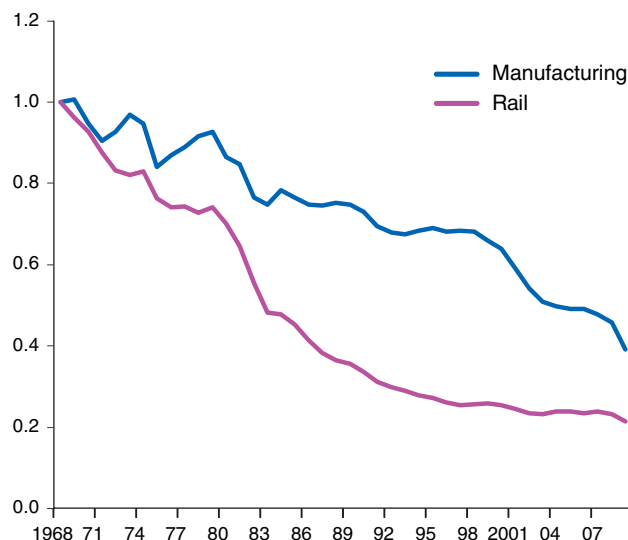
Then, the company is purchased by a conglomerate, which is more interested in its cash flow than its production. The productive side of the company is called upon to support even more overhead, while its production equipment ages and deteriorates. Finally, the conglomerate decides to shut down the factory and move production overseas, where labor costs are cheaper, completely removing the production from the U.S. economy.

This, in essence, is what has happened to the U.S.

FIGURE 2

U.S. Manufacturing Production Workers and Rail Workers

(Per Capita, Indexed to 1968 = 1.00)

Sources: Bureau of Labor Statistics, U.S. Census, *EIR*.

economy, and the effects of this deindustrialization and globalization can be seen in the composition of the labor force, as reported by the U.S. Department of Labor.

By the Numbers

The result is a picture of the trends of relative changes in the composition of the workforce over the period.

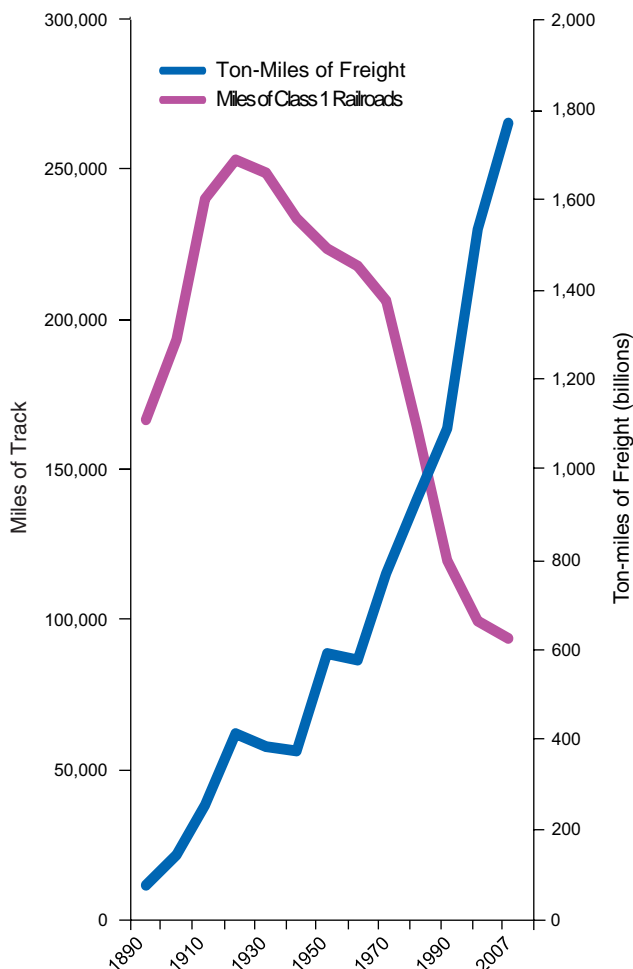
First, we look at the broad changes since 1968, in the relationship between goods-producing workers and service-providing workers (**Figure 1**). What we see, is a significant decline in the level of goods-producers, coupled with a sharp rise in service-providers. Except at the end, where both are declining. The level of service-providers peaked in 2000, at about 1.7 times the 1968 level, and now stands at 1.6, while the number of goods-producing workers has fallen by nearly half, to 55% of the 1968 level.

Next, we take a closer look at production, using manufacturing production workers and railway workers (**Figure 2**). Both show precipitous declines, to 39% and 21% of 1968 levels, respectively.

Corresponding to the decline in railway workers, is a decline in the mileage of railroad track. We now have

FIGURE 3

U.S. Railroads: Freight Load Grows, Track Mileage Shrinks



Source: Association of American Railroads.

some 94,000 miles of Class I railway—major railroads—compared to 167,000 miles in 1890, and a peak of 253,000 miles in 1920 (**Figure 3**). That is devastating, given the importance of rail transportation to the economy.

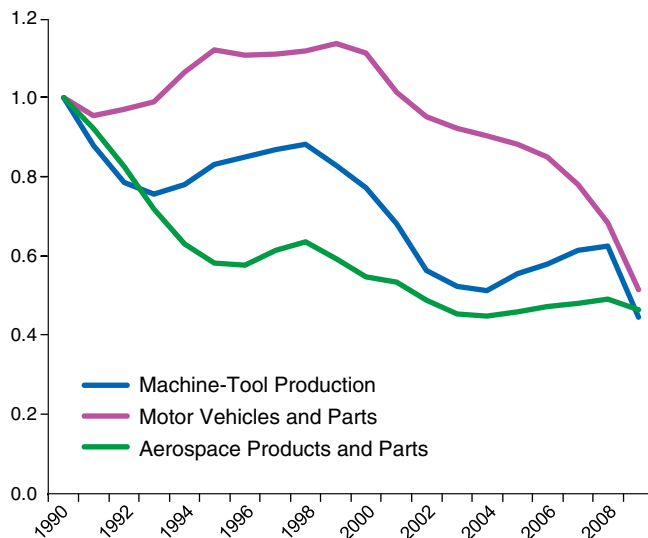
At the same time, the amount of freight carried on that shrinking rail mileage has continued to rise, to nearly 1.8 trillion ton-miles in 2007. Since then, U.S. freight rail traffic has fallen by 19%, according to Rail-fax. Roughly half of the freight carried on U.S. railroads is coal.

The automotive and aerospace industries have been hit hard, as has the machine-tool sector (**Figure 4**). Em-

FIGURE 4

U.S. Manufacturing Jobs Are Disappearing

(Workers Per Capita, Indexed to 1990=1.00)



Sources: U.S. Bureau of Labor Statistics, U.S. Census, *EIR*.

ployment in motor vehicle and parts manufacturing has fallen to just 52% of its level in 1990, while employment in aerospace products and parts has fallen to 46% since then. Machine-tool production employment, a crucial metric for a healthy economy, stands at just 45% of its 1990 level.

Is it any wonder that our economy is dying?

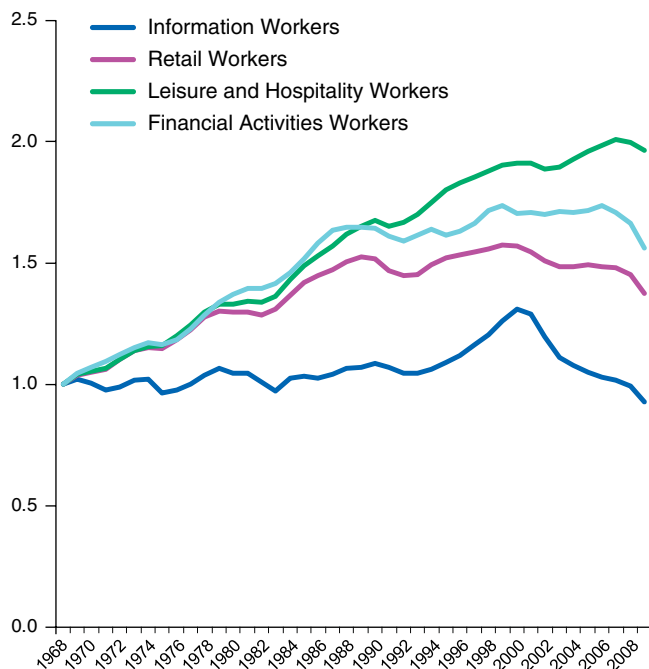
The service sector, which was supposed to replace the “outmoded” industrial sector, as the driver of the economy, is also beginning to collapse. Employment in information services, which peaked with the tech bubble/Y2K scam in 2000, is now below its level in 1968 (**Figure 5**). Employment in the financial, retail, and leisure and hospitality sectors remains well above their 1968 levels, but is fading fast. Each of these sectors was a creature of the financial bubble, and each is collapsing as the result of its demise. Financial firms are downsizing at a rapid clip. Retail stores are suffering as consumers batten down the hatches, voluntarily or otherwise. The once-booming hotel business is taking a heavy hit as business travel and tourism shrink with the economy. Expect the employment levels in all these sectors to plunge precipitously, and far more quickly than most people would believe. There is no bottom to this pit.

To fully assess the damage that has been wrought by

FIGURE 5

Service Employment Begins To Falter

(Workers Per Capita, Indexed to 1968=1.00)



Sources: U.S. Bureau of Labor Statistics, U.S. Census, EIR.

our trip away from sound physical-economic principles into the virtual world of service and globalization, we must take an even longer view. The picture is not pretty.

By any standard, employment in manufacturing has been falling dangerously in recent years. As of September 2009, only 11.8 million Americans were employed in manufacturing, down from a peak of nearly 20 million in 1979, and the number of workers is now barely above the level of 1940. However, measured per capita, the level of manufacturing employment is back to where it was in the early 1880s (**Figure 6**)! It is beyond insane.

Employment statistics do not tell the whole story, of course. Other factors, such as technological improvements that increase the productive

power of human labor, must be taken into account. Modern computer-controlled machine tools, for example, can do far more work per operator than their manual predecessors. And the use of computers and other machines has dramatically increased the amount of work a single person can do in many areas.

Some would argue that U.S. manufacturing statistics are irrelevant, since we can import what we need. Where it is made, they claim, is not important—all that counts is that we can buy it. The more foolish might even insist that having our products made overseas in places where labor is cheaper is to our advantage, since we can get what we want cheaper that way.

Such arguments are invariably based upon monetary considerations, and are, thus, intrinsically incompetent. If we're saving so much money, why is our economy dying?

The answer is simple, if you haven't been bamboozled by the oligarchs' globalization line. Economies are based upon physical-economic principles, upon increasing the mastery of mankind over the universe. Money is nothing more than a convention, a convenience. Under globalization, we have sold our souls to the British Empire, only to find ourselves destitute. We must now reverse that transaction, put an end to the empire and its globalization scam, and begin rebuilding the world.

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