

# EIR Economic Model

## Study reveals 40% decline in American living standards

by the EIR Economics Staff

Just about everyone now realizes that the much-vaunted “recovery” is a colossal hoax, believed in only by the most fanatic free enterprisers in the Washington bureaucracy. But *EIR* has now established that the extent of the crisis is far worse than most had suspected. The living standards of the American population as a whole have *declined by 40%* since the 1950s, with most of the drop recorded under Federal Reserve chief Paul Volcker’s stewardship over Ronald Reagan’s presidency. These findings are detailed in our *Quarterly Economic Report*, “The Looming Bankruptcy of the United States,” which was issued on June 15. We summarize selected features of the study here.

America cannot currently, in peacetime, produce enough food, housing or clothing for itself; in case of a war emergency, the situation would be disastrous. The nation is experiencing a breakdown in family household formation, in its consumption, and in its labor force. The point of the breakdown of American consumption, of the market basket of consumer goods, is not that we no longer have things as good as they were in the good old days. Rather, America’s living standard has been slashed so dramatically that we are dying as a nation: The collapse in food production, the deterioration of housing and dangerous cuts in health care, threaten to bring on a pandemic of disease to make the 13th-century Black Death seem trivial in comparison.

Further, the decline in our standard of living, particularly since 1980—the so-called recovery years—has destroyed our capacity to produce for future generations. America has lost 74.5 million productive lives—the children who would have been born since 1950, had austerity not forced us to

abandon the family formation and child-production rates of the 1950s. That represents 74.5 million scientists and productive workers which our society has simply lost. America’s current goods output would be triple what it is today, had it the 108.5 million productive workers, rather than the meager 34 million it now has.

### The consumer market basket

The *EIR* study used a unique methodology, defining “standard of living” from the rigorous standpoint of the population’s effective “consumer market basket.” The commonly accepted definition of living standards, such as that used by Harvard University or the Bureau of Labor Statistics, is that of the amoral, hedonist Adam Smith, who said in effect, “These are the goods whose consumption, makes one feel good.” By that standard, any loose combination of goods which one can afford to purchase is one’s “standard of living.”

But an economy should be treated as a flow and upscaling of energy and work performed to a higher *purpose*, and that purpose is the improvement of the cognitive and material well-being of mankind. From the scientific standard that *EIR* has applied, levels of consumption of food, clothing, housing and culture, must be at least high enough to enable the husband and wife of a family of two to four children to raise and support those children for the required number of years (between 18 and 25) for these children to become skilled craftsmen, physicists, engineers—that is, to give them the minimal skill levels to function in a technologically advanced economy.

Using this criterion, we found that a husband and wife must have a standard of living supported by an annual income of at least \$40,000 after taxes, or above \$55,000 before taxes. Less than 10% of the population has that standard of living! Indeed, the standard of living prevailing in America is so low—one-fifth of the population below \$10,000—that the idea of any family benefiting from the non-existent recovery is laughable.

By beginning from these minimal adequate levels of consumption of the basic items that make up the consumer market basket, and then costing this consumption level into dollars or amounts of goods, *EIR* found the following drops in the respective portions of the consumer market basket since the 1950s: 1) food—an average fall of 40%; 2) housing—a fall of 46%; 3) health—an average fall of approximately 30%; 4) transportation—a collapse of 51%; 5) clothing—a fall of 24%; 6) education—an estimated fall of 25-40%.

### The food deficit

Let us take the case of food production. The level of food consumption in the United States is plunging. This can be measured from two standpoints: 1) what the United States consumed in the past, and 2) what it should consume.

Meat consumption provides 70% of the protein that the human being needs every day for existence, in the form of

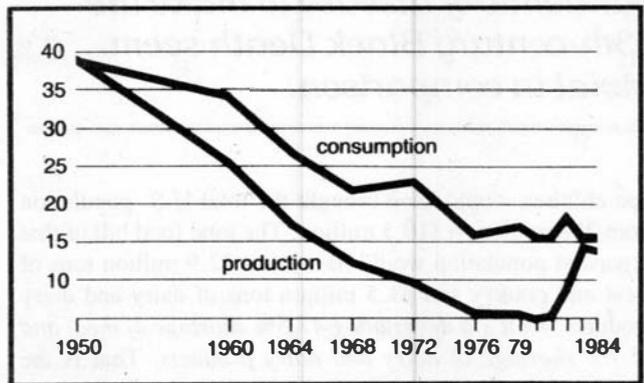


NSIPS/Stuart Lewis

*The destruction of family-formation in America: A child grows up a New York City shelter for the homeless.*

FIGURE 1

### % deficiency in consumption and production of meat and poultry



The U.S. Department of Agriculture defines a moderate-cost food plan for a family of four, which *EIR* used to calculate minimum daily nutritional requirements. This graph shows the gap between this requirement and actual consumption and production. The decline in the consumption deficit stopped in 1976. Even more alarming is the reversal of the production curve after 1981: after achieving adequate meat production for the first time in 1976-81, a drastic collapse began. This is certain to show up in consumption trends too.

animal protein. The U.S. Department of Agriculture (USDA) defines a moderate-cost food plan for a family of four. This diet, among the thrifty, low, moderate, and liberal diet plans offered by the USDA, best provides the necessary daily protein, calorie, carbohydrate, iron, vitamins, and other minimum daily requirements, according to doctors that *EIR* consulted. In 1984, Americans consumed 22.3 million tons of meat and poultry, which on a per-capita basis is 10.7% less than the USDA moderate diet requires.

In meat production, the country moved from a 34% deficit to sufficiency between 1950 and 1976. Production remained at levels sufficient to supply the entire population with a nutritionally adequate supply of meat from 1976 to 1981, and then, the high interest rates on credit and plunging land values began to cut into production. As of 1984, we had regressed, in terms of per-capita meat production, to 1965 levels (Figure 1). Further, the beef, in particular, which we are slaughtering now, is the breeding stock for both the dairy and meat industries. Cows which can produce 20,000 pounds of milk a year are being sold for meat at \$500 a head. The results are gristle in your fast-food hamburger and a loss of productive capacity for years in the future, in some cases of bloodlines which have taken decades to produce.

What would it have cost to feed the 74.5 million children that were never born under the post-1950s zero-growth conditions? Feeding these children would have required 7.9 million additional tons of meat and poultry and 15.6 million additional tons of dairy and dairy products. These 74.5 mil-

---

---

## *The collapse in America's living standard threatens to bring on a pandemic of disease to make the 13th-century Black Death seem trivial in comparison.*

---

---

lion children would have brought the total U.S. population from 236 million to 310.5 million. The total food bill of that expanded population would have been 32.9 million tons of meat and poultry and 81.5 million tons of dairy and dairy products. *That's a devastating 47.5% shortage of meat and 32.7% shortage of dairy and dairy products.* That is the actual deficit, which America seems to have avoided by not having these children.

Correcting this deficit can be seen to be even more of a problem when one realizes the destruction being visited upon agriculture. Without farmers, mechanized machines and farm inputs, one can make no food. America is losing that capacity. Farm-tractor production has plunged from 163,000 in 1976 to 62,000 in 1983. Lime usage, which prepares and enriches the soil when combined with fertilizer, has plunged from 38.1 million tons in 1966 to 25.5 million tons in 1983. And the number of farmers is decreasing by 1,000 per week, as the policies of Paul Volcker and the U.S. Department of Agriculture seek to convince farmers that farming is not a good profession, by bankrupting them.

### **Loss of productive workers**

The formation of our families, the generation of our population, the production of the labor force, and the capability to carry on the needed physical transformations of our world, have all been devastated under the "post-industrial" society. The overall decay of the physical economy, and of its capability to reproduce, centers around the destruction of the production of its labor force. The traditional family unit of a husband, a wife, and several children has been the key for the successful generation of our labor force. Quite simply, it has been decimated in the last 20 to 25 years. The proportion of households that have formed traditional families has shrunk. The number of children for each of the family units that exists has shrunk. Consequently, we have produced less than half of the children that we would have needed to sustain even the moderately-successful economic development of the 1950s.

The destruction of the family, paralleled by the growth of the youth counter-culture, is the surest measure of the absolute level of austerity exacted from the population over the last 25 years. As the power of the family household has been reduced; the fecundity of the population has been lowered; the birth rate has fallen to below replacement levels; we have less children under 17 now than we did in 1960. Thus,

in turn, our next generation of workers will be much smaller than the one that is now employed. And the population of the elderly has increased, twice as fast as the growth in the overall population.

Do we have a right to forego the necessary investment to sustain the next generation? That is what we have done. Do we have the right to decide that over the next two generations, the population of America will be reduced to perhaps half its present size, barring the intervention of war, or disease? That is what we have permitted to be done.

The investment in a new generation is the investment in new scientists, new teachers, new engineers, new farmers, etc. It is the investment in new inventions, and new modes of producing the physical possibility of new generations.

The growth of the workforce-age population has far outpaced the other two age groups. Between 1960 and 1980, this population expanded 41%, from 101 million to 142 million. Since they are missing a market of 70 million children (among other populations), it is likely that the goods-producing sector was severely curtailed. In fact (as **Figure 2** shows), of the 41 million-person expansion, the productive sector grew by 2 million, the non-productive sector by 32 million! In other words, the amount of employees in the goods-producing sector, including agriculture and transportation, stagnated; the amount of employees in the service sector, an overhead category, almost doubled. We have only 19% of our adult population engaged in materially producing the means of subsistence for themselves and the other 81% of the adult population.

### **Who can afford a family?**

It used to be the case that each family, made up of a married couple and children, of whatever number, could, in general, be supported by the earnings of one working member of the family alone, the bread-winner. This is no longer the case. This kind of family, the nuclear family, is on the verge of extinction. The wage or salary packet of the one-earner family household is no longer sufficient to meet the consumption requirements of the family household as a whole.

In 1984, for the first time, the number of family households where both husband and wife were at work exceeded the number of one-wage-earner, or one-salary families. Since 1950, the percentage of one-earner families has decreased from 66.9% to 31.9% (**Figure 3**). That is to say that the traditionally organized family household had declined to a level of only about 15% of the total 80 million American households. The one-wage-earner families, based on the working husband, have fallen absolutely from 1950 to 1984, by 51%, from 26.7 million to 13.2 million.

The reason for this is not hard to find. If one accepts what the compilers of the Labor Department's Consumer Price Index have to say about the weighted proportionalities of household expenditure, then approximately 44% of the household's disposable income is spent on housing, rent,

FIGURE 2

**Productive, non-productive, and non-worker populations: 1950-84**

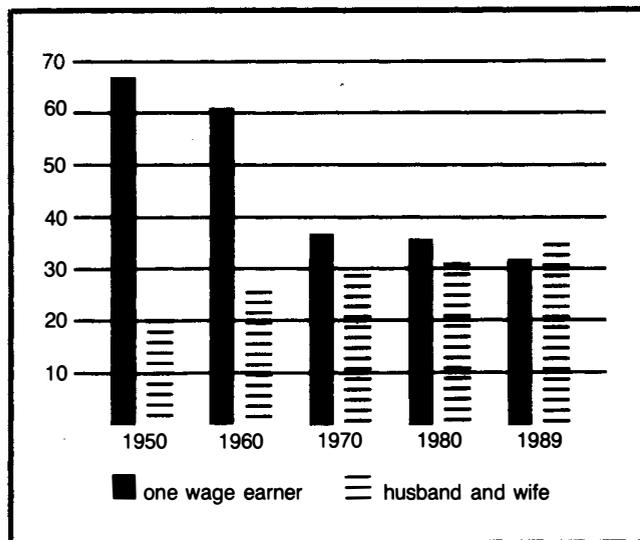
(millions)

Year	1950	1960	1970	1980	1981	1982	1983	1984
Total*	105	117	137	168	170	172	174	176
Productive	28.9	30.5	29.6	32.7	32.5	30.6	32.1	33.5
Non-productive	30.0	35.3	49.0	66.6	67.9	68.9	68.7	71.5
Non-worker unemployed	46.1	51.5	58.4	68.4	69.7	72.7	73.4	71.4
not in labor force	.3	3.9	4.1	7.6	8.3	10.7	10.7	8.5
65 & over	42.8	47.6	54.3	60.8	61.5	62.1	62.7	62.8
under 65	12.3	16.7	20.1	25.7	26.3	26.8	27.5	28.0
% productive	27.6	26.0	21.6	19.5	19.1	17.8	18.4	19.0
% non-productive	28.5	30.1	35.8	39.7	39.9	40.0	39.4	40.5
% non-worker	43.9	43.9	42.6	40.8	41.0	42.2	42.1	40.5

\* (Includes non-military, 16 & over)

FIGURE 3

**% of one-wage-earner families vs. two-wage earners (1950-84)**



fuel, appliances and so forth, another 18% on food consumption, both at home and eating out, and another 4% on the automobile. If these proportions of the disposition of income are set against what actually has to be spent, to purchase any of the indicated items, the problem becomes clear.

A family of four would need an after-tax income of more than \$40,000 a year to spend its income the way the compilers of the Consumer Price Index say they do. That means a gross income before federal, state and local taxes are collected, of rather more than \$60,000 per annum.

The median wage packet, for individuals, is in the range of \$18,000 per annum. There are only 12.5 million of the country's 80 million households who do earn more than the indicated \$40,000 per annum. But we no longer produce the goods necessary to support such a level of consumption in any case.

**The health support system**

Urban centers, whose flourishing has fostered every renaissance in history, and which were the nurturing and testing grounds for every new advance in technology, have turned into breeding grounds for disease and death under today's conditions of collapse. In the rotting cities, every virulent form of disease is bred, and spread rapidly because of the crowding of the population, broken-down sewage systems, poorly ventilated transport systems, and proliferating rats and other rodents, roaches and fleas.

What we are looking at is the breakdown of a health support system. The health support system is the totality of minimal levels of health, housing, clothing, sanitation, food intake, necessary to sustain a population. "Street people" are proliferating as the mental institutions are emptied out because of budget cuts, hospitals turn away the elderly, and drug-poisoned youth roam the streets. Likewise, the closing down of rat-control programs in cities such as Baltimore, where there are three rats for every person, will proliferate disease. The incidence of sexually transmitted diseases like gonorrhea, which is at pandemic proportions in parts of the United States, is an example of how the moral breakdown of the nation undermines the health support system.

The first step in the cutting of the nation's health support system is the closing of hospitals and reduction of hospital beds. The number of hospitals per 1 million persons fell by a third from 1945 through 1982, from 45 hospitals per million people, to 30 hospitals. The number of hospital beds is greatly reduced: from 9,600 per million persons in 1950, to 5,860 in 1980, a fall of 39%.

The protection of the health of the young is a significant measure of living standards in an economy. This includes an inoculation program, and in the United States, the program is now being slashed to pieces, by a shortage of serum so severe that some of the standard childhood vaccinations are not even being given.

Extreme poverty, furthermore, is killing babies. There are 45 to 50 million people in America who live below the poverty level; most do not eat properly, and some, for several days in the month, don't eat at all. Lack of adequate nutrition is the decisive cause for mothers giving birth to low-birth-weight babies, babies weighing less than 2,500 grams or 5½ pounds at birth. This feature of the breakdown of the health support system, due to lack of food, shows up, for example, in the Roxbury, Jamaica Plain, and Dorchester sections of Boston, where the infant mortality rate is 29 per 1,000, three times the national average.