

## This time, statistical fakery just won't work

by Chris White

The U.S. government has been caught lying again. This time, it is the newly released official revision of the Gross National Product data series. And this time, it looks as if the lies are going to backfire. Depression reality has caught up with those who insist that statistical manipulation and fakery can forever delay their day of reckoning.

The new set of lies were announced July 27 by the unfortunate Commerce Department. GNP, the supposed major indicator of economic activity, was said to have grown by 1.2% in the second quarter of 1990, by 1.7% in the first quarter of the year, and by 0.3% in the fourth quarter of 1989.

The numbers to be released were reportedly finalized at a meeting held the evening before, attended by Treasury Secretary Nicholas Brady, Commerce Secretary Robert Mosbacher, two sub-officials from the Commerce Department, and according to some, White House Chief of Staff John Sununu. Participants were said to have been provided with two sets of figures: one, the set that was released; the other set indicating that second-quarter growth was only 0.2%, first-quarter growth was 0.7%, and fourth-quarter 1989 growth stayed at 0.3%.

The lower numbers would meet the prevailing definition of a recession. The higher ones were chosen in order to avoid the political and financial fallout that would ensue if the President, fresh from reversing his "no new taxes" pledge, were to admit to the public that he had been presiding over a deepening recession.

The release has set off a storm of international outrage. This time the fakery appears to have gone too far. The reason has nothing to do with the quality of government statistics. It has to do with the growing contrast between the official lies, and the reality of the U.S. sinking ever deeper into bankruptcy

and depression. The word is out internationally that the U.S. economy is a basket case and that its bankrupt banking system cannot be saved. Around the world, as inside the United States, since the President moved his lips, the reality of the collapsing U.S. economy has moved to center stage.

Before the release of the revised figures, word was beginning to make the rounds that even the government's own indicators such as personal disposable income, consumer sales, housing starts, and housing sales, were showing that the country had been in a recession since the fourth quarter of 1989. The GNP numbers, especially the revision of the data for the second quarter, were expected to conform to what the government had earlier released.

This wasn't secret. Preview of the release has set off a storm of controversy, for what had been covered up for so long by all the lies about the "longest sustained period of economic expansion in U.S. history," can be covered up no more.

### George won't admit it

The news was broken by Lazard Frères' crusty old curmudgeon Eliot Janeway, in a column written for the *Hartford Courant*, and reprinted July 19 in the *International Herald Tribune*. Janeway wrote: "There is no way the GNP can be propped up to show gains—not just for the latest quarter but for at least the last two quarters. . . . The political consequences of such a disclosure would be momentous. Sooner or later, Mr. Bush's lips are bound to open again and form a new phrase. If he ever admits to having presided over a recession, with the Treasury borrowing \$300 billion a year, he will land in big trouble. The economic consequences are less momentous. To declare officially that a recession has arrived is mere-

ly to say out loud what most people already know.”

Janeway's report was echoed July 20 by analyst John Crudele, in a column published by Rupert Murdoch's *New York Post*. What Janeway and Crudele were writing in public, others were saying in private. This time, the monkey was under scrutiny as he put his hand into the trap.

What did they do? It was decided to put back into the calculations a “fudge factor” developed by Bureau of Labor Statistics in the mid-1980s, to account for the supposed creation of small businesses during the Reagan-Bush “recovery.” BLS employment estimates are the basis for earnings estimates that are the basis for sales estimates. Change the employment estimates, and all derived series are changed. The “fudge factor” added about 1%, or \$10 billion a quarter, or 100,000 jobs to the GNP count, no matter whether they existed or not. By 1989, it had produced such great discrepancies that it was eliminated. Now, for the first and second quarters of this year it has been put back in again, in order to keep what they call “growth” above the magic 1% marker.

What does it all mean? Well, first of all, forget the mumbo-jumbo about the economists' definition of a recession. The GNP doesn't actually measure whether the economy is moving up or down. It is the net of all the sales transactions in the economy, and as such it treats economic activity—payments incurred for production of wealth, in the form of wages, investment, and purchases of raw materials—on an equal footing with administrative and institutional forms of overhead, such as sales and government, and with outright waste, such as casino gambling, and the other wild things that go on these days. Nor is the cancerous spread of debt service and usury, which affect all the pricings that are counted, separated out.

Since debt and speculation have actually been the only areas of growth over the last years, the continued expansion of the GNP, to well over \$5 trillion, has provided an insane commentary on continued looting and collapse. Living standards were devastated as GNP grew. Productive capacity was plunged back to the levels of the early 1960s, and GNP still grew. Imports accounted for more than 20% of internal consumption, and GNP kept growing.

### **Eight-year depression**

Contrary to the government's lies, and the economists' dictionary definition, the United States is actually in a full-blown economic depression, and has been since 1981-82, when then-Federal Reserve chairman Paul Volcker's high interest rate policy (begun in 1979) bankrupted the economy.

What happened during the last three quarters that would bring the coverup to an end? That takes us back to September and October 1989. On Sept. 15, 1989, the Canadian junk-bond pirate Robert Campeau (a creature of the Reichmann family, owners of the Olympia and York real estate conglomerate, and associates of the Bronfmans and Henry Kissinger) defaulted on debt incurred during his U.S. takeover raids.

Then, on Oct. 13, the stock market went into a 200-point nosedive.

### **What LaRouche said**

Back in September 1989, political prisoner Lyndon LaRouche identified the Campeau default as marking the beginning of a deflationary spiral, which would accelerate, unstoppably, generating a shock wave of collapse. LaRouche then warned Bush, Federal Reserve chairman Alan Greenspan, and everyone else, that it were better to take the collapse then, and not try to paper things over again, for the subsequent collapse would be worse than anything avoided last fall.

LaRouche was right then, as he was in May and June 1987, when he predicted the stock market crash of Oct. 12, 1987, and as he had been before, in October 1979, when he predicted what the consequences of Volcker's high interest rate measures would be.

The lies of “the Reagan recovery” have functioned for so long, because people believed insanely in the power of money. We stopped creating wealth, through useful work, long before Volcker's depression hit bottom in the winter of 1981-82. Farmers were wiped out, but “that's okay, we buy our food from a supermarket.” Whole industries were destroyed, as a bubble of debt and speculation which reached \$21 trillion was built up on the looted wreckage of what 25 years before had been a functioning economy.

The crash of September-October 1989 brought all that to an end. The debt and bankruptcy could no longer be supported. But Bush and his backers insisted they would keep things under control. Others still want to know, “When's the crash going to occur?” Well, it already did—a long time ago. Why so much unemployment? Because there is a depression. Why so much homelessness? Because there is a depression. Why so many bankruptcies, closings, and liquidations? Because there is a depression.

Since October, we've been told everything is fine, haven't we? There's no problem with the banking system that throwing a few sleazy thrift executives, lawyers, accountants, and appraisers into jail won't fix. There's no problem with the federal budget that another round of draconian austerity won't put straight. After all, the longest-running expansion of our history is continuing. This presidential rhetoric is about to go the same way as the campaign pledge “Read my lips, no new taxes”—not because of any government statistics, but because that is the way the world is.

And since last year, too, the 15% national collapse in housing construction, the 16% collapse in auto, the wreckage of the aerospace and defense industries, and the official so-called stagnation in personal income, have fouled up the government's machinery for statistical fakery. The coverup is about to come to an end. And that means the issue of straightening out the real problems, is going to come to the top of the agenda.