

# U.S. Machine Tools: Collapse Intensifies

by Richard Freeman

The U.S. machine-tool industry, a critical feature of which is the machine-tool-design sector, is headed, once again, downward. According to a Dec. 11 press release by the Association for Manufacturing Technology, during October, U.S. industry consumed \$484.2 million worth of machine tools, which is a fall of 14.1% from the previous month's level of \$563.6 million, and a fall of 16.6% from the level of October 1999, of \$580.9 million.

It is through the machine-tool-design sector, that mankind transmits the most advanced scientific discoveries of validated fundamental physical principle to the entire economy. These revolutionary scientific ideas are incorporated into the machine-tool design. Thereby, this design is stamped into that of other basic machines, and used to upgrade the scientific-technological matrix of the entire economy.

Without that machine-tool-design capability, an economy cannot grow. That has been the condition of the U.S. economy especially since the heavy-handed devastation that then-Federal Reserve Board Chairman Paul Volcker inflicted on the whole U.S. economy, and the machine-tool-design sector in particular, during 1979-83, through implementation of the financier oligarchy's policy of "controlled disintegration."

First, we look at the United States' machine-tool consumption, and then at machine-tool production. Consumption is defined as U.S. machine-tool company production of machine tools, minus the amount exported, plus the amount imported. It is the level of machine tools that U.S. industry consumes, in the form of capital formation, during a certain period. U.S. machine-tool production represents solely the level of U.S. production of machine tools, and does not deduct exports, nor add in imports.

TABLE 1  
**U.S. Industry's Machine Tool Consumption Year-To-Date (January-October)**

(Billions \$)				
1996	1997	1998	1999	2000
\$6.070	\$6.580	\$6.075	\$4.890	\$4.944

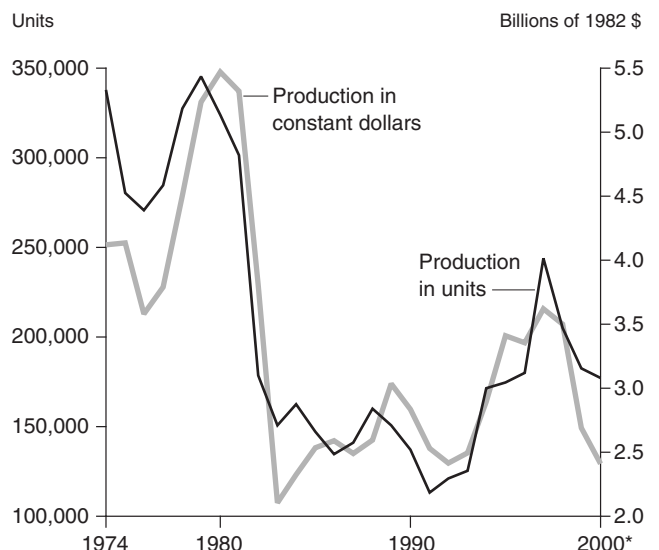
Source: Association for Manufacturing Technology.

**Table 1** shows that for January-October 2000, U.S. industry's consumption of machine tools, at \$4.944 billion, was 1.1% higher than U.S. industry's consumption of machine tools during the same period for 1999, at \$4.890 billion. But, 1999 was a collapsed year. For the comparable period, U.S. industry's consumption of machine tools in 1999 was down 24.9% from 1997. Therefore, those machine-tool industry spokesmen who point out that levels for the first ten months of this year are still 1.1% above 1999, slide over the fact that machine-tool consumption is down one large notch from 1997.

## A Deeper Level of Collapse

But 1997 was itself not a highpoint. To examine this, we focus on U.S. machine-tool production. In the mid-1960s, the City of London-Wall Street financier oligarchy imposed upon the United States the policy of the post-industrial society. This contracted manufacturing, agriculture, and infrastructure, while building up non-productive services and a large financial bubble. In October 1979, Volcker instituted a policy of "controlled disintegration" as an extreme form of the post-industrial society policy. He began sending interest rates into the stratosphere, so that by December 1980, the prime lending rate charged by U.S. commercial banks rose to 21.5%. As a result, Volcker broke the back of the machine-tool industry.

FIGURE 1  
**U.S. Machine Tool Production, in Units and in 1982 Constant Dollars**



\* First six months, annualized.

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

Tens of thousands of machine-tool shops closed in the Midwest and New England, never to open again.

Figure 1 shows U.S. machine-tool production for selected years. By 1985, U.S. machine-tool production had fallen by more than half from its 1980 levels, as stated in both 1982 constant dollars and in units. Though there has been a limited recovery since 1990, what this represented was the bouncing up and down around a trough; the level of production never equalled that achieved in 1980. Annualizing the output of the first six months of 2000, the machine-tool industry will produce machines worth \$2.412 billion (in 1982 dollars), and totalling 177,050 units, which will be steeply below the levels of 1980, by 55.9% and 45.3%, respectively. An indispensable sector for the upward development of the U.S. physical economy has been destroyed.

There are two points that are in order. First, what is happening now in the machine-tool sector represents a new phase of accelerated downturn within a 30-year process of U.S. physical economic collapse. Second, a number of commentators have hit upon the idea that the U.S. economy could have a mishap and end up in recession in the first quarter of 2001. But, the devastated level of U.S. machine-tool production, as well as the collapsed level of machine-tool consumption, shows that the U.S. physical economy is not "about to enter a recession." It is flat on its back.

# Boston Fails to Act: Its Citizens Will Pay

by Suzanne Klebe

With the wolf of Winter at the door, and Boston citizens strongly backing a City Council call for national emergency action to control soaring energy prices, the Boston City Council failed, on Dec. 13, to vote on the emergency resolution, bowing to the pressure of slanders against economist Lyndon H. LaRouche, Jr. Councilman Chuck Turner had put up the emergency resolution, after studying LaRouche's memorandum on emergency state-to-state oil trade to stop the wild speculation in energy prices (see *EIR*, Dec. 15, 2000). LaRouche's memo has been circulating internationally since early September, with the prices of most Winter fuels doubling, or worse; and he had urged Boston to "fire a shot that would be heard around the world" against the energy speculators and cartels.

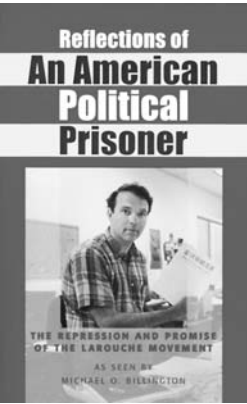
In a tragic piece of comedy, the Boston Council members excused their failure to act, by citing the recent fall in the international oil price—while the Massachusetts Regulatory Committee on Energy approved further 10-14% increases in energy prices across the board in the state! One Boston church pastor, after petitioning for the resolution and seeing it tabled by a vote of 8-3, told the Councilmen to "get their pens ready" to send condolence letters to families who die of space heater fires, or relatives of elderly citizens who freeze.

The Council bowed to obvious, strong pressure from three forces: Boston banks and financial powers, known locally as "The Vault"; the Anti-Defamation League of B'nai B'rith, sending anti-LaRouche slanders through Councilman Mike Ross; and energy multitis speaking through think-tanker Daniel Yergin, who put forward the absurd fig-leaf about "falling oil prices." Even Energy Secretary Bill Richardson in Washington had to declare, that very day, that energy prices were a national emergency, and Richardson has himself bungled the Winter energy crisis by insisting on leaving prices to "the market."

The Councilmen capitulated after a majority of them had previously agreed that the resolution was needed, and after Councilman Michael Flaherty, who chaired a full day of hearings on energy price speculation on Dec. 4, publicly called them the most informative hearings he had ever attended.

## 'Public Opinion' as Defined by the ADL

A "picture worth a thousand words" in the Beacon Hill/Back Bay *Chronicle* neighborhood paper on Dec. 13, showed Flaherty and Ross, arm in arm, raising funds at the Boston



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