

## Editorial

# *U.S. 'Recovery' a Dangerous Fraud*

Those policy-makers and others, internationally, who are swallowing even a bit of the "U.S. economic recovery" propaganda, are playing the fool and allowing the crucial moment to push through a New Bretton Woods monetary system to pass by. The celebrated American first-quarter GDP growth of 5.8% is a fraud which shocked even Americans who knew no more than that it had to be false. Combining it with the previous quarters' equally lying figures would lead one to believe that the U.S. economy, over the last year or so, has grown at 2% per year or better! This, while unemployment has grown by more than 2 million, industrial production has fallen continually, corporate profits and investment have both fallen steadily, collapsing tax revenues have blown out more than 40 states' budgets and are now building a new Federal deficit, and a score of the biggest U.S. firms have disappeared into bankruptcy or are in the process.

While even populist economic commentators like the *New York Post's* John Crudele called these figures faked, and estimated that real, inflation-adjusted GDP actually *fell* during the quarter, *EIR's* economic analyst Richard Freeman showed the actual dimension of the fraud. Freeman's finding is, first, that almost all of the 5.8% claimed GDP growth comes from inventory buildup (3.1%), large increases in spending on computers (1.3%), and increased purchases of homes (0.55%).

But were business inventories actually built up? No: *EIR* discovered they *fell* by \$36.2 billion. But since in the previous quarter they had fallen by \$119.3 billion, the "improved, smaller drop" in inventories was counted by the Commerce Department as a buildup! Did computer spending really rise by 24%? No: The rise was only 3.6%; the rest was "hedonic indexing" by Commerce, pretending the computers were growing constantly more powerful and therefore far more valuable.

Did housing sales rise in the quarter? No: They fell; but the runaway escalation in the average real estate price of homes, lifted the GDP by more than half a percent anyway! And didn't capital spending by busi-

ness rise, what with all that supposed spending on computers and information equipment. No: It fell again.

As with government reports, so with those of the corporations. A study by Millman U.S.A., a benefits consulting firm, found that in 2001 the reported end-of-year earnings results of 50 large companies included a total of \$54.4 billion of profits from returns on the investments of their pension funds. These firms included Verizon, General Electric, IBM, and the biggest blue-chip companies.

But did their pension funds make the profits they reported? No: In fact, the 50 companies' pension funds, combined, *lost* \$35.8 billion in 2001. The \$54 billion reported profits were simply statistical assumptions the firms were allowed to make, and did, knowing they were lies. Total U.S. corporate profits have been falling for a year and a half, including each of the last five months, because of the huge bubbles of bad debts sitting on corporate books. Americans who missed the last 18 months' layoffs, are in much better shape than their corporate employers. But their debt, too, is going bad. In March, 6.59% of all credit-card debt outstanding was written off as unpayable, up from 4.74% a year ago, and the highest level in 11 years.

And the U.S. Treasury had announced, at the beginning of this "high-growth quarter," that they would be paying off the national debt to the tune of \$89 billion in the second quarter. But will they do so? No: They now admit they will have to issue new debt instead, because tax collections have fallen 30% from last year, and the Federal budget, until recently thought still to be in surplus, has a deficit at \$100 billion and rising for this fiscal year.

The only thing still increasing is the international investment still foolishly pouring into the U.S. economy. Or is it? Actually, no, that flow has fallen since January, and now the dollar is starting to slide with it. Give up the fraud and delusion that "it has to recover—it always does." Act for LaRouche's interntional bankruptcy reorganization, his New Bretton Woods policy, now.