

**THE BUSH ECONOMY :
THE BIGGER THEY COME, THE HARDER THEY FALL**

It must be apparent, by now, to everybody that President George W. Bush, the most powerful man in the world, today, never got very high grades in English language, while attending Yale University, and, to **TARGET**'s thinking, it is unlikely that he, ever, understood very much about world affairs, economics, politics, sociology and/or the cultural differences that exist between the West and the East.

It must, also, be only too apparent to anybody with a modicum of intelligence that the policy of the US Government, in respect of other countries, is: *'If you're with us, good; if you're not with us, go to Hell!'*

President George W. Bush made this abundantly clear when, just prior to the outbreak of the Iraqi conflict, he made statements to the effect that you (meaning other countries of the world) are either with us ... or you are against us.

For the United Kingdom and Australia, they won brownie points by, quickly, linking arms with the US in the great fight against the tyrannical rule of President Saddam Hussein of Iraq.

The US Administration got that matter a little wrong, however, because the *raison d'être* for the pre-emptive strike against Baghdad was that Saddam Hussein had weapons of mass destruction and *'he must be stopped.'*

The claimed rationale of the Bush Administration to attack Baghdad was that, in addition to Saddam Hussein, using his weapons of mass destruction on his own people (which he had, already, done), he might, also, sell some of them to international terrorists, with Osama bin Laden, being high on the list of terrorists: The US Government would like to terminate this Arab gentleman with extreme prejudice since he was the mastermind, behind the attacks on the US in September of 2001.

Well, no weapons of mass destruction have, ever, been discovered in Iraq, in spite of the US Central Intelligence Agency, having made claims, or being misquoted as having made claims, that *'they are there'*.

However, notwithstanding the absence of Iraqi weapons of mass destruction, it is, probably, fair to state that the US Government, backed by about 10,000 soldiers from the United Kingdom, did the right thing for the wrong reason.

And, now, the US President has proverbial egg all over his face, again.

And his promises about the improvement in the US economy have, also, proved to be far off the mark.

The hype has not helped the economy ... and it will haunt him – in an election year, too!

Last Saturday, while visiting a company in Indianapolis, Indiana, he made a speech, which is worthy of note because it indicates, to a great extent, his thinking.

Some of his inspired insights, reproduced below, are:

1. There are a lot of Americans, looking for work

2. America the Mighty!
3. Do not forget September 11, 2001
4. The US economy looks good
5. But the US Administration has a lot more work to do
6. 'Made in America' is a stamp of quality
7. The reason for the massive Budgetary Deficit (approaching \$US500 billion for the Current Fiscal Year, according to **TARGET**'s rough calculations) is that 25 percent of it is the requirement to defend America
8. God Bless America!

The following is an edited record of that which President George W. Bush said, last Friday:

'There are a lot of Americans looking for work, and we need to do something about that in Washington, D.C. We've taken steps to get our economy growing again, and there are some very hopeful signs that progress is being made. I'm optimistic about the future of this country. Yet today's unemployment report shows we've got more to do. And I'm not going to be satisfied until every American who's looking for a job can find a job ...

'There's a great deal of talk about the might of America and we're mighty. And I intend to keep it that way. We've got a great military might, economic might. But the truth of the matter is the great strength of America is the heart and soul of the American people ...

'I mentioned the fact that our nation is facing big challenges. One of the big challenges, of course, is for me, my administration and those who have been honored to serve the American people, to do our solemn duty and protect the security of the American people. We must never forget the lessons of September the 11th, 2001, a sobering reminder that oceans no longer can protect us from forces of evil who can't stand what America stands for. There are people in this world who hate the thought that we believe in free societies, we believe people should worship freely, speak their mind freely. And since we're not going to change, since we're not going to change our attitude about freedom, we've still got an issue with these terrorists ...

'And at home, we must recognize that while the signs are pretty good about our economy, there's still people looking for work. And we've got to do something about that. I said I was optimistic about our economy -- and I am, for good reason. We have been through a lot. And yet, we're still strong. Let me remind you of what we've been through. The attacks on America cost us about \$80 billion. That's a lot of money. The attacks hurt our economy at a time when we were beginning to recover from a recession. In March of 2000, the stock market started to decline. Investors began to realize, well maybe the economy wasn't quite as strong as it had been in the past. And we were in recession in the first quarters of 2001. We had negative growth. People were beginning to look for work. Things weren't good.

'But the economy became to come back because we actually passed a really good tax bill out of the Congress. And then the enemy hit us, and it hurt. It hurt economically; it hurt the nation's psyche to think that we were vulnerable to cold-blooded killers who could come and in one day take the lives of thousands of innocent people.

'But we began to recover. We took some actions in Washington. For example, we passed terrorism insurance -- plan to help encourage building of large construction projects to keep those hard-

hats working. We dealt with the airline industry for the short-term. I mean, we took action, and we started getting better ...

'In spite of all these challenges, the economy is growing. I think one of the main reasons it's growing is because of the tax cuts we passed. I believe that when somebody has more money in their pocket, they will demand an additional good or a service. And when they demand an additional good or a service, in our society somebody will produce that good or a service. And when somebody produces that good or a service, it means somebody is likely to find work. The tax relief plan we passed that let you keep more of your own money came at the right time.

'We cut rates on everybody who pays income taxes. We didn't try to pick or choose winners; we said, if we're going to have tax relief, if you pay tax you ought to get relief.

'We increased the child credit from \$600 per child to \$1,000 per child. We want to help our moms and dads with the responsibility of raising their children. And by the way, because of the '03 bill, we put the check in the mail in July of this year.

'We reduced the effects of the marriage penalty. It doesn't make any sense to penalize marriage in the tax code. We wanted to help those who own stock directly or indirectly. Many of you own stocks through your pension plans; many of you own stocks and bonds directly. So we cut taxes on dividends and capital gains to encourage investment. And that particularly helps our seniors. Many of our seniors rely upon dividend income, and they're retirement age, and that helps our seniors realize – have good – be able to have more money in their pocket as they get in their retirement years...

'But as I mentioned to you, we've got more work to do, and I want to talk about some things that are still being done. There are still people looking for work. The economy is growing; home-building is strong; people are getting more confident. The purchases of factory orders for heavy machinery is good and it's up. But people are still looking for work.

'One of the reasons why is, when you're coming out of slow times, job creation is the last thing to arrive on the scene. A lot of employers are saying, well, I want to make sure the economy is as good as it sounds like before I put on a new worker.

'Another reason why is because our workers are so productive. Productivity – we've got the highest productivity, the most productive workers, in the world. And when productivity goes up, it means that a worker can have more output per hour. And therefore, in order for job creation to grow, the economy must grow faster than productivity gains. In other words, if a worker can do more per hour, in order for a new worker to be hired, the demand must be increased by as much, if not greater than, productivity increases...

'I believe when you see the label "Made in the U.S.A.," it's the stamp of quality. And therefore, one way to encourage job growth is to open up markets and to level the playing field for U.S. products. Just give us a level playing field, and we can compete with anybody, anyplace, anytime...

'You will hear talk about the deficit. We have a deficit. We have a deficit, in part, because of the recession. When you have a recession, you get less money into your treasury. When the economy slows, there's less revenue coming to Washington, D.C. About half of the deficit is caused by the recession that we're trying to get out of.

'A quarter of the deficit is caused by the fact that we're spending money to defend America. My attitude is, anytime we put one of our troops in harm's way, they deserve the best pay, the best

training, and the best possible equipment. This nation will spend what it takes to win the war on terror and to protect the American people ...

'About a quarter of the deficit was caused by the tax relief. But the tax relief is helping us recover from the recession. It was needed to make this economy grow. And as the economy grows, more revenues come into the treasury. The best way to cut down the deficit and I've got a plan to reduce it in half in five years – is for Congress to set priorities and not overspend ...

'There is no question that we've been challenged. But those challenges came to the right people. I have been so proud of our country. We are a country that is determined and strong, and tough when we need to be tough, and compassionate when we need to be compassionate. We've overcome a lot. We've overcome war, attacks on our country, recessions, corporate scandals. And yet we're still strong. We're vibrant. We're a great nation. We're a great nation because of our ideals and our beliefs. We believe in human dignity. We believe everybody has worth. We believe in freedom and the promise of freedom.

'Ours is a nation dedicated to a world of peace, and we will use our strength to achieve peace. And ours is a nation dedication -- to uplifting every citizen who lives in this country, by giving every person a chance to realize the great promise, the American Dream.

'... May God bless you, and may God bless America.'

And, Now, For The Facts, Folks

Unfortunately for President George W. Bush, he made the above statements, just prior to fully appreciating the most-recent statistics, compiled by The Bureau of Labour Statistics of the US Department of Labour, those statistics, embargoed until 8:30 am, last Friday.

Labelled, ***'THE EMPLOYMENT SITUATION: AUGUST 2003'***, it painted a slightly different picture of the US economy to that which the President's hype had been suggesting for the past few weeks.

This is, in a capsulated form, that which The Labour Department reported to the world, last Friday:

1. About 93,000 jobs were lost in August
2. There are at least 8.90 million people, who are unemployed in the US, today
3. The Unemployment rate in the US is about 6.10 percent
4. In August, only, about 1.90 million Americans had been unemployed for 27 weeks or more
5. The number of people with jobs in the US is about 137.60 million
6. The number of discouraged workers has risen to 125,000
7. Job losses continued in the manufacturing and Information Technology sectors of the economy

The following is what The Labour Department released, last Friday morning:

'Total nonfarm payroll employment declined by 93,000 in August, and the unemployment rate was essentially unchanged at 6.1 percent... Job losses continued in manufacturing, information, and other sectors, while health care and construction added jobs.

'The widespread electrical power failure in the Northeast and Midwest occurred late in the afternoon of Thursday, August 14, forcing many businesses to shut down for a period of time

during the survey reference periods. Because of the way employment is defined in the two surveys, however, it is likely that the blackout had little effect on the August employment counts.

Unemployment (Household Survey Data)

Both the number of unemployed persons (8.9 million) and the unemployment rate (6.1 percent) were essentially unchanged over the month. Unemployment rates for the major worker groups--adult men (5.8 percent), adult women (5.2 percent), teenagers (16.6 percent), whites (5.4 percent), blacks (10.9 percent), and Hispanics or Latinos (7.8 percent)--showed little or no change in August. The unemployment rate for Asians was 5.9 percent, not seasonally adjusted.

In August, 1.9 million persons had been unemployed for 27 weeks or more. They represented 21.8 percent of all unemployed persons, about the same as in July.

Total Employment and the Labour Force (Household Survey Data)

The number of employed persons (137.6 million) was little changed over the month. Both the employment-population ratio (62.1 percent) and the labor force participation rate (66.2 percent) were unchanged.

Persons Not in the Labour Force (Household Survey Data)

In August, nearly 1.7 million persons (not seasonally adjusted) were marginally attached to the labor force, 209,000 higher than a year earlier. These individuals wanted and were available to work and had looked for a job sometime in the prior 12 months. They were not counted as employed, however, because they did not actively search for work in the 4 weeks preceding the survey. Of the 1.7 million, 503,000 were discouraged workers — persons who were not currently looking for work specifically because they believed no jobs were available for them. The number of discouraged workers has risen by 125,000 over the year. The other 1.2 million marginally attached had not searched for work for reasons such as school or family responsibilities.

Industry Payroll Employment (Establishment Survey Data)

Total nonfarm payroll employment declined (-93,000) in August to 129.8 million. Over the month, job losses continued in the manufacturing and information sectors. Health care and construction added jobs.

The number of factory jobs decreased by 44,000 in August. Since July 2000, manufacturing employment has declined continuously, shedding nearly 16 percent of its jobs. In August, wood products, machinery, apparel, and electrical equipment and appliances each lost 5,000 jobs. Employment declined by 12,000 in the textile industries.

Employment in the information sector fell by 16,000 over the month. Since its recent peak in March 2001, the number of jobs in this sector has declined by 459,000, or about 12 percent. Telecommunications employment has declined continuously since March 2001 and fell by 7,000 over the month.

Professional and business services employment edged down in August. Within this sector, management of companies and enterprises lost 10,000 jobs. Computer systems design lost 8,000 workers over the month. Since peaking in March 2001, employment in this industry has declined by 232,000. Temporary help employment continued to trend up, although the increases in July and August were notably smaller than the gains in May and June.

'Employment continued to decline in wholesale trade. Since its most recent peak in March 2000, wholesale trade employment has decreased by 423,000. Retail trade employment was little changed in August. Employment in transportation and warehousing also showed little change over the month.

'Government employment peaked in February and has decreased by 131,000 since then.

'A gain of 25,000 jobs in health care and social assistance in August was about in line with its average monthly employment increase over the prior 12 months. Ambulatory services (such as doctors' offices and outpatient clinics) and hospitals each added 11,000 jobs in August.

'Construction employment edged up over the month. Since February, the industry has added an average of 20,000 jobs per month. In August, gains occurred in heavy construction and in specialty trades, both of which have increased employment recently.

Weekly Hours (Establishment Survey Data)

'The average workweek for production or non-supervisory workers on private nonfarm payrolls was unchanged in August at 33.6 hours, seasonally adjusted. The manufacturing workweek also was unchanged at 40.1 hours. Manufacturing overtime ticked up by 0.1 hour to 4.1 hours.

'The index of aggregate weekly hours of production or non-supervisory workers on private nonfarm payrolls edged down in August to 98.2 (2002=100). The manufacturing index decreased by 0.2 percent over the month to 93.8.

Hourly and Weekly Earnings (Establishment Survey Data)

'Average hourly earnings of production or non-supervisory workers on private nonfarm payrolls increased by 2 cents in August to \$15.45, seasonally adjusted. Average weekly earnings were up by 0.1 percent over the month to \$519.12. Over the year, average hourly earnings grew by 2.9 percent and average weekly earnings increased by 2.0 percent.'

What Does It, All, Mean?

As far as **TARGET's** Chief Economist is concerned, today, there is a huge chasm between doing business in the US and business confidence in the US.

The US President appears to have a penchant for very high-standard gymnastics, being able to put his foot in his mouth on a regular basis – sometimes, it would appear, without realising what he is doing.

While the unemployment rate has fallen in the month of August, from the July figure of 6.20 percent to the August figure of 6.10 percent, much (or even most) of that seemingly improving situation came about, as The Labour Department suggested, due to *'In August, nearly 1.7 million persons (not seasonally adjusted) were marginally attached to the labor force, 209,000 higher than a year earlier. These individuals wanted and were available to work and had looked for a job sometime in the prior 12 months. They were not counted as employed, however, because they did not actively search for work in the 4 weeks preceding the survey.'*

The month of August represented the 7th consecutive month of losses in the labour force of the US.

For those 7 months, a total of about 600,000 people have received their pink slips.

The US Treasury Secretary, Mr John Snow, has been flying here and there, trying, slyly, to make US-manufactured goods more competitive, price wise, on the world market.

He has been applying pressure on various governments in order to get them to allow their currencies to float and, therefore, permit the market to determine their exchange rates.

The People's Republic China (PRC), especially, is under a great deal of pressure from the US Administration to revalue its currency.

Mr John Snow, on viewing the report of last Friday from The Labour Department, said that Congress had to do more to strengthen the environment for job creation.

What this gentleman may have failed to realise is that US-produced products are not, always, as good as those similar products, manufactured elsewhere.

US-produced motor vehicles, for instance, contrary to that which the US President maintains – ‘*the label "Made in the U.S.A.," it's the stamp of quality*’ – are not superior to their European and Japanese counterparts, for the most part, and many Japanese and many European manufacturers of motor vehicles are beating the pants off US manufacturers.

Whereas an American-manufactured product may have a rejection factor of anywhere between 2 percent and 5 percent, Japanese-manufactured goods have a zero-percent rejection factor.

It is, indeed, rare for a Japanese-produced, home electrical appliance to break down within the first 5 years of its life in the home, and Japanese motor cars are, for the most part, trouble-free for at least 5 years when bought new.

Detroit and other manufacturing bases in the US cannot match the Japanese for their attention to detail when it comes to producing durables and capital goods.

As long as the bread-winners of America fear that there is a strong probability that they may be laid off in the near future, it is impossible for them to consider, spending those surplus dollars on anything but essentials.

The US economy is being strangled by the cost of defence and the requirement for keeping 200,000-odd soldiers in various parts of the world, with 150,000 soldiers in Iraq and Afghanistan, alone.

The cost of maintaining an army in Iraq, alone, is thought to be about \$US1 billion per week.

Only last Saturday did President George W. Bush admit, in a 15-minute speech, televised, nationally, that the war in Iraq and Afghanistan was going to be a long fight; and, that he would be asking Congress for another \$US87 billion in order to fund the struggle.

He talked of the ‘*sacrifices*’ that the American people would have to endure in order to achieve victory.

It is assumed by **TARGET** that the word, ‘*sacrifices*’, refers to numerous dead American sons and daughters, who were engaged in the Iraq war, and the prospects of more of them, falling prey to the enemies of the US Government.

The cost of the war in Iraq has pushed up the Federal Budget Deficit for the 2003-2004 Fiscal Year to about \$US500 billion – a record level.

That would be an increase of about 20 percent, Year-on-Year, if achieved.

Next year will be the year when the American people will determine who will sit in the White House for another 4-year term: President George W. Bush is hoping to keep the hot seat for at least another term.

It is accepted, internationally, that the US is the strongest country in the world and, in fact, it is the strongest country, militarily and economically, that has ever existed on the face of the earth.

But there is a well-worn expression: The bigger they come, the harder they fall.

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