An administration scandal: the real unemployment picture

by Lonnie Wolfe

The Carter White House is covering up a national unemployment crisis and dangerously manipulating funds in various compensation programs in an effort to secure the President's reelection.

People within Carter's own Department of Labor report that the cover-up takes two forms.

First, there is a deliberate statistical fakery to lower the real number of "official" unemployed listed by the Bureau of Labor Statistics. This is done by arbitrarily eliminating from the official ranks of the unemployed those people said to have left the labor force or who have become discouraged and are said to be no longer looking for work. Under pressure from the White House, Department of Labor statisticians have recently found more of these "discouraged" workers thereby lowering the unemployment rate.

An *EIR* study found that if the Bureau of Labor Statistics used their previous marginally more rigorous standards and placed some discouraged workers back into the "labor force," the unemployment rate would exceed 10 percent. Using more rigorous—and therefore more accurate—criteria, the unemployment rate soars to 20 percent.

Many Labor Department officials now regard their unemployment figures as so unreliable that they cannot be used as the basis for competent policy planning.

The statistical fakery is only one aspect of the cover-up. Worried Department of Labor officials say that the White House should have come to the Congress early this summer with several multibillion-dollar funding requests to shore up severely underfunded and weakened benefit programs. Instead, the administration deliberately ignored "red flag" warning signals, delayed, and in some cases "deep-sixed" funding requests until after the election. The idea was to keep the unemployment issue from exploding in the President's face prior to the August Democratic National Convention. Now, the White House wants to keep the issue low key through November 4.

Department of Labor officials revealed that the following budget requests should have been made:

• $2.4 billion to cover additional costs of the Trade Adjustment Assistance program which makes cash payments to workers laid off because of imports. Instead, the administration submitted a request for only $800 million or one quarter of what it knew the cost would be. With funds running out to cover 475,000 workers on the program, its DOL administrators expect the White House to make an "emergency request" for funds in the lame duck session *after the election.* They worry that it might not get through Congress.

• $2 billion for additional funds for the Federal Unemployment Trust Fund. Without this money DOL officials expect the fund, which allocates loans to the various state unemployment insurance funds to keep them solvent, to go broke. There is only $1 billion left in the fund now, which will not be anywhere near enough money to cover an expected borrowing crunch early in the year.

The Department of Labor expects almost every northern industrial state plus two Great Lakes states, Illinois and Indiana, to request loans. Michigan is expected to request an additional $400 million on top of the $842 million it has already received. The White House will not ask for any additional appropriation until after the election; again DOL officials are worried about the prospects of quick action from Congress. The White House informed them that if the "problem" was handled any other way, "the whole lid could have blown off the unemployment issue."

Fraud maneuvers

White House manipulations do not stop here.

Early last summer, the White House acceded to pressure from labor and other constituency groups and "agreed" to press for an extension of unemployment benefits to 52 weeks, through passage of legislation adding 13 weeks of federally supported supplemental benefits at a cost of $1.5-$2 billion. While White House aides were making these promises, other Carter operatives were pulling a statistical maneuver.

By nearly everyone's calculations, the first 13-week extension (bringing benefits up to a total of 39 weeks), should have been automatically "triggered" on or about July 20. But, for an as yet officially unexplained reason, the 13-week extended benefits were not put into effect on that date.

DOL sources now say that the reasons were "political." After a court battle, the administration "graciously" put the extended benefits into effect on Aug. 24.

More than 160,000 workers will use up their 39 weeks of eligibility by the last week of November. An additional 250,000 workers will lose their eligibility in December. If the 13-week extended benefits program had gone into effect July 20, more than 200,000 workers—many in key states such as Pennsylvania, Ohio, Michigan, and Illinois—would have lost their benefits days before the election.

With this political time bomb delayed until after the election, the Carter administration saw no compulsion to seriously push for the second 13-week extension of unemployment benefits. They submitted legislation so late in the last congressional session as to make passage impossible. In addition, they cut back their proposal to only 10 weeks.

DOL sources express little optimism about chances for passage, acknowledging that "unfortunate" restrictive amendments are likely to be tacked onto any bill. Such amendments would undermine the whole purpose of extending the benefits and may actually wind up eliminating people from the program.

White House aides are also playing politics with the Trade Adjustment Assistance (TAA) program. The administration had promised labor, especially the United Autoworkers (UAW), that it would support an extension of the TAA to cover workers in "feeder" industries that make component parts for import-affected products such as automobiles. The White House, however, argued in Congress that such an extension should only cover workers who "contribute more than 50 percent" to a given component. This would save a billion dollars, claimed the administration.

"We don't want to cover everybody," said Mark Fooks, the director of the TAA program. "Why should service workers such as people who clean blast furnaces or auto plants or security guards receive benefits?"

But Congress swept aside the administration proposal and the House and the Senate passed a more extensive expansion of the program. The Carter administration has held back its support and privately tells people—other than UAW officials—that the bill will not go anywhere.

The net effect of all this cover-up and manipulation is to delay the emergence of unemployment as an explosive political issue until after the election. The Carter White House, whose major objective is to secure reelection, is aware that between the election and no later than June 1981 nearly all workers now receiving some form of unemployment compensation will have their benefits expire.

The problem is exceptionally acute for auto workers. Their maximum benefit—for all federal compensation programs—is $269 per week. In most cases, this represents more than a 30 percent cut in real wages. But that is only for workers covered by the Trade Adjustment Assistance Act. Private SUB-pay (Supplemental Unemployment Benefits) programs in the auto industry are running out of money and have cut back benefits at every company except General Motors. Without private SUB-pay or TAA cash grants, the laid-off auto worker must solely rely on unemployment insurance. In Michigan, for example, the maximum unemployment benefit is $136.

When their unemployment and TAA benefits expire, they will receive *zero.*

Even if the administration delivered on all its promises, DOL spokesmen say there are no proposals to improve benefit levels or to significantly extend programs.

Instead, the White House has ordered the Department of Labor to work on programs aimed at using the unemployment crisis as a means to recycle workers out of the auto and steel industries and into service and other "growth" sectors. Right now these programs are in the "test" stage. Expansion to include major worker relocation programs is not slated until 1982-83 at the earliest.

Spokesmen for the White House, such as domestic policy adviser Stu Eizenstat, have indicated privately that they would like to see such programs accomplished with the minimum of compulsion. The failure to extend or seriously improve benefit programs fits into this plan. DOL analysts claim that there is a direct correlation between workers' lack of adequate benefits and their willingness to accept retraining for jobs at lower than their previous pay rates. "They [workers] are beginning to change their minds about taking new jobs," said Mark Fooks who heads the TAA program in the Department of Labor. "It's just a start, but if things get worse, more people will see this."

Aside from correctly blaming Carter administration economic policies for increasing unemployment, GOP candidate Ronald Reagan has failed to make the unemployment crisis, especially the manipulation of benefit funds, a real issue in the campaign. Reagan has not said anything about what he would do with various unemployment benefit programs. It is known that such Reagan advisers as former treasury secretary William Simon and economist Milton Friedman would like to see these programs drastically curtailed.