July jobless figures debunk claims of US economic recovery

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The US Labor Department reported Friday that American companies added a meager 32,000 jobs in July, well below the 228,000 projected by economists. Job growth figures for March and June were also revised downward by 61,000 from those previously reported.

The July figures represented the slowest growth since December 2003.

The figures are a further indication of the hollowness of the supposed economic recovery touted by the Bush administration. Working people have been particularly hard hit in recent weeks, as wages and employment have stagnated and inflation has begun to rise.

Scott Brown, chief economist at Raymond James, responded to the figures, noting, “It’s a huge disappointment... It implies a very sharp revision to the overall outlook for the economy.”

Stocks fell sharply on the news. The Dow Jones Industrial Average fell 1.5 percent and the Nasdaq dropped 2.5 percent. Both indices closed at their lowest levels of the year, adding to steep drops on Thursday. The dollar fell more than a cent against the euro, as the currency market anticipated future weakness in the US economy and a decreased potential for interest rate increases by the Federal Reserve.

Especially affected were the transport equipment industry (21,000 jobs lost due to weaknesses in the auto industry) and the retail trade industry (19,000 jobs lost). The manufacturing sector gained a paltry 10,000 jobs, after losing 1,000 in June.

In a speech in Washington on Friday, President George Bush made the absurd claim that the US economy was “strong and getting stronger,” citing the “stimulus” provided by the massive tax cuts for the wealthy. Administration officials pointed to a 0.1 percent drop in the official unemployment rate for July as evidence of continued growth.

Last month, Federal Reserve Board Chairman Alan Greenspan in testimony before Congress declared: “While there has been weakness in June...I might say that July seems to be somewhat better, even though we are going through a soft patch.”

In fact, there is every indication that the shallow economic recovery in the first quarter of 2004, which had no real effect on the living standards of broad sections of the population, is collapsing. A series of economic indicators point in this direction.

The government reported last week that the economy grew by just 3 percent rate in the second quarter of 2004, down from 4.5 percent in the first quarter. Sales figures at retailers remained weak for the second month in a row in July, rising only 3.1 percent. The sales numbers were released on Thursday, contributing to the sharp decline in the stock market that day.

John Morris, senior retail analyst at Harris Nesbitt, warned that sales may continue to slump in future months: “It throws some water on the view that June was just a hiccup. You have two months in a row of lackluster sales. I think we are at a critical period for forecasting the health of retailers.”

Another report released early in the week by the Commerce Department found that personal spending dropped an inflation-adjusted 0.9 percent in June, the biggest fall since the terrorist attacks of September 11, 2001. The spending slump has been attributed in part to the sharp rise in oil prices in recent weeks. In trading on Friday, the price of oil reached a record high of nearly $45 a barrel, before closing at just over $44.

In addition, construction spending dropped in June by 0.3 percent. Coupled with a revised increase in May of a mere 0.1 percent, the construction figures indicate a cooling in the housing market, which could have major consequences for the economy as a whole.

Working people will bear the brunt of any sustained economic downturn. Even during the so-called recovery, wages stagnated and unemployment remained high. This trend has continued in recent months. Average hourly earnings in July rose a mere five cents, equivalent to an annual increase of 1.9 percent. Incomes in June rose 0.2 percent, not even enough to keep up with inflation.

The July jobs figure was in line with a report by outplacement firm Challenger, Gray & Christmas Inc. released on Monday. According to Challenger, layoff announcements rose 8 percent in July, to 69,572 jobs, while new hiring announcements fell. Most announcements take place several months before the actions are taken, indicating further weakness in the job market for the foreseeable future.

Recent major layoff announcements include:

* **St. Paul Travelers Cos.**, an insurance company, announced on July 24 plans to cut 3,000 jobs as part of a cost-cutting program initiated when the company merged with Travelers Property Casualty Corp. The company currently employs 30,200 workers, mainly in Connecticut and St. Paul, Minnesota. The nation's largest insurer, **State Farms Insurance Cos**., announced plans on July 27 to cut up to 500 jobs at its regional headquarters in Charlottesville, VA.

* **Washington Mutual, Inc.**, the nation's largest thrift banking and loan company, announced on July 29 that it would eliminate 850 positions by closing 53 banking centers in 14 states. This followed an announcement one week earlier that the company would shut down 100 loan and processing offices and lay off 5,000 workers.

* **American Airlines** eliminated the jobs of over 3,000 flight attendants in July. The layoffs came as part of an agreement with the unions at the company to cut costs by $1.8 billion. Like all the major US airlines, American is seeking to place the burden of increasing financial strains on the backs of its workers. Six thousand flight attendants have lost their jobs at the company since October 2001.

* **MCI**, formerly known as WorldCom, announced in late June that it would lay off 2,000 additional workers. MCI has already slashed some 14,000 jobs since the end of last year. The company emerged from bankruptcy protection in April after a multi-billion-dollar accounting scandal that first emerged in the summer of 2002. Many of those who will be hit in the latest round of cuts are call center and telemarketing workers in Colorado, Kansas, South Carolina and Iowa. Many of the laid-off workers were given only a day's notice.

* Procter & Gamble Co. subsidiary **Wella,** which makes hair products, announced 1,200 job cuts in late July.

* **Sears, Roebuck and Co**. announced plans on July 23 to cut 3,300 jobs, or 1.6 percent of its US work force. Like many retailers, Sears has been hit by stagnating sales.

* **Delphi Corp**. of Troy, MI plans to eliminate 5,500 to 6,000 jobs by Dec. 31.

* **Techneglas Inc**., a television glass manufacturer, is closing three plants in Ohio and Pennsylvania, resulting in the elimination of 1,100 jobs.

* **Bosch Corporation** of St. Joseph Michigan announced August 5 that it is shutting down a foundry plant, laying-off over 500 workers.