US jobless figures: The specter of a new depression

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Friday's Labor Department report, revealing that US payrolls were cut by 80,000 jobs in March and that 232,000 jobs have been lost in the past three months, can only mean new levels of social misery and raises the specter of a severe economic slump, perhaps the deepest since the Great Depression of the 1930s.

The March decline in jobs is the largest in five years. The number of private sector jobs has dropped by 300,000 since November 2007.

Millions of Americans face the prospect of a sharp decline in living standards and conditions of life. Because of their commitment to the profit system, no section of the US political establishment—neither the Bush administration and the McCain campaign nor the Clinton and Obama camps—is capable of proposing any measures that will materially assist those seeing their jobs, homes nor social benefits disappear or devastated by the present developments.

The figures contained in the Bureau of Labor Statistics (BLS) survey are bleak. The number of those officially counted as jobless rose by 434,000 in March to 7.8 million. The unemployment rate rose from 4.8 to 5.1 percent (the highest since the aftermath of Hurricane Katrina in September 2005). In the past 12 months, 1.1 million people have been added to the jobless rolls and the official jobless rate has climbed by 0.7 percent.

The number of people unemployed because they lost jobs climbed to 4.2 million; that figure has grown by almost one million in a year.

The debacle in the housing, credit and financial sectors is leading to "a broad-based decline," in the words of Moody's economist Mark Zandi. March's figures on jobs, said Zandi, indicated that the problem "wasn't just housing and Wall Street. The problems in the housing market have now affected the rest of the economy." (*Los Angeles Times*)

Construction continued to be hard hit, with a loss of 51,000 jobs in March. Construction employment is down 394,000 since its peak in September 2006. Most of the decrease in March, 42,000 jobs, took place among specialty trade contractors. Both residential and commercial construction employment declined. David Wyss of Standard and Poor's told the *Associated Press* that the construction figures were "doubly troubling" because March is "the first good month you get on construction because seasonal factors aren't as large as they are in January."

Manufacturing jobs fell by 48,000 in March (the largest drop since October 2006) and 310,000 have been lost in the past 12 months. The biggest job losses have taken place in durable goods, where wages and benefits tend to be higher.

Construction-related industries, such as wood products (5,000 jobs), nonmetallic mineral products (5,000 jobs) and furniture and related products (also 5,000 jobs) all suffered. Plastics and rubber products and textile mills also lost jobs, according to the BLS.

Jobs in employment services fell by 42,000 in March and have decreased by 210,000 since August 2006. Twelve thousand jobs in retail trade were lost, including 9,000 in building material and garden supply stores.

The March employment figures were worse than analysts had predicted. Moreover, the unemployment numbers for January and February were revised upward, adding another 67,000 jobs lost. John Silvia, chief economist for Wachovia, told *CNNMoney.com*, "The revisions are the real surprise in the report. If we had known it was anything like that, there would not have been any debate going on about whether we were in a recession. It's pretty stark."

Other analysts chimed in with gloomy comments. "Another terrible report," said Joseph Shapiro of MFR, Inc., an economic forecasting firm in New York. "Private payrolls now down for four consecutive months. Consumer spending outlook is grim, with wage and salary income growth fading fast and other headwinds as strong as ever... This economic slump is going to be a long, grinding one, and a 'v-shaped' recovery appears quite unlikely."

Ian Shepherdson of High Frequency Economics noted that the overall numbers were "significantly worse than expected ... Trends are awful; unemployment will keep rising, squeezing spending."

The Economic Policy Institute pointed out that for "the fifth month in a row, fewer than half of industries have added jobs, demonstrating the pervasive nature of job loss."

The government's jobless rate notoriously underestimates the actual number of people out of work. The BLS reports that the "total unemployed" rate, a somewhat more realistic gauge of the actual job situation, which includes those working part-time involuntarily and those who have given up looking for employment, stood at 9.1 percent in March 2008 (seasonally adjusted), some 13.9 million people, up from 8.0 a year earlier, an increase of 13.75 percent over 12 months.

At the same time, increases in workers' wages are falling behind inflation. Over the course of the year, wages grew 3.6 percent, less than the inflation rate of approximately 4 percent. Furthermore, since weekly hours also slowed during the past 12 months, weekly earnings are only up 3.3 percent, markedly behind the rate of inflation.

For certain staple items, prices have risen far faster than 4 percent. Flour, milk and eggs were up 24 percent for the year ending in February, according to the Consumer Price Index. By March 30, American Automobile Association figures indicate, gasoline had risen to an average of $3.287 a gallon for regular unleaded, more than 61 cents (or 23 percent) above the price a year ago.

Associated Press economics writer Jeannine Aversa commented, "With lofty energy and food prices, workers may feel like their paychecks are shrinking." This is, in fact, a mass experience, at the same time as Wall Street operators and corporate CEOs continue to rake in vast fortunes. These geniuses, who have proclaimed the wonders of the market for the past quarter-century, preside over the present disaster threatening wide layers of the population.

The process feeds on itself. Economic uncertainty and the loss of jobs lead to decreased purchases, which contribute to further layoffs. US auto sales fell sharply in the first three months of 2008, as domestic and foreign car companies combined to post one of the worst first quarters in years.

US auto sales as a whole dropped 12 percent over the same quarter a year ago; General Motors sales were down 19 percent; Ford, 14 percent; Toyota, 10 percent and Honda, 3.2 percent.

The BLS reported Friday that auto jobs fell by 24,000 in March, in part because of the ongoing strike at American Axle in Detroit and western New York state; the average monthly decline in auto was 6,000 jobs per month in the year ending in February.

The day before the bureau issued its report, an influential member of the Federal Reserve, Janet Yellen of San Francisco, told an audience that the US economy has “slowed to a crawl” and said no improvement was likely until 2009 at the earliest.

Addressing a conference in Florida in mid-March, Harvard economist Martin Feldstein, a member of the National Bureau of Economic Research, which dates business cycles in the US, remarked: “I believe the US economy is now in recession. Could this become the worst recession we have seen in the postwar period? I think the answer is yes. I would emphasize the word ‘could.’”

The assault on the working population goes beyond the growth in joblessness and inflation, as serious as they are. This “perfect storm” of an economic crisis means that the value of the only asset many people possess, their home, is dropping even as the job market shrinks and prices rise. Standard & Poor’s recently indicated that US home prices might decline as much as 20 percent by the end of 2008 from their peak in 2006.

The result is a flood of mortgage foreclosures, which rose to an all-time high at the end of 2007, the Mortgage Bankers Association revealed in a March 6 report. RealtyTrac reported at the end of March that 225,000 properties were in some stage of foreclosure, an increase of nearly 60 percent from the same period one year earlier.

The social consequences are appalling.

The increased number of empty houses for sale (now, in percentage terms, as high as at any time since 1956, when records were first kept) has led to an epidemic of break-ins aimed at stripping homes of pipes made of copper and other valuable metals. *Reuters* reported April 1, “In areas hit hardest by foreclosures, such as the Slavic Village neighborhood of Cleveland, Ohio, copper and other metals used in plumbing, heating systems and telephone lines are now more valuable than some homes.” A Cleveland city councilor, Tony Brancatelli, explained, “We’re seeing houses sold for $100 that are distressed houses that should not be recycled.”

Meanwhile the wars in Iraq and Afghanistan grind on, resulting in the deaths of countless Iraqis and Afghans, the killing and maiming of thousands of Americans and the draining of the US treasury to the eventual tune of trillions of dollars.

The lame-duck Bush administration barely goes through the motions in the face of alarming economic news. The *Wall Street Journal* noted acerbically Friday that, apart from tracking economic data and advising Treasury Secretary Henry Paulson, “Treasury officials seem to have two clear missions: agree with Federal Reserve Chairman Ben Bernanke and don’t utter the word ‘recession.’”

A White House spokesperson indicated the administration was “not happy” with the jobs report and promised that the economy would pick up later in the year.

George W. Bush spent Friday evening with the president of Croatia, Stjepan Mesic, in Zagreb. Oblivious to popular suffering either in America or the Balkans, during the course of his toast to Mesic, Bush idiotically declared: “We believe there’s a Creator that has given every man, woman and child on the face of the Earth the great gift of freedom. We believe markets are capable of unleashing the entrepreneurial spirit of our peoples. We understand that freedom requires sacrifice.”

Even as this “entrepreneurial spirit” was wreaking havoc in the US and global economy, the various major party rivals for Bush’s office made clear they intend to do nothing to alleviate the economic distress of the broad mass of the population.

Presumptive Republican Party candidate for president, John McCain, promised more of the same “free market” policies that have led to the present calamity, declaring, “it is essential to reduce the burdens on businesses and workers by lowering taxes, streamlining regulation, tackling health care costs, opening markets to American goods and helping those workers in need.”

The Democrats sought to gain political advantage from the bad economic news, without offering any concrete plan for remedying the situation. New York Senator Hillary Clinton praised the $30 billion Bear Stearns bailout and urged “equally aggressive action to help American families struggling in our bearish economy.”

She again endorsed proposals being drafted by Democrats Congressman Barney Frank of Massachusetts and Senator Christopher Dodd of Connecticut, aimed at averting an even deeper financial crisis and propping up the banks by ending the decline in home prices. The Frank-Dodd plan—which will not be enacted, in any event, due to Republican opposition—would aid only a fraction of the millions of families facing foreclosure.

Illinois Senator Barack Obama also criticized the Bush administration without offering a serious alternative. Both Clinton and Obama always have to make certain that they do not offend powerful financial and banking interests, on whose endorsements and funding they depend.

Obama said, “Instead of doing nothing for out-of-work Americans, we need a second stimulus that extends unemployment insurance and helps communities that have been hit hard by this recession. Instead of tolerating decades of rising inequality, we need to grow the middle class by investing in millions of new Green Jobs and rebuilding our crumbling infrastructure.” These vague promises, which will never be carried out, will not help anyone.

The leading Democrats are insulated from the day-to-day reality and sentiments of broad masses of people in the US and could not respond even if they were aware of them. They speak for one wing of the oligarchy that rules the country.

Meanwhile a radicalization is under way that will blow apart the two-party system and the entire political set-up in America. A poll whose results were published in the *New York Times* Friday provides a glimpse into the actual state of popular opinion. The newspaper reported that Americans “are more dissatisfied with the country’s direction than at any time since the New York Times/CBS News poll began asking about the subject in the early 1990s.”

The survey found that 81 percent of respondents believed “things have pretty seriously gotten off on the wrong track,” an increase from 69 percent a year ago and 35 percent in early 2002. Only 21 percent of those surveyed said the overall economy was in good shape, and 78 percent felt that the US was in worse condition than 5 years ago. Only 28 percent approved of Bush’s performance.

The decline of the position of American capitalism in the world, its decisive loss of global hegemony, has the most profound implications. For wide layers of the population it means, in the first place, a series of severe shocks. In the end, this process must have revolutionary political consequences.