Auto sales plunge 42 percent

US slump, Wall Street slide deepen

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The US economic slump is deepening, with a record plunge in auto sales and a series of other negative economic indicators contributing to an ongoing selloff on the stock exchange. There were predictions that the unemployment figures for February, to be announced Friday, would show a jump in the jobless toll of more than 700,000 in a single month, bringing the unemployment rate to more than 8 percent.

New car sales for February were down 42 percent compared to the same month in 2008, with drops of 53 percent for General Motors, 48 percent for Ford, 44 percent for Chrysler, 40 percent for Toyota, 38 percent for Honda and 37 percent for Nissan. Monthly sales for the three US-owned companies were the lowest in 28 years.

The auto sales report was only the gloomiest of a whole series of reports and forecasts over the last few days. The Commerce Department reported that construction spending fell 3.3 percent in January, nearly double the expected figure, including a 2.9 percent drop in residential construction, and a 4.3 percent drop in nonresidential construction, the largest in 15 years.

The National Association of Realtors reported that its index of sales of existing homes fell 7.7 percent in January to its lowest level ever, breaking the previous record low set last November. The biggest regional declines were 13 percent in the Northeast and 12 percent in the South, with Midwest sales down 9 percent. Sales in the West rose 2 percent because of rising purchases of foreclosed homes.

The huge mortgage lender Freddie Mac, propped up by a federal bailout since last summer, announced last week that it had lost $25.2 billion in the fourth quarter and would need another $15.2 billion in government aid. The company's CEO, David Moffett, appointed only last September, resigned Monday, effective March 12.

The Institute for Supply Management reported that its manufacturing index was 35.8 in February, compared to 35.6 in January. Any reading below 50 indicates a shrinking manufacturing sector.

The richest American capitalist, Warren Buffett, chairman of Berkshire Hathaway, wrote in his company's annual report, released Saturday, that "the economy will be in shambles, throughout 2009, and, for that matter, probably well beyond."

New mass layoffs have been announced, including 6,100 jobs in the closure of HFC and Beneficial, the largest subprime mortgage lender, which is being shut down by its owner, the London-based bank HSBC Holdings. Pilgrim's Pride said it would cut 3,000 jobs and close 3 of its 32 chicken-processing plants. The company filed Chapter 11 bankruptcy in December.

The Organization for Economic Cooperation and Development (OECD) warned that the global slump will be worse than that forecast by the International Monetary Fund in January. The fourth quarter of 2008, when US Gross Domestic Product fell 6.2 percent, was not the bottom, the OECD said. "The recession will deepen," chief economist Klaus Schmidt-Hebbel told the press. "There's no doubt. I think this quarter will be the worst quarter of all."

The crisis in financial markets continues to worsen as well. Trading on the New York Stock Exchange was erratic on Tuesday, rising and falling as a series of US government officials made statements about the state of the economy. The Dow-Jones Industrial Average ended the day down 37.27 points, setting another 12-year low.

The decline in stock prices is both a manifestation of the loss of confidence among investors and a powerful aggravating factor in the crisis itself. Colossal sums have been wiped out in the nearly six months since the crash was triggered by the bankruptcy of Lehman Brothers on September 15, 2008. US stocks overall are down 22 percent since January 1, 2009, and 55 percent from their peak in October 2007.

During the six months that ended February 27, the Standard & Poor's 500, a broader selection of stocks than the Dow-Jones average, lost 43 percent of its value, the worst such period since the 1930s. The S&P 500 fell 18.6 percent in the first two months of 2009, the worst such showing ever, surpassing an 18.2 percent fall in the first two months of 1933, in the throes of the Great Depression.

If anything, the stock market plunge is accelerating. Of the 16 trading days since February 6, 13 have registered a decline in the Dow-Jones average, and one a rise of a minuscule 3.03 points. The total decline in this period of just over three weeks is more than 1,500 points, a drop of 18.7 percent.

Federal Reserve Board Chairman Ben Bernanke and two of the top officials of the Obama administration, Treasury Secretary Timothy Geithner and Budget Director Peter Orszag, testified before congressional committees on Tuesday, and their efforts to reassure the financial markets, in the wake of Monday's heavy selloff, had little impact.

Bernanke spoke after the Federal Reserve officially began its $200 billion program to bail out investors in the consumer-lending sector. The program, named the Term Asset-Backed Securities Loan Facility or TALF, offers loans to holders of securities backed by auto loans, education loans, credit card debts and other consumer debt instruments. The investors must submit requests by March 17, and those approved will receive the cash March 25, repayable in three years.

The Fed Chairman, in an unusual display of public support for White House policy, urged the Senate Budget Committee to move rapidly on the Obama administration's budget, and warned that the United States could face "a prolonged episode of economic stagnation" if they did not. Delaying the budget could trigger "further deterioration in the fiscal situation" and cause "lower output, employment and incomes for an extended period."

In the early afternoon, with the stock market demonstrating continued investor nervousness, Obama himself took the occasion to deliver a pep talk, in remarks to reporters during a brief appearance with visiting British Prime Minister Gordon Brown.

In response to a question about the stock market slump, Obama initially gave a boilerplate response about not focusing on "day-to-day gyrations" but then went on to deliver what amounted to a "buy" recommendation. "What you're now seeing is profit and earning ratios are starting to get to the point where buying stocks is a potentially good deal if you've got a long-term perspective on it," he claimed.

A more sober view would be that when the president of the United States must go out of his way to shill for the stock exchange, the financial calamity must be of truly monumental proportions.

World capitalism is plunging into a crisis as severe as the Great Depression, with political implications no less ominous. The jobs, living standards and well-being of billions of working people around the world are being held hostage to the anarchy of the financial markets and the profit drive of a capitalist aristocracy that will stop at nothing to defend its wealth and privileges.