As jobless claims rise, Wall Street celebrates corporate profit reports

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The number of Americans filing new claims for jobless benefits rose by 30,000 in the week ended July 18, the Labor Department reported Thursday. The total for the week was 554,000.

With nearly 15 million people out of work, according to official figures, and 6.5 million jobs having been eliminated since the recession began in December of 2007, this week's initial jobless claims report spells increasing social misery for millions of workers.

Wall Street, however, responded to the jobless claims report, along with better-than-expected corporate earnings and a slight increase in June existing home sales, by pushing the Dow Jones Industrial Average up 188 points, ending the day above the 9,000 mark for the first time since last November.

The Dow is up more than 5 percent this month and has added nearly 1,000 points in two weeks.

The diverging fortunes of workers and the corporate elite are the result of ruthless cost-cutting by big business, which is taking advantage of the recession to slash jobs and wages and drive up productivity. The banks and big corporations are being aided and abetted by the policies of the Obama administration.

Although weekly jobless claims are below their high point earlier this year, they remain far above the 300,000 to 350,000 level that economists say is consistent with stable employment.

Some 4.4 million job seekers nationwide were out of work for 27 weeks or more in June. The number of people on emergency extended state and federal programs continued to rise. When the extended benefit rolls are included, the total of people receiving jobless benefits rises to more than 9.1 million, according to figures for the week of July 4, the latest data available.

The figures on jobless pay claimants provide only a pale reflection of the actual jobs crisis. As a result of decades of restrictions, more than half of those laid off are ineligible for jobless benefits.

Some indication of the social toll of rising unemployment, officially at 9.5 percent in June, the highest level in 26 years, can be gleaned from figures on home foreclosures, which are increasingly affecting holders of prime mortgages who have lost their jobs. Last week, RealtyTrac reported that foreclosures are continuing to set records.

There were 1.9 million foreclosure filings in the first six months of this year, a 15 percent increase from the first six months of 2008. One in 84 homes received a foreclosure filing in the first half of the year.

June was the fourth consecutive month that foreclosure filings surpassed 300,000. The number of properties receiving one or more filings in the second quarter totaled nearly 890,000—the highest since RealtyTrac began issuing its report in 2005. In California, which led the nation, one in 34 homes received a foreclosure filing.

On the housing crisis, as with every other aspect of the social disaster hitting the working class, the Obama administration's policies, which are based on voluntary compliance by banks and mortgage servicers, have done nothing to provide meaningful relief.

"The Obama plan doesn't seem to be having a significant effect," says Mark Zandi at *Moody's Economy.com*. "Foreclosures will continue to rise through the end of the year."

Another measure of social distress is a 6.2 million increase in the number of Americans relying on food stamps since the recession began. This is expected to rise to a near-record of one in nine Americans.

The official jobless rate does not include workers holding part-time jobs because they cannot get full-time employment and those who have dropped out of the labor market, including so-called "discouraged" workers—those who have given up looking for work because they are unable to get a job. The number of discouraged workers nationwide has more than doubled in the past year.

The Labor Department also reported Thursday that the number of mass layoffs by US employers hit 2,763 in June, a slight decrease from the record set in May. Mass layoff actions are defined as job cuts by a single employer involving at least 50 people.

Employers initiated 3,489 mass layoffs in the first quarter of 2009 that resulted in the separation of 559,000 workers from their jobs, the highest first-quarter level on record.

Mass layoffs last month affected over 279,000 workers. Of these, 45 percent were reported in the manufacturing sector. The corporate offensive against jobs has been particularly brutal in manufacturing. Nearly 2 million factory jobs have disappeared since the recession began.

As a result of a decades-long downsizing of manufacturing in favor of financial speculation, the United States now ranks behind every industrial nation except France in the percentage of overall economic activity devoted to manufacturing, according to the World Bank. The Bank places the current place of US manufacturing at 13.9 percent, down 4 percentage points over the past ten years.

Job cuts reported this week include:

• Caterpillar, the world's largest construction and mining equipment maker, which reported Tuesday that it plans widespread temporary layoffs and rolling factory shutdowns. Layoffs and early retirements have reduced the company's work force this year by 17,100, 15 percent of the total.

• Houston-based Continental Airlines, which said it would slash 1,700 more jobs on top of 1,200 already announced.

• Dallas-based Southwest Airlines, which announced that 1,400 employees, about 4 percent of its work force, took offers of cash and travel benefits to leave the company.

• Avon, the cosmetics seller, which reported Thursday that it plans to eliminate 1,200 jobs in the next four years and close two plants, one in Springdale, Ohio and the other in Neufahrn, Germany.

The Federal Reserve Board, which, along with the Obama administration, has been hailing the success of the government's bank bailout program and predicting an imminent economic recovery, issued a report last week that gives an indication of what the "recovery" will mean for workers. The Fed raised its fourth quarter 2009 unemployment forecast to as high as 10.1 percent and said the jobless rate would still be near 9 percent by the end of 2011. Even these figures are considered low by many economists.

In two days of testimony before Congress this week, Fed Chairman Ben Bernanke opposed even minimal relief in the form of a second economic stimulus package and called on Congress and the Obama administration to put in place a plan to sharply reduce spending for Medicare and Medicaid.

This position was echoed by Obama's chief economic adviser, Lawrence Summers, who said the administration had no plans to push for new measures to alleviate the jobs crisis, declaring smugly that the "two-year program that we put in place was one that had been gathering and increasing force over time."

The *Wall Street Journal* on Thursday published an article ("Job Cuts Outpace GDP Fall") that provides insight into the class-war strategy being pursued by the American ruling elite in the current recession. The article notes that unemployment is rising much faster in relation to the decline in the gross domestic product than in previous recessions.

It explains that corporations are using mass layoffs not only to cut costs, but also to squeeze more production from the remaining work force. It cites a report by Macroeconomic Advisers, a St. Louis forecaster, which estimates that productivity grew at a rapid 5 percent annual rate in the second quarter of this year.

It then notes that corporations are reporting better-than-expected profits, despite the worst recession since the 1930s, "because they have cut costs so aggressively." It cites as examples Caterpillar, which this week raised its profit forecast, and IBM, which reported a 12 percent rise in second quarter profits despite falling revenue. The *Journal* comments, "The secret: It is cutting costs by $3.5 billion this year."

The article quotes Paul Volcker, the former Fed chairman and current economic adviser to Obama, who says approvingly: "You certainly have the impression that businesses in general have learned to slash payrolls and employment faster than in the past. There's been a steep decline in business activity without the conventional impact on profits. Somehow, companies have managed to keep productivity higher than you might have thought given economic activity."

It is this increased exploitation of workers and the prospect of a permanent reduction in wages and benefits that Wall Street is celebrating. The implications for the working class are nothing short of catastrophic.

Meanwhile the banks, which have benefited from hundreds of billions in bailout cash and trillions more in other subsidies, at taxpayer expense, are flaunting their good fortune by ramping up salaries and bonuses to levels as high or higher than those that prevailed before last year's crash.

The *Washington Post* reported Thursday, "So far this year, the top six US banks have set aside $74 billion to pay their employees, up from $60 billion in the corresponding period last year." As the newspaper points out, this windfall will go disproportionately to top executives and traders, in the form of multimillion-dollar compensation packages.