Whose recovery?

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As the Obama administration and the corporate-controlled media tout the supposed signs of an economic recovery, American workers confront a worsening job market, declining real incomes, and the spread of poverty and social deprivation on a scale not seen since the 1930s.

The New York Stock Exchange cracked the 9,000 mark on the Dow-Jones Industrial Average in late July for the first time since January 2, profits for banks and other financial institutions are up, and Wall Street has begun a new round of seven-, eight- and even nine-figure bonuses, with $100 million set aside by Citigroup to reward a single trader in energy futures.

The moneyed elite suffered a severe scare, particularly in the period between September 15, 2008, when Lehman Brothers collapsed, and March 6, 2009, when the Dow hit a low of 6,547. The all-out mobilization of US government financial resources behind Wall Street, with a total potential liability of $23.7 trillion, has at least temporarily restored confidence in the financial markets and pushed stocks up 40 percent. But there has been no bailout for working people.

Unemployment has surged to a 27-year high, with the Labor Department expected to announce another new high Friday for the month of July, approaching an official figure of 10 percent out of work. The consultant firm Challenger, Gray & Christmas reports that big US companies announced 31 percent more layoffs in July than in June. The 97,373 job cuts announced in July brought the total this year to 994,048, 72 percent more than in the same period in 2008.

The payroll firm ADP reported Wednesday that private employers overall cut 371,000 jobs in July, which the company called a “notable improvement,” since it was the smallest such total since last October. But ADP warned, “despite recent indications that overall economic activity is stabilizing, employment, which usually trails overall economic activity, is likely to decline for at least several more months, albeit at a diminishing rate.”

On top of outright layoffs, employers have imposed wage cuts (20 percent of big companies, according to a recent survey) and shorter working hours or furloughs (another 16 percent, by the same study). The combined impact on working class living standards is devastating. The Labor Department reported Tuesday that personal income fell in June by 1.3 percent, the largest drop in four years.

An even more ominous measure was the Labor Deployment’s Employment Cost Index, which includes health benefits and 401(k) contributions as well as wages. It showed a 1.8 percent rise for all workers, private and public, in the second quarter of 2009, compared to the year before, well below the rise in consumer prices.

For private-sector workers, the rise of only 1.5 percent was the smallest yearly increase since the government began collecting these statistics in 1980. Benefits for private sector workers were particularly hard hit, up at an annual rate of less than 1 percent—meaning that workers are bearing nearly the entire burden of soaring health care costs, which rose 10.6 percent in 2008.

A study reported in the *New York Times* Tuesday pointed to longer-term effects of mass unemployment on incomes and consumer spending. It found the long-term earnings of workers who lost their jobs in the recession of the early 1980s—the deepest slump since World War II, until the current one—never recovered to pre-layoff levels.

The study by Columbia University Professor Till von Wachter found that “even 15 to 20 years later, most on average had not returned to their old wage levels. He also concluded that their earnings were about 15 percent to 20 percent less than they would have been had they not been laid off."

The slide in jobs and incomes, with its devastating impact on spending for consumer goods, undercuts the prospects for a significant upturn in actual production—as opposed to the parasitic and socially retrograde operations of the financial markets. The service sector, by far the largest component of the US economy, declined in June, according to Wednesday's report by the Institute for Supply Management.

The ISM index, in which 50 marks the boundary between a shrinking and a growing economy, fell from 47 to 46.4. June was the tenth straight monthly reading below 50. Manufacturing activity was up 0.4 percent, but much of that was the result of higher prices for the products of oil refineries.

As for the housing market, where runaway financial speculation helped trigger the collapse, there was a slight slowing of the plunge in housing prices, and sales of new homes have leveled off. But the long-term outlook can only be described as catastrophic. A Deutsche Bank study issued Wednesday predicted that the percentage of US homeowners owing more than their house is worth on the market will leap from 26 percent in March of this year to 48 percent in 2011. In other words, about half of all US homeowners will be "underwater."

When Obama & Co. boast of a recovery, they are speaking not about the vast majority of the American population. They are talking about a recovery of profitability for Wall Street and the corporate elite, who are their real masters.

More than any previous administration in US history, the Obama administration is pursuing an openly class-based economic policy. Having shoveled trillions of dollars into the coffers of the banks and other financial institutions, the administration is now proclaiming the virtues of austerity and "fiscal discipline" when it comes to programs like Social Security, Medicare and Medicaid, on which tens of millions of working people and the retired depend.

The disparity between the vast sums plundered by the financial elite and the token amounts offered to working people was on display Wednesday as Obama visited Elkhart, Indiana, an industrial city battered by the slump, with an unemployment rate topping 16.8 percent. He announced $2.4 billion in federal contracts to GM and other companies to make components for a future electric car, spread over locations in 25 states. This is exactly one-one thousandth of the amount already pledged by the Treasury and the Federal Reserve Board to insure the profits and bonuses of the Wall Street oligarchy.

Every aspect of government policy, from the bank bailout to the restructuring of the health care system, serves the same class purpose: to boost the wealth and profits of the ruling elite at the expense of the vast majority of the American people. The "recovery" hailed by the spokesmen for big business is a permanent reduction in the living standards of the working class and the destruction of what little remains of a social safety net. This is the deliberate and conscious aim of the Obama administration.

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