White House defends inaction on jobs crisis as unemployment grows

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Brushing off criticism that the administration has done nothing to stem the loss of millions of jobs, President Obama's leading economic advisor claimed Monday that the US was well on the way to recovery, while acknowledging that high levels of unemployment may become a permanent feature even after economic growth resumes.

Speaking at a convention of business economists in St. Louis, Lawrence Summers, the director of Obama's National Economic Council, said the economy had made "substantial progress" over the last year, pointing in particular to the seven-month rise on the stock markets, where major indexes have risen 50 percent.

"We are no longer talking about panics and freefalls," Summers declared, adding, "A year ago, the debate was whether the recession would turn into a depression—now it's over the date when the recession ended."

Summers said that the present situation was "an unsatisfactory state of affairs." He referred to the official jobless rate of nearly 10 percent, not as a disaster for the tens of millions who are out of work, however, but primarily a problem for the government and corporations. Every additional percentage in unemployment, he said, "adds to the national debt, reduces capital stock and hurts human potential."

Earlier in the day, the group which hosted Summers—the National Association for Business Economics—released a survey finding that 80 percent of economic forecasters believe the economy is growing again after four straight quarters of decline. While declaring the recession over, the respondents said the labor market was not expected to regain most of the jobs destroyed in the recession until 2012 or beyond.

Summers said the jobless rate was "higher than predicted" based on the historic patterns of output and employment levels. In fact, US employers, with the full backing of the administration, have used the persistent threat of job loss to squeeze ever-higher levels of productivity from workers, in addition to wage and benefit concessions. That was precisely what was done in the auto industry, with the forced bankruptcies and restructuring of GM and Chrysler.

Summers suggested that the experience of recent recessions and "recoveries" pointed to the probability that many of those currently out of work might never find employment again. The expansion of the 2000s, he said, produced only one-third as many jobs as the expansion in the 1990s. This, he said, was grounds to believe that high levels of unemployment were "structural," i.e., permanent, rather than simply a function of the business cycle.

Like Obama, Summers speaks not for the interests of workers, but for Wall Street. As deputy treasury secretary and then treasury secretary under Bill Clinton, he and his predecessor at the Treasury Department, former Goldman Sachs executive Robert Rubin, championed financial deregulation, capital gains tax cuts and other free market policies that led to the speculative bubble that burst last year. In the aftermath of the meltdown, Summers worked with current Treasury Secretary Timothy Geithner to carry out the Wall Street bailout and has been a vocal opponent of any serious regulations, including checks on executive compensation.

In his comments to the business economists, Summers made clear that the administration was not contemplating any government public works program—the only measure that could immediately address the jobs crisis by hiring millions of the unemployed. "All of our policies to spur economic growth would go with the grain of the market," not against it, he assured those present.

The only measure being contemplated by the White House is a further tax giveaway to big business. Obama is reportedly reviving a plan first proposed during the election campaign to give $3,000 tax credits to employers for each new worker they hire.

Over the last few days, Summers has been used as the White House's point man to answer criticisms over its lack of response to the jobs crisis. The Republicans have pointed to the failure of the administration's stimulus package in order to demand even greater tax breaks for big business and far more rapid destruction of social programs.

At the same time, some Democrats and liberal newspaper columnists, such as Bob Herbert of the *New York Times*, have expressed worry that the lack of response by the administration was generating widespread social anger, which could, sooner rather than later, be directed towards the government.

In a letter to Republican House Minority Leader John Boehner (Ohio), Summers lamely asserted that the Recovery Act stimulus package had "reduced the pace of job losses" since the recession began.

While welcoming collaboration with the Republicans to provide further tax cuts to businesses, Summers declared that "President Obama is returning our nation to fiscal responsibility," and chastised the Republicans for driving up the deficit during Bush's two terms.

While the White House found trillions to bail out Wall Street—because, Summers said, "the economic crisis required swift and aggressive action to avoid a depression"—Obama's economic advisor made it clear there would be no "fiscally irresponsible" measures to provide emergency relief to the unemployed. On the contrary, he boasted the administration's health care restructuring plan would slash tens of billions from the deficit—primarily through slashing Medicare and Medicaid.

Everything the administration has done since coming to office has been to secure the interests of the financial elite, which has used its public-funded bailout to consolidate its grip over the economy, resume its reckless speculation and reward itself with massive bonuses. Economists are now predicting a wave of new mergers and acquisitions of corporations, which will further enrich big investors, while leading to destruction of tens of thousands of more jobs.

But no relief has been forthcoming to the victims of the capitalist crisis.

The *Wall Street Journal* reported last week that private sector payrolls in the US are lower than they were at the end of 1999. Since the recession began, 7.2 million jobs have been lost—bringing the total number of workers officially unemployed to over 15 million.

The *Journal* noted, "Even if the job market were to return to the rapid pace of the 1990s—adding 2.15 million private-sector jobs a year, double the 2001-2007 pace—the US wouldn't get back to a 5 percent unemployment rate until late 2017, Rutgers University economist Joseph Seneca estimated. And that assumes no recession between now and then."

While the official unemployment rate is 9.8 percent, the US Labor Department's broader measure, including those who have stopped looking for work and temporary employees who cannot find full-time work, has reached a record level of 17 percent.

The depth of the social crisis was put on display last week, when nearly 50,000 people lined up in downtown Detroit seeking assistance in paying their utility bills and preventing eviction or foreclosure from their homes. The paltry $15 million provided by the stimulus package will be able to serve no more than 3,400 households.

With 6.3 job searchers for every opening, it has become commonplace for thousands to apply every time an employer advertises for a few positions. Last week, 10,000 unemployed workers applied for 90 jobs over the course of three days at a Louisville, Kentucky, General Electric (GE) plant.

The crisis has had a particularly devastating effect on young, first-time job seekers. In a feature, entitled, "The Lost Generation," the current edition of *BusinessWeek* notes, "While unemployment is ravaging just about every part of the global workforce, the most enduring harm is being done to young people who can't grab onto the first rung of the career ladder."

"In the U.S., the unemployment rate for 16- to 24-year-olds has climbed to more than 18%, from 13% a year ago…Only 46% of people aged 16-24 had jobs in September, the lowest since the government began counting in 1948," *BusinessWeek* noted. Such is the "economic recovery."