As unemployment claims rise

White House rejects new measures to stem jobs crisis

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24 October 2009

Even as the Labor Department reported an unexpected rise in initial claims for unemployment benefits, the Obama administration and Democratic congressional leaders reiterated their opposition to any significant new outlays to address the jobs crisis.

Initial jobless claims jumped by 11,000 to 531,000 last week, reversing a recent downward trend, according to a Labor Department report released Thursday. (Economists say a weekly figure under 325,000 new claims is consistent with a healthy economy). The number of continuing benefit claims by laid off workers for the week ended October 10 hit 5.9 million.

The Labor Department reported that unemployment rose last month in 23 states. It further noted that recipients filing for aid under extended benefit programs dropped by 50,000 to 8.8 million in the week ended October 3. Economists say this drop is not the result of people finding new jobs, but rather the result of people exhausting their jobless benefits.

For all the official talk of an economic recovery, layoffs are mounting, unemployment is rising, and tens of thousands of Americans are running out of jobless benefits and falling into homelessness and destitution.

In testimony before the Senate Finance Committee last month, Beth Shulman of the National Employment Law Project summed up the situation as follows:

"Never in the history of the nation's unemployment insurance program have more workers been unemployed for such prolonged periods of time. A total of five million Americans have been unemployed for six months or more (a record since data started being recorded in 1948). That represents an unprecedented 33.3 percent of all unemployed workers, a share that has never been reached before in any post-war recession. There are now a whopping 5 million Americans who have been out of work for six months, up from just 1.31 million before the recession began in December 2007."

Every day, 7,000 workers are losing their unemployment benefits. Over 200,000 are set to see their benefit checks stop this month, and 1.3 million will exhaust their benefits by year's end. Just in Michigan, which has the highest official jobless rate in the country, 15.3 percent, 100,000 unemployed workers stand to lose their benefits by the end of the year.

Even if a bill currently being debated in Congress to extend benefits for several more months is passed, it will do nothing to stem the rise in unemployment and provide only temporary relief for a portion of those whose life savings are being drained and who are being driven into poverty.

In the face of this disaster for working people, the Obama administration is opposing any major new government outlays to create jobs or provide relief for the unemployed. As the *New York Times* reported Friday in an article on internal administration discussions, "The administration plans to eschew any larger package of jobs measures in favor of a series of smaller programs."

These "smaller programs" amount to a temporary extension of measures enacted under the stimulus package that was passed last February, including additional weeks of jobless pay, health care subsidies for laid off workers, and a tax credit for new home buyers. The administration is also considering a tax windfall for companies that "save or create" jobs.

Echoing the position of the White House, the Democratic speaker of the House of Representatives, Nancy Pelosi, told reporters on Wednesday, "We do not have plans for an additional stimulus package."

On Thursday, the same day as the Labor Department report, Christina Romer, the chairwoman of Obama's Council of Economic Advisers, told the Joint Economic Committee of Congress that the official jobless rate was likely to peak at 10.1 percent by the second quarter of 2010 and still be at 9.6 percent or higher by the end of the year.

The real unemployment rate, including those who have given up looking for work and those involuntarily working part-time is already at least 17 percent. According to the government, there are currently 15 million unemployed in the US.

Romer said that the US economy was 9 million jobs short of where it should be. She warned that any rebound in jobs could actually be slower than what White House officials had been predicting. She also said that the main growth impact of the $787 billion stimulus bill passed last February had already been spent. "By mid-2010, fiscal stimulus will likely be contributing little to further growth," she told the committee.

This is a damning admission, given that, according to the White House's own web site, a grand total of 30,383 jobs have been created nationally as a direct result of contracts granted under the stimulus bill. This derisory number includes a total of 397 jobs in Michigan—which has lost tens of thousands of jobs as a result of the Obama administration's forced bankruptcy of General Motors and Chrysler—6 jobs in Rhode Island, which has the country's third highest jobless rate at 12.8 percent, and 2,260 jobs in California, where more than 2.2 million people are officially unemployed and joblessness is the highest since 1940.

In her testimony, Romer claimed that as of August, the stimulus package had "created or saved" 600,000 to 1.5 million jobs. Even if this dubious and grossly imprecise estimate is accurate, it pales before the 7.2 million jobs destroyed since the recession began in December of 2007 and the 3.4 million jobs lost in the eight months since the stimulus bill was passed.

And despite the fact that the government's job-creation claims at the time of the bill's passage were based on the assumption that unemployment would peak at around 8 percent, Romer touted the stimulus as a success and offered no proposals for new measures to address the worsening jobs crisis.

She tacitly justified the administration's opposition to significant new spending for jobs by raising the need to address the ballooning federal deficit.

As recent statements by Obama's top economic officials, Treasury Secretary Timothy Geithner and National Economic Council Director Lawrence Summers, as well as Federal Reserve Chairman Ben Bernanke, make clear, putting in place austerity policies to slash social spending and rein in budget deficits is the administration's central domestic priority, not job creation or relief for the unemployed.

This was underscored in a *Wall Street Journal* column published Tuesday, entitled "Obama Lays Plans to Tackle Deficit." The article begins: "This has been the year of coping with the economic mess. Next year will be the year of coping with the deficit mess that follows the economic mess."

The article points to next January's State of the Union address and the submission of the administration's budget plan the following month as key points in a campaign to push for austerity measures. "Budget director Peter Orszag promises that [the new budget plan in February] will be an occasion for the administration to start putting real deficit-cutting plans on the table," the *Journal* reports. It notes that the administration is looking favorably on a proposal to set up a bipartisan commission to address "fiscal imbalances."

The administration's callous indifference to the plight of the unemployed and the working class as a whole is rooted in a definite class strategy and definite social interests—namely, those of the financial elite. It formulates its economic and social policies through closed-door discussions with powerful representatives of the banking and corporate world. As the *New York Times* reported Friday, "The White House, meanwhile, has been seeking ideas recently from the private sector, including from a group of high-level CEOs who are in frequent contact with Mr. Obama's top economic advisers."

These forces favor a continuation of high unemployment as a means of forcing workers desperate to hold onto their jobs to accept lower wages, shorter hours and speedup. With the Obama administration serving as its political instrument, the financial elite is utilizing the economic crisis to dramatically reshape social relations in America. The aim is to effect a sharp and permanent reduction in the living standards of the working class and an increase in the rate of exploitation of workers.

The Labor Department issued a report Thursday on international manufacturing productivity which shows that this process is well underway. The report showed that in 2008 the US posted the biggest drop in manufacturing employment of the 17 countries surveyed, but, along with South Korea, it recorded the biggest gain in output per hour worked. Both the US and South Korea saw productivity rise 1.2 percent.

The US led all of the countries with a 3.4 percent decline in manufacturing employment and a 3.9 percent drop in hours worked. Of the 15 countries where manufacturing unit labor costs increased, they rose the least—1.7 percent—in the US.

Total compensation for manufacturing workers in the US declined 1 percent from the previous year.

These trends have accelerated in 2009. According to a report in Tuesday's *Wall Street Journal*, across the US economy in the second quarter of 2009, work hours were down 7.6 percent, unit labor costs were down 5.9 percent, output was down 1.5 percent, while output per hour was up 6.6 percent.

These figures show that the Obama administration, in service to the financial and corporate elite, is spearheading a drive to slash wages and increase labor productivity, so as to create a new basis for profit at the direct expense of the working class.

The 50 percent surge in the stock market since March has occurred in part because corporations have been able to record better-than-expected profits despite declining sales and revenues, due to steep reductions in labor costs.

The aim of the administration is to leverage wage-cutting and speedup, combined with a tacit policy of support for a devalued dollar, to give US capitalism an advantage over its trade rivals. US manufacturing is to be revived on the basis of sharply lower wages and increased exploitation, making the United States a low-wage platform for exports to the world market.