US jobless claims, home sales point to protracted recession

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The US Labor Department on Thursday reported that initial claims for unemployment benefits fell slightly in the week ending March 20, prompting much of the media to hail the data as another sign that the job market is "stabilizing" and the economic recovery is gaining strength.

The number of unemployed people who signed up for jobless benefits for the first time fell by 14,000 to a seasonally adjusted 442,000, down from the prior week's figure of 456,000. However, all but 4,000 of the decline was the result of changes in the metrics used by the Labor Department to calculate the data on a seasonally adjusted basis.

Had the report used the previous methodology, the figure for new claims would have actually been higher than the 450,000 projected by most economists.

The four-week moving average for initial claims fell by 11,000 to 453,750. Continuing claims—those made for more than one week—fell by 54,000 to 4.6 million for the week ending March 13. However, this was down from an upwardly revised figure for the previous week.

The Labor Department said that although initial claims fell in three of the past four weeks, they were still above the 439,000 posted in early February.

One measure of the ongoing jobs crisis, which has seen the elimination of 8.4 million jobs since December 2007, is the fact that more than 11.1 million workers are claiming jobless benefits—4.6 million of whom are on state jobless rolls and 5.7 million who are receiving extended benefits from the federal government.

The government puts the official jobless total at 15.1 million workers. In testimony before the House Financial Services Committee Thursday, Federal Reserve Chairman Ben Bernanke admitted that the "unemployment situation is very weak," with 40 percent of those officially counted as jobless having been without work for more than 6 months.

However, far from suggesting any serious job creation measures, Bernanke reiterated his call for the White House and Congress to formulate an austerity program to rein in record federal budget deficits. Such, in fact, is the policy of the Obama administration.

Obama has rejected out of hand any government job-creation programs, such as public works. In the name of "job creation," he and congressional Democrats have proposed a series of tax breaks for business, claiming that such windfalls will revive the private sector and encourage more hiring.

Last week, Congress passed an administration "jobs" bill allocating a derisory $17 billion, virtually all of which goes to tax cuts for companies that hire unemployed workers. No serious measures are being taken to address the increasingly desperate economic plight of millions of Americans, who are facing ongoing layoffs, wage cuts, home foreclosures, utility shutoffs, malnutrition, and the loss of savings as a result of plummeting home prices, rising health care costs and pension reductions.

Another so-called "jobs" bill is in the works that will provide additional tax windfalls for business interests.

With the passage of Obama's health care overhaul, the stage has been set for hundreds of billions of dollars in cuts to Medicare, the government health insurance program for the elderly and disabled. This is to be a precedent for sweeping cuts in the core "entitlement" social program, Social Security. Earlier this year, Obama announced the formation of a bipartisan deficit commission to recommend cuts in Social Security and further cuts in Medicare as a means of reversing the explosive growth of federal budget deficits.

Meanwhile, corporate America, with the

encouragement of the Obama administration, is utilizing mass unemployment to drive down the wages and living standards of the working class, while extracting more production from those still employed, thereby increasing corporate profits.

According to most economists, the figure for new jobless claims has to fall below 400,000 to indicate a shift to net job creation. Some economists responded to Thursday's report with a sober assessment. Jim Baird, chief investment strategist at Plante Moran Financial Advisors, said, "We are still not seeing the degree of job creation that is needed to meaningfully chip away at a persistently high unemployment rate near 10 percent."

While noting that the pace of job losses has slowed from the torrent that followed the financial crash of 2008, Federal Reserve Bank of San Francisco President Janet Yellen said this week, "What I fear is that unemployment will stay high for years."

In another sign of the continuing slump, the Commerce Department on Wednesday reported that sales of new homes fell 2.2 percent in February from the previous month, hitting their lowest level since records began in 1963. February new home sales were at an annualized rate of 308,000 units, 13 percent below the level of February 2009.

That marked the fourth straight monthly decline. The Federal Reserve is set to end its purchase of hundreds of billions of dollars in mortgage-backed securities from the home finance giants Fannie Mae and Freddie Mac at the end of this month, which is likely to result in a further decline in home sales and prices and a new wave of layoffs in construction and related industries.

Barely noted by the media is an escalating wave of layoffs by state and local governments, which are responding to soaring deficits by slashing services and shutting schools. State and local governments employ 20 million workers, or 15 percent of the labor force. In the first two months of this year, they have cut 45,000 jobs, and more layoffs are expected in fiscal year 2011.

Just this week, the city of Baltimore announced the layoff of 600 employees, and the Charlotte-Mecklenburg (North Carolina) school board voted to begin laying off 600 teachers and cutting the pay of all 224 assistant principals.

Private sector layoffs announced this week include 840 by Delta Airlines at its Cincinnati, Ohio facility; 200 by defense contractor BAE Systems at its Jefferson City, Tennessee plant; and a 4 percent workforce reduction throughout New England by the Shaw's supermarket chain.

The true depth of the recession is being obscured by the government. On Thursday, Federal Reserve Board economist Jeremy Nalewaik released a paper arguing that the government's reliance on estimates of the gross domestic product (GDP) to measure economic performance has resulted in an underestimation of the depth of the recession, which officially ended last year, and an overestimation of the scale of the claimed recovery.

Nalewaik said that a more accurate barometer is a measure of national income, called gross domestic income (GDI). He noted, "The differences have become particularly glaring over the latest cyclical downturn, which appears considerably worse along several dimensions when looking at GDI."

Along similar lines, David Rosenberg, chief economist at money management firm Gluskin Sheff, wrote in a note to clients last week that GDI was still contracting in the third quarter of 2009, when the GDP was reported to have surged by 5.9 percent. He pointed out that the gap between GDP and GDI was the largest on record.

This statistical divergence reflects the fact that the present recovery is largely a rebound in corporate profits and the wealth of the financial elite, while the living standards of the vast majority of Americans are continuing to fall. In other words, class divisions in the US are widening.

Corporate CEOs are continuing to award themselves multimillion-dollar pay packages. In the past few days, Ford announced that Chief Executive Alan Mulally is receiving $17.9 million for 2009, an increase of nearly 6 percent over 2008; JC Penney CEO Myron Ullman will get at least $4.7 million; and the CEO of insurance giant Travelers, Jay Fishman, is netting $20.6 million, an increase of 42 percent over the previous year.