No economic recovery for the working class

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7 April 2010

Last Friday's US unemployment report, which showed a net payroll gain of 162,000 jobs in March, has been seized on by the Obama administration and much of the media as confirmation of official claims that the recession is over and a recovery in the jobs market has begun.

Calling the Labor Department report for March "the best news we've seen on the jobs front in more than two years," President Obama said, "We are beginning to turn the corner." The *New York Times* began its report on the jobs data with the words, "The clouds have parted."

A closer look at the figures, however, leads to far less sanguine conclusions. The net gain in non-farm payrolls was far less than the 200,000 to 300,000 that had been predicted by most economists. Moreover, 88,000 of the new hires were temporary—including 48,000 brought on to conduct the US census.

The so-called underemployment rate, which includes those involuntarily working part-time and those who have given up looking for work, rose to 16.9 percent, the third straight monthly increase. The ranks of people seeking full-time employment but forced to work part-time increased to the staggering level of 9.1 million.

Perhaps most ominous, the number of long-term unemployed—those laid off for at least 27 weeks—shot up by 414,000 to reach 6.5 million. This category accounts for more than 40 percent of jobless workers, a far higher percentage than in the deep recession of 1981-82. The average length of unemployment in March rose to 31 weeks, the highest level on record going back more than six decades.

Average hourly wages continued their protracted decline.

In the 27th month of a recession that has wiped out over 8 million jobs, the US economy produced fewer new full-time jobs than are needed to keep pace with the normal monthly growth in the labor market. Despite a slight uptick in manufacturing and construction—following months of contraction—the report reflects an economy mired in slump with no prospect of bringing unemployment down to pre-crisis levels for years to come.

To the extent that a slight increase in production in the real economy has occurred, it has been bound up with a massive assault on the jobs, wages, benefits and living standards of the working class. The ruling elite, spearheaded by the Obama administration, is using the economic crisis to effect a permanent reduction in the conditions of workers.

New and lower benchmarks for wages and working conditions are being set that will remain in place. They are not temporary. On this basis, corporate profits have soared despite near double-digit unemployment and depressed consumer spending.

The deterioration in the social position of the working class is reflected particularly sharply in productivity figures. In the fourth quarter of 2009, when the US gross domestic product (GDP) surged by 5.6 percent, productivity—the amount of production squeezed from each worker—rose at an annual rate of 6.9 percent. Unit labor costs fell sharply, by 5.9 percent. Inflation-adjusted hourly wages fell by 2.8 percent from the prior quarter.

These figures document a sharp rise in the intensity of the exploitation of the labor force.

Another indication of the class character of the so-called recovery is the divergence between GDP and a measure of national income—gross domestic income (GDI). In the third quarter of 2009, the GDI was still contracting even as the GDP rose 2.2 percent. The current gap between GDP and GDI is the biggest 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. This is a recovery in which class divisions and social inequality are widening.

This can be seen further in a list published Sunday by the *New York Times* of the 30 highest-paid US corporate CEOs. Fully 10 of the 30 preside over firms that registered declines in revenue and net income in 2009, yet recorded gains in total return—a measure linked to the change in the company's stock price. All but three of these CEOs saw their compensation increase over 2008.

The "success" of these corporations, and of their chief executives, was due overwhelmingly to cost-cutting measures that, even in the face of reduced revenues and income, drove up the firms' share value. This provides a snapshot of the degree to which the "recovery" has been based on ruthless downsizing, wage-cutting and speedup.

To give a few examples:

* The third highest-paid CEO, Ray R. Irani of Occidental Petroleum, received $31.4 million, an increase of 39 percent. His firm suffered a 37 percent decline in revenue, a 57 percent decline in net income, but a 38 percent increase in total return.

* Susan M. Ivey, number 27 on the list, got an 84 percent increase in pay to $16.2 million. Her company, Reynolds American, recorded declines in revenue and net income of 5 and 28 percent, respectively, while its total return soared by 40 percent.

* Andrew N. Liveris of Dow Chemical, number 28 on the list, received $15.7 million, a pay hike of 23 percent. His company's revenue fell 22 percent, its net income fell 61 percent, but its total return jumped 87 percent.

Alongside cost-cutting and increased exploitation of labor, the recovery has been sustained by government bailouts of the banks and a virtually unlimited supply of cheap credit by central banks in the US and around the world. This has driven up stock prices all out of proportion to the state of the real economy and fueled even greater speculative excesses than those which precipitated the 2008 financial crash. Recent weeks, for example, have seen an explosive growth in the junk bond market.

Far from resolving the underlying contradictions of world capitalism, this plundering of public resources has intensified them. Massive, structural imbalances in the global economy—particularly between deficit countries, led by the US, and exporting, surplus countries, led by China and Germany—have grown more pronounced.

Facing record levels of state debt and budget deficits, the US is seeking to increase its exports at the expense of its rivals, but so are all of the other major deficit countries, while surplus nations such as China and Germany fiercely defend their export markets. At the same time, the emptying of state treasuries to rescue the financial elite has increased the pressure for draconian austerity measures to reduce government outlays. This, in turn, can only further depress consumption, making the competition between countries for export markets all the more ferocious and increasing the likelihood of outright trade and currency wars.

The Obama administration, which has pledged to double US exports in five years, appears to be basing its economic strategy on driving down American labor costs to the point where US manufacturing can be at least partially revived as a cheap labor center for export abroad.

Under conditions of long-term mass unemployment, declining wages, growing poverty, record personal bankruptcies and soaring home foreclosures, the entire economy increasingly resembles a house of cards. The revival of the housing market, which is key to any genuine recovery, appears highly problematic with home foreclosures expected to rise from 1.7 million in 2009 to 2.2 million this year.

For the working class, there is no real recovery within the framework of the capitalist system. To avert ever more brutal conditions of exploitation and poverty, it must organize its resistance on the basis of a socialist, revolutionary and internationalist perspective.

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