US jobless claims, bankruptcies rise

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The barrage of grim US economic data continued Thursday with the Labor Department's report that first-time claims for unemployment benefits jumped by 19,000 last week, bringing the total to 479,000, the most since April. Like virtually all of the recent US economic reports, the jobless claims figures were worse than analysts' forecasts.

Economists had predicted that first-time filings would fall to 455,000. *Bloomberg News* said the new claims figure exceeded the highest estimates by economists whom it had surveyed. The four-week moving average of claims also increased, rising by 5,250 to 458,500.

Most economists believe an initial jobless claims figure above 400,000 reflects a weak economy that is failing to generate sufficient jobs to keep pace with the growth in the labor market.

The weekly claims report was one of several job-related surveys that suggest there will be no significant decline in the unemployment rate, and very likely a further rise beyond the current official rate of 9.5 percent.

On Wednesday, the payroll firm Automatic Data Processing Inc. (ADP) estimated that private-sector payrolls rose by just 42,000 in July. The company said employment increased at small- and medium-sized firms but remained flat at large companies. Well over 100,000 new jobs must be generated every month just to match the normal growth in the labor market and prevent a rise in the jobless rate.

A separate report released Wednesday by the global outplacement consultancy Challenger, Gray & Christmas indicated that layoffs will continue to spread. The firm said that the number of planned layoffs at US companies rose 6 percent in July, marking the third straight month of higher job cuts. Employers announced 41,676 planned terminations.

These reports dovetailed with surveys on retail sales, consumer spending, personal income, factory orders, manufacturing activity and home sales, all of which were worse than analysts' forecasts and reflected a deepening of the slump and worsening of economic and social distress.

One report places the social crisis in America in sharp relief. Personal bankruptcies in July hit 137,698, a 9 percent increase from June, according to the American Bankruptcy Institute. Filings in July were also up 9 percent compared with the same month a year ago.

This year is on pace to record the highest number of consumer bankruptcies since a surge of such filings occurred in 2005 ahead of the enforcement of a law passed by Congress making it more difficult for consumers to shed debt. Filings topped 1.4 million in 2009 and so far this year there have been nearly 908,000. This amounts to one in every 125 American households.

Personal bankruptcies and bank seizures of foreclosed homes—set to exceed 1 million this year—are among the social disasters confronting millions of workers under conditions of the worst jobs crisis since the Great Depression. Not only are some 26 million people either unemployed or underemployed, nearly half of those officially counted as unemployed have been without work for more than six months, the highest rate of long-term joblessness since the 1930s.

Among the other surveys released this week:

• The Commerce Department reported that both personal spending and incomes were unchanged in June. The zero reading on income growth was the poorest result since September.

• The department also reported that the personal savings rate rose to 6.4 percent of after-tax incomes in June. However, this increase in savings was actually a reflection of a further growth of economic inequality.

"The entire increase in the savings rate is attributable to the wealthier part of the population," Harm Bandholz, chief US economist at UniCredit Group in New York, said in a note to clients. "It is, therefore, a measure for the rising inequality of income and wealth in the US."

• Commerce also reported that factory orders drooped 1.2 percent in June, the second consecutive monthly decline. That report followed a separate survey released

Monday showing a slowdown in the growth of US manufacturing.

• The National Association of Realtors said its Pending Home Sales Index fell an unexpected 2.6 percent in June. The measure was down nearly 19 percent from the same month last year.

The Obama administration is proposing nothing either to significantly lower the unemployment rate or provide relief for the tens of millions who are being devastated by the crisis. On the contrary, it has dropped its earlier and entirely inadequate stimulus proposals. Instead, it has adopted a policy of tacitly accepting high unemployment while assisting big business in using mass joblessness to slash wages, increase speedup and drive up profits.

Wall Street and the corporate elite are content to allow near-double-digit unemployment to continue for months and even years, which is why stock prices have generally risen over the past two months even as economic growth has slowed. US corporate profits for the second quarter of 2010 are running 42 percent higher than a year ago, even though sales are up only 9 percent. The sharp rise in profits is due almost entirely to cost-cutting, especially labor costs.

Administration officials matter-of-factly speak of unemployment continuing at near-record levels. This week, Treasury Secretary Timothy Geithner told a television interviewer that the jobless rate would likely rise for several months.

Geithner published an op-ed column in the *New York Times* on Tuesday bearing the (presumably unintentionally) provocative headline "Welcome to the Recovery." In it, he repeated the Herbert Hoover-like mantra of the administration that things are moving in the right direction. "We are on a path back to growth," he wrote, and hailed the administration's "road to recovery."

While failing to propose a single concrete measure to create jobs or provide social relief, he assured the financial markets that Obama would soon turn his attention to slashing social spending. "And while making smart, targeted investments in our future," he wrote, "we must also cut the deficit over the next few years and make sure that America once again lives within its means."

The so-called "jobs" program of Obama and the Democrats is actually a policy of intensifying the exploitation of the working class. This was hinted at in a *Washington Post* article published Wednesday under the headline "Democrats Turn to Manufacturing for Jobs."

The newspaper wrote: "President Obama and congressional Democrats—out of options for another quick shot of stimulus spending to revive the sluggish economy—are shifting toward a longer-term strategy that promises to tackle persistently high unemployment by engineering a renaissance in American manufacturing."

In reality, the strategy is to revive US manufacturing by driving down the wages and conditions of American workers toward those of impoverished workers in Asia and on such a basis turn American manufacturing into a cheap-labor platform for exporting goods to global markets. This has already begun with Obama's bailout of the US auto industry, the centerpiece of which is a 50 percent cut in the wages of new-hires to the near-poverty level of $14 an hour.

The *Post* notes that the Democrats are calling their manufacturing policy, which consists largely of tax breaks for US producers, the "Make It in America" program. The name underscores the aim of diverting popular anger over the jobs crisis along reactionary nationalist channels and pitting American workers against their counterparts internationally.

The *New York Times* on Tuesday reported that wage cutting is spreading across both the public and private sectors of the US economy. It cited a 2010 survey by the National League of Cities in which 51 of the cities that responded reported either cutting or freezing salaries of city employees, 22 percent said they had revised union contracts to slash pay and benefits, and 19 percent said they had imposed furloughs.

The article noted as examples of wage cutting by businesses a 20 percent reduction for unionized employees at the Westin Hotel in Providence, Rhode Island and cuts imposed on Seattle Symphony musicians, newspaper workers at the *St. Louis Dispatch* and *Newsday*, and truckers at ABF Freight System.

Among public-sector workers receiving wage cuts, the article mentioned city workers in Albuquerque, New Mexico, professors at the University of Hawaii and teachers in California.