GDP report heralds still higher US unemployment

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The Commerce Department on Friday estimated that the US economy grew at an anemic annual rate of 2.0 percent in the third quarter, a pace that all but ensures a further rise in unemployment.

The government claims that the recession ended in June of 2009, but the quarterly increases in the nation's gross domestic product (GDP) this year have been far below those recorded following previous major recessions. US GDP rose 3.7 percent in the first quarter of 2010 and then slowed to 1.7 percent in the second.

A rate of 2 percent is insufficient to reduce joblessness, which is officially already at the stratospheric level of 9.6 percent. The *Wall Street Journal* reported Friday that Bank of America Merrill Lynch economists predict the jobless rate will surpass 10 percent and remain there for most of 2011.

A Bloomberg News survey of economists concluded that unemployment will remain above 9 percent through 2011, completing a three-year stretch of 9 percent-plus joblessness, the longest period since records began in 1948.

The Federal Reserve Bank of San Francisco recently issued the following grim prognosis for the US economy: "The economic recovery is proceeding at a very slow pace and has lost momentum since the spring. No sector of the private economy stands ready to drive a robust recovery."

Friday's figure could be revised downward when the Commerce Department issues a second estimate of third-quarter GDP growth on November 23. The department's initial estimate for the second quarter, 2.4 percent, was subsequently downgraded.

While the third-quarter GDP figure was marginally higher than that for the second quarter, certain economic components indicate a further weakening of the economy. Business spending on equipment slowed dramatically, rising by only 12 percent—half the pace recorded in the second quarter.

Reflecting the relentless assault by business on workers' wages and living standards, income growth, adjusted for inflation and taxes, slowed sharply. It rose only 0.5 percent after growing by 4.4 percent in the second quarter.

The dismal GDP report coincided with other economic data released this week pointing to the indefinite continuation of the economic slump and a worsening of the social distress and impoverishment that go with it. On Friday, the Thomson Reuters/University of Michigan index of consumer sentiment for October was released, showing a drop to 67.7 from 68.2 in September. The decline brought the measure of consumer confidence to its lowest point since November of 2009.

On Thursday, the foreclosure listing firm RealtyTrac reported that 133 out of 206 metropolitan areas posted an annual rise in home foreclosures this summer. Interviewed on the PBS "News Hour" program, Rick Sharga, senior vice president of RealtyTrac, said, "We're looking at historically high and almost unprecedented rates of foreclosure activity, six times the rate of activity we would normally expect to see in a regular mortgage market. And we're five years into this cycle. It's simply unprecedented historically, and it won't get much better until the economy gets better and until jobs start to come back."

On Tuesday, the Standard & Poor's/Case-Shiller home price index for August was released, showing a further decline in home prices. Home prices overall fell 0.2 percent in August from July in the 20 large cities included in the survey. Values fell in 15 of the cities.

The Labor Department's report on first-time jobless benefit claims, released Thursday, showed a drop of 21,000 to a seasonally adjusted total of 434,000 for the week ended October 23. The four-week average of claims also dropped marginally.

However, the number of workers claiming jobless benefits remains abnormally high and far above levels that reflect an economy that is creating a healthy number of new jobs. Emergency jobless benefit rolls fell by 400,000, a grim indicator of the hundreds of thousands of long-term unemployed workers who are exhausting their eligibility for relief and losing all cash income.

US non-farm payrolls have declined by almost 400,000 since May, and the process of downsizing and cost-cutting continues unabated, in both the private and public sectors. *USA Today* on Friday reported Bureau of Labor Statistics figures showing a reduction of 258,000 state and local government jobs over the past year. Three-fourths of the job cuts came in five states—New Jersey, New York, California, Ohio and Michigan. Government payrolls were reduced in 35 of the nation's 50 states.

"The outlook is for more cuts," said Donald Boyd, finance expert at the Rockefeller Institute of Government.

President Obama continued to downplay the scope of the economic crisis and defend his policies at an appearance Friday outside of Washington, DC. He went to the Stromberg Metal Works factory in Beltsville, Maryland, to promote yet another proposal to slash corporate taxes.

Briefly alluding to the Commerce Department GDP report, released earlier that morning, Obama attempted to portray it as a positive sign of economic recovery. "Now, this morning," he said, "we learned that our economy grew at a rate of 2 percent over the last three months. We've had nine consecutive months of private-sector job growth, after nearly two years of job loss."

He neglected to note that the rate of private-sector job creation is far less than what is needed simply to keep pace with the normal growth of the labor force, and that the small increases in private sector jobs have in recent months been eclipsed by public-sector job losses.

He proceeded to tout his plan to let companies, big and small, take immediate tax deductions for the full cost of new equipment purchases. Together with business tax breaks enacted last month, his new proposal would provide a massive windfall of $200 billion in tax savings for companies through 2011, according to the Treasury Department.

This follows reports that Obama has met with top corporate executives to discuss a plan, to be advanced after the November 2 congressional elections, to slash the basic corporate tax rate from 35 percent to 24 percent.

Such corporate-friendly policies, combined with the Federal Reserve's policy of near-zero interest rates and virtually free credit for major banks and corporations, have already enabled big business to rack up record profits in the midst of the worst recession since the 1930s.

For the most part, the profit surge and accompanying stock market boom have been achieved by downsizing and cost-cutting. With the help of the Obama administration, corporations have turned the economic crisis to their advantage, using mass unemployment as a bludgeon to drive down wages and impose speedup.

Now, as Obama prepares to push through new windfalls for big business after Tuesday's vote, he is sending signals that his administration, in the name of fiscal "responsibility" and bipartisanship, will drop any proposals for infrastructure spending to create jobs or even the most minimal measures to provide relief for the unemployed.

USA Today gave some indication of the profit bonanza that has been facilitated by the policies of the Obama administration and the Democratic-led Congress. It reported Thursday that with nearly half of the companies in the Standard & Poor's 500 stock index having released their third-quarter results, a record 81 percent have delivered better-than-expected earnings.

Over the past four quarters, moreover, three-quarters of companies have exceeded expectations.

S&P 500 firms have posted an average profit growth of 36 percent, according to Standard & Poor's. This is the best rate of third-quarter earnings in at least 20 years.

The degree to which the profit boom is based on the impoverishment of workers and an intensification of their exploitation, rather than an expansion of sales, production and hiring, is indicated by the fact that S&P 500 companies are expected to post only 6 percent revenue growth for the quarter.

The biggest beneficiaries of the profit surge are the banks, private equity firms and hedge funds. The very institutions that precipitated the financial crash and global recession are enjoying an overall 92 percent rise in their profits.