US economic indices point to continuing slump

Barry Grey
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The US Labor Department reported Thursday that initial jobless claims rose substantially in the latest week, deflating efforts by the government and media to present the economy as broadly rebounding from the deepest slump since the Great Depression.

Confounding economists' predictions of a modest increase, claims rose 26,000 to 397,000. The jump in filings followed three consecutive weeks of declines. The four-week moving average of jobless claims also rose, climbing by 3,000 to 392,500.

The Obama administration has hailed the employment report for February, released last Friday, as evidence that its policies are significantly easing the jobs crisis. That report, which showed a net gain in US payrolls of 192,000 and a drop in the official unemployment rate from 9.0 percent in January to 8.9 percent, in fact reflected an economy failing to generate anywhere near the number of new jobs needed to seriously reduce the unemployment level.

The total of new jobs was only marginally higher than the number required just to keep pace with the normal growth in the labor force. The decline in the official unemployment rate had more to do with hundreds of thousands of discouraged workers dropping out of the labor market than with a serious rebound in hiring. (See: "February jobs report shows tepid growth in US payrolls").

The polling firm Gallup released its own survey March 3 of the employment situation for February, measured without seasonal adjustment, which concluded that the jobless rate had risen to 10.3 percent from 9.8 percent at the end of January. Gallup reported that the unemployment rate was essentially unchanged from 10.4 percent at the end of February 2010.

The report noted a sharp increase in so-called underemployment, a figure that includes those working part-time who would like a full-time job. Gallup said underemployment hit 19.9 percent in February, up a full percentage point from 18.9 percent at the end of the previous month.

"The percentage of part-time workers who want full-time work worsened considerably in February," Gallup wrote, "increasing to 9.6 percent of the workforce from 9.1 percent at the end of January. A larger percentage of the US workforce is working part-time and wanting full-time work now than was the case a year ago."

The report concluded, "the real US jobs situation worsened in February. That is, jobs are relatively less available now than in January."

The Labor Department released a report Thursday on the January unemployment rates of the 50 states and Washington, DC. The survey showed that 24 of the states and the District of Columbia had a jobless rate above 9 percent. Of these, ten had an unemployment rate above 10 percent. Four states had a jobless rate higher than 11 percent: Nevada (14.2 percent), California (12.4 percent), Florida (11.9 percent) and Rhode Island (11.3 percent).

Also on Thursday, AOL announced that it would cut 20 percent of its employees in a cost-cutting move bound up with its purchase of the Huffington Post web site. Some 900 jobs will be eliminated—200 in the US and 700 in India.

The real policy of the Obama administration is to keep unemployment high in order to aid big business in slashing the wages, benefits and conditions of US workers. The attack on wages in the private sector, which began with the White House Auto Task Force's forced bankruptcy of General Motors and Chrysler, has now spread to the public sector, with savage cuts in jobs, pensions and health care being carried out in one state and city after another, under Democratic as well as

Republican administrations.

At the same time, Obama has frozen the pay of federal workers and is proposing to reduce domestic non-defense discretionary spending by $700 billion over the next ten years, while promising as yet unspecified cuts in Medicare and Social Security.

The jobs crisis, soaring home foreclosures and falling wages are now joined by skyrocketing gasoline and food prices. It is hardly surprising that the Reuters/University of Michigan gauge of consumer sentiment for March, released Friday, fell to a five-month low. The measure dropped to 68.2 from a final February reading of 77.5. The 9.3 point drop was the biggest since the height of the financial crisis in October 2008.

The Federal Reserve's Flow of Funds report, issued Thursday, provides insight into the manner in which the economic crisis is being used to further impoverish the working class and concentrate wealth even more massively at the very top of the economic ladder. The report showed that net worth for households and non-profit groups increased by $2.1 trillion in the fourth quarter of 2010, but this was largely due to a huge increase in stock prices.

During the same three months, the Standard & Poor's 500 stock index rose 10.2 percent. The value of corporate equities owned by American households grew by $1 trillion in the period.

This windfall went overwhelmingly to the richest layers of the population, which largely monopolize ownership of stocks and bonds. The corporate elite is benefiting from the Fed's policy of providing cheap credit by keeping the benchmark interest rate near zero and, in effect, printing hundreds of billions of dollars. This drives up the stock market while doing little to lower the jobless rate.

The Fed reported that corporate profits have risen every quarter since the first three months of 2009 and grew 2.8 percent from July through September 2010. Thus, the corporations have pushed up their profits even as mass unemployment has driven down the living standards of large sections of the population.

That high unemployment is the desired policy of the ruling class is underscored by one statistic reported in the Fed survey: Companies were holding $1.9 trillion in cash at the end of the fourth quarter of last year—a record. They are hoarding their profits rather than using them to hire new workers in significant numbers.

Other figures reported by the Fed provide a measure of the rising social distress affecting broad sections of the population. US household debt declined by $208.8 billion last year, but over half of this decline, $118 billion, was accounted for by mortgage, credit card and other consumer debt written off by commercial banks, i.e., by consumers unable to meet their debt payments.

The value of real estate held by households fell by $244 billion in the fourth quarter, following the previous quarter's decline of $629 billion. This points to the continuing collapse of home values, the chief asset of working class and many middle class families. While the net worth of the richest layers is increasing, that of tens of millions of Americans continues to fall.