US corporate profits hit record high, new home sales at record low

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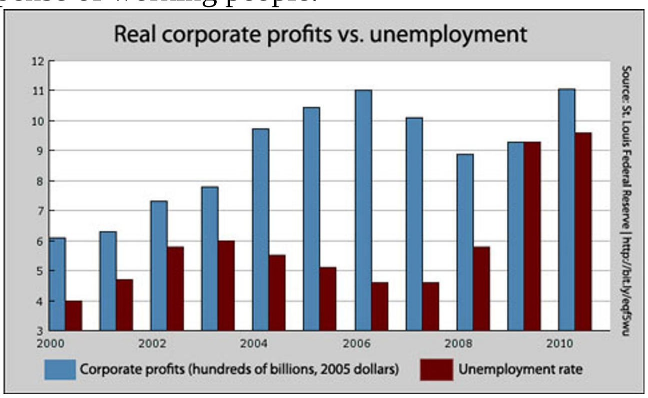
26 March 2011

US corporate profits reached their highest level in history, while new home sales fell to their lowest pace ever, according to data released this week by the federal government. The figures show the extent to which the present economic "recovery" is taking place entirely at the expense of working people.



Corporate profits jumped 36.8 percent last year, to an annualized rate of $1.68 trillion, and are up 61.5 percent from the low reached in the fourth quarter of 2008. The latest figure eclipses the pre-recession profit levels and represents the biggest jump on records dating back to 1947. The data was released Friday by the Bureau of Economic Analysis, as part of the latest revision to its gross domestic product estimate.

This rebound in corporate profits was achieved through aggressive restructuring policies pursued by corporations in 2009, which saw millions of people lose their jobs. Productivity rose by 1.9 percent last year, according to an earlier government report, as workers saw their real incomes fall despite working harder.

The policy of drastic corporate restructuring--spearheaded by the Obama administration's intervention into the auto industry--has resulted in a sharp reduction in the living conditions of the working class. This is most sharply reflected in the continuing decline in the housing market. Sales of new homes fell 16.9 percent in February, the third consecutive monthly decline, to a rate of 250,000 per year, according to figures released Wednesday by the Commerce Department. Last month's figure is 28 percent lower than a year before.

The median new home price fell to $202,000 in February, down from $234,000 in January and $221,900 in February 2010. Meanwhile the inventory of new homes for sale has increased, from 8.6 months worth in February 2010 to 8.9 months in February 2011.

Economists attributed the deterioration of the housing market largely to chronic high unemployment, which left homebuyers unable to get credit, combined with greater restrictions from banks. But stagnant wages and rising prices have played a significant part in the impoverishment of the population, which is feeding the slump in housing.

Real average hourly earnings for workers fell by four cents over the past year, according to a Bureau of Labor Statistics report from earlier this month. Real wages are set to fall even further as prices have continued to creep up. Consumer prices grew 0.5 percent in February, and have risen 2.1 percent over the past year, according to the report.

The trend is for ever-sharper price increases. As the Bureau noted in its report, the 12-month inflation rate has nearly doubled in the past six months.

Increases to inflation are being led by rises in food and energy prices. Crude oil topped $106 per barrel this week, up from below $70 in May 2010. Average US gasoline prices have shot up to $3.56 per gallon, from $2.76 a year ago.

Food prices have also risen sharply this year, with increases of 0.5 percent in January and 0.6 percent in February, according to data from the Bureau of Labor statistics.

These price increases brought inflation expectations to their highest levels since the end of 2008, according to figures released Friday by the Thomson Reuters/University of Michigan index of consumer sentiment. Consumers expect inflation to average 3.2 percent over the next five years, 50 percent higher than last year.

Fears about inflation, on top of persistent high unemployment and stagnant wages, drew a sharp retrenchment in consumer sentiment, which fell to its lowest level since November 2009, according the the Reuters/UM survey. The index fell 12 percent in March, which the surveyors said "clearly indicates that the rate of real consumer spending will diminish."

The latest GDP figures, released Friday, show that the US economy grew faster than previously estimated in 2010, expanding at a rate of 3.1 percent in the fourth quarter, resulting in a yearly growth of 2.9 percent. This pace, however, barely covers the 2.6 percent decline in GDP suffered in 2009, and does not provide enough economic growth to significantly impact jobs.

The latest figures underscore the trend shown by the data from last year: corporations and their owners are enriching themselves from the suffering of millions.

The surplus of labor created by persistent high unemployment—together with the speedups and wage cuts that flow from it—are the basis for continued increases in profits. But for workers, the coming years portend rising prices and falling real wages, amid high unemployment that is expected to last for years.