# US consumer confidence plunges to two-year low

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In a further sign that the economic slump is deepening, the Conference Board reported Tuesday that US consumer confidence dropped almost 15 points this month to its lowest level since April 2009. It was the biggest point drop since October 2008, at the height of the financial crisis.

The private research group said its Consumer Confidence Index fell to 44.5 from a revised 59.2 in July, far lower than the 53.3 level forecast by economists.

The depths of consumer pessimism and economic weakness can be gauged from the fact that it takes a reading above 90 to indicate that the economy is on solid footing. “Consumer confidence deteriorated sharply in August, as consumers grew considerably more pessimistic about the short-term outlook,” said Lynn Franco, director of consumer research for the Conference Board.

A different consumer sentiment survey, published last Friday by Thomson Reuters and the University of Michigan, showed that sentiment fell in August to its lowest level since November 2008. The level of consumer confidence is considered critical because consumer spending accounts for 70 percent of US economic activity.

The Conference Board report indicated that the fear of continuing mass unemployment was the major factor pushing down consumer confidence. Consumers saying that jobs are “hard to get” increased to 49.1 percent from 44.8 percent, while those stating that jobs are “plentiful” declined to 4.7 percent from 5.1 percent. Those expecting more jobs in the coming months decreased to 11.4 percent from 16.9 percent, while those anticipating fewer jobs increased to 31.5 percent from 22.2 percent. The share of consumers expecting their income to increase dropped to 14.3 percent from 15.9 percent.

Another report released Tuesday underscored that the so-called “recovery” of the past two years—characterized by near-Depression levels of unemployment, falling wages and rising poverty on the one side, and soaring stock prices and record corporate profits on the other—is collapsing into a full-scale recession. The Standard & Poor’s/Case-Shiller composite index of home prices showed that US house prices fell again in June.

The index of 20 metropolitan areas slipped 0.1 percent from the previous month on a seasonally adjusted basis. Prices in the 20 cities fell 4.5 percent from a year ago.

Another measure of the housing market, the index of pending home sales, was released Monday by the National Association of Realtors and showed a 1.3 percent decline in July after two months of gains. The measure, which uses contract signings to predict sale of existing homes in the coming months, indicates a continuing collapse of the US housing market.

Two other economic indices released this week pointed to a deepening slump. The Federal Reserve Bank of Dallas released its latest gauge of general business activity in the Southwest, showing a sharp decline in manufacturing activity. And Intuit, a payrolls processing company, reported that hiring by small businesses slowed in August. The survey revealed that small businesses added just 35,000 jobs after increasing employment by 45,000 in July. In addition, employers reduced workers’ hours, and average monthly wages fell to only $2,649.

The Commerce Department on Monday reported that consumer spending rose a more-than-expected 0.8 percent in July. However, overall personal income failed to keep up with inflation, falling 0.1 percent in real terms.

The dismal state of the US economy was reflected in the minutes of the August 9 meeting of the Federal Reserve Board's policy-making Federal Open Market Committee (FOMC), released Tuesday. "In their discussion of the economic situation and outlook," the minutes read, "meeting participants regarded the information received during the inter-meeting period as indicating that economic growth so far this year was considerably slower than they had expected. Participants noted a deterioration in labor market conditions, slower household spending, a drop in consumer and business confidence, and continued weakness in the housing sector… Moreover, many participants saw increased downside risks to the outlook for economic growth."

In the face of this worsening situation, the Fed limited itself at its August 9 meeting to signaling that it will keep its benchmark interest rate at zero to 0.25 percent for at least two more years. Even this modest move, designed to boost the stock market and corporate profits by maintaining a flow of cheap credit, produced a sharp split on the FOMC, with three members, all presidents of regional Fed banks, voting against.

Last Friday, Fed Chairman Ben Bernanke, speaking at an annual conference of central bankers at the Rocky Mountain resort of Jackson Hole, Wyoming, acknowledged that economic growth was far slower than had been forecast by the US central bank and that the Fed had downgraded its projections for the second half of 2011 and all of 2012. Nevertheless, he sought to reassure markets that the economy would pick up steam in the second half of this year.

He refrained from announcing any new stimulative monetary measures, but hinted that the Fed might resume its purchase of Treasury securities—the equivalent of printing billions of dollars—at its next meeting in September. This sparked a rally on Wall Street.

On Tuesday, the president of the Federal Reserve Bank of Chicago and a voting member of the FOMC, Fred Evans, told CNBC cable television that he was in favor of resuming such treasury purchases—known as "quantitative easing"—to avert a descent into negative growth. His remarks immediately sparked a surge in world gold prices, in anticipation of a further downward plunge of the US dollar.

The net effect of the massive government bailout of the banks and the pumping of trillions in nearly free cash into the financial markets has been to undermine the position of the dollar as the world reserve currency and destabilize the world monetary system—symbolized by this month's downgrade of US debt by Standard & Poor's. It has done nothing to address the underlying problems in the US and world economy.

This operation—not only in the US, but internationally—to protect and expand the wealth of the financial elite has been accompanied by a ferocious assault on the jobs, wages and conditions of the working class, as the capitalists seek to extricate themselves form the breakdown of their system at the expense of the working class. The austerity policies being carried out around the world have only intensified the economic slump, setting the stage for even more brutal attacks.

The class interests being served by the Obama administration in the US are indicated in the latest report from the Commerce Department's Bureau of Economic Analysis (BEA), released last week. The BEA downwardly revised its estimate of US economic growth in the second quarter of this year from 1.3 percent to 1.0 percent—far below the pace required to reduce employment.

In the same report, it noted that corporate profits from current production increased $57.3 billion in the same three months, compared with an increase of $19.0 billion in the first quarter, while taxes on corporate income decreased $3.0 billion.