US economy stalled in first quarter

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The US economy grew at a rate of just 0.2 percent in the first quarter of this year, marking a sharp slowdown from the previous quarter, in which the growth rate was 2.2 percent.

The mounting signs of an economic slump in the US prompted the Federal Reserve to downgrade its view of the US economy in its latest policy statement, issued Wednesday. The Fed declared that economic growth had “slowed during the winter,” whereas its previous statement claimed that growth had “moderated somewhat.”

The first quarter gross domestic product figures, released Wednesday by the Commerce Department, were far lower than even the meager 1.0 percent growth rate predicted by economists. It was the slowest quarterly growth for the US economy in a year.

The fall-off in economic activity was led by a collapse in business fixed investment, which fell by 3.4 percent. Exports plunged by 7.2 percent, compared with an increase of 4.5 percent in the fourth quarter. On the whole, government spending shrank, led by a fall of 1.5 percent in state and local spending.

The collapse in investment takes place amid a speculative frenzy whipped up by the trillions of dollars injected into the financial system by the Federal Reserve and other central banks. Mergers and acquisitions are occurring at a near-record pace, while US corporations, sitting on a cash hoard of $1.4 trillion, have engaged in share buy-backs and dividend increases to further enrich their wealthy shareholders.

These record mergers, acquisitions, and share buy-backs have been accompanied by mass layoffs.

* On Tuesday, helicopter maker Bell Helicopter announced 1,100 layoffs at its facility in Lafayette, Indiana.

* On Friday, Pennsylvania-based software developer Unisys announced plans to slash 8 percent of its global workforce, including 1,800 workers in North America.

* On April 24, pharmaceutical company Procter & Gamble announced that it would eliminate up to 6,000 office jobs worldwide. Since 2012, the company has slashed more than 20,000 office and manufacturing jobs.

* On April 20, United States Steel Corp. issued layoffs to 1,404 employees, concentrated mostly in Texas. Since June, the company has announced plans to eliminate 7,800 US positions, according to the *Pittsburgh Business Times*.

* That same day, oilfield services company Halliburton said it had cut 9,000 jobs, amounting to over ten percent of its workforce.

* On April 16, Halliburton's rival Schlumberger announced another 11,000 job cuts, on top of the 9,000 it implemented in January.

The negative figures follow the announcement by the Labor Department earlier this month that the US economy added only 126,000 jobs in March, the smallest job growth since 2013. The March figure was half the number predicted by economists.

Since the beginning of the economic "recovery" in 2009, the US economy has grown at an average annual rate of only 2.2 percent, compared to an average growth rate of 3.2 percent during the 1990s.

Beyond the collapse in business investment, the negative growth figures for the first quarter were the result of a confluence of factors, each pointing to the precarious state of the US and global economy.

Worldwide demand for US goods remains stagnant amid a global slump, with the International Monetary Fund declaring this month that “potential growth in advanced economies is likely to remain below pre-crisis rates, while it is expected to decrease further in emerging market economies in the medium term.”

Weak demand from overseas has been compounded by the ongoing rise in the value of the dollar, shrinking demand for US manufacturing exports overseas.

Oil prices, meanwhile, have fallen by more than half over the past year, prompting tens of thousands of layoffs in the US, particularly in high-cost hydraulic fracturing operations.

US corporations in recent months stepped up their demands for the Federal Reserve to keep interest rates near zero in order to lower the value of the dollar and prop up their profits through cheap credit.

Speaking in San Francisco earlier this month, US Fed Chair Janet Yellen stressed the need to be “patient” in raising rates, while Fed officials lowered their estimate for where the federal funds rate will be at the end of this year to 0.625 percent, sharply lower than their December estimate of 1.125 percent.

In its Wednesday statement, the Federal Reserve hinted at a further delay in rate increases this year by downgrading its view of the economy while eliminating any reference to a specific timetable for raising rates.

Last week, William C. Dudley, the president of the Federal Reserve Bank of New York, made clear that the Fed is seriously considering pushing back its plans to raise interest rates till next year, declaring that “hopefully” economic growth will pick up enough for the Fed to raise rates this year.

The continuation of near-zero interest rates will not bring about any meaningful increase in investment and hiring. Rather, it will sustain the massive run-up of stock prices, which have tripled since 2009, further enriching the financial oligarchy at the expense of the working class.

The financial elite has made no effort to hide its appreciation for the Fed’s easy money policies. Earlier this month, former Federal Reserve Chairman Ben Bernanke, who funneled trillions of dollars in government funds to Wall Street in the post-2008 bank bailout, announced that he had been hired by Chicago-based hedge fund Citadel LLC. On Wednesday, bond trading firm Pimco announced that it had simultaneously hired Bernanke as an adviser.

Bernanke’s multi-million-dollar salary at these posts amount to a payoff for services rendered.