US economic growth slumps to slowest pace in three years

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The US gross domestic product barely rose in the first three months of 2017, increasing by an annual rate of only 0.7 percent from the last quarter of 2016, according to a report released Friday by the Commerce Department. It was the slowest rate of economic growth since the first quarter of 2014.

The figure fell short of the already low consensus estimate of economists, who had predicted a 1 percent rise in the GDP. The first quarter performance was sharply lower than the final three months of 2016, when the economy grew by 2.1 percent.

The most important factor depressing economic growth was a virtual collapse in the growth of consumption, which tumbled to 0.3 percent from 3.5 percent in the previous quarter. Consumption accounts for some 70 percent of GDP in the United States. The first quarter consumption figure was the weakest since the end of 2009, when the official recovery from the severe recession that followed the 2008 Wall Street crash was just getting underway.

Just two months ago, economists were predicting that the first quarter output figure would be 2 percent, but recent months have seen a marked slowdown in consumer purchases, particularly of cars. The BBC quoted Paul Ashworth, chief US economist at Capital Economics, as saying, “Household spending was held down by a drop in motor vehicle sales from the near-record high at the end of last year and the unseasonably warm winter weather, which depressed utilities spending.”

While many economists brushed off the miserable GDP report as a fluke, the result mainly of temporary factors such as unusually warm weather, Carl R. Tannenbaum, chief economist at Northern Trust in Chicago, told the *New York Times*, “I have to be honest: The hard data just wasn’t very good last quarter. The retail retreat, especially in autos, was greater than many people anticipated.”

There have been other signs of stagnation, including the Labor Department’s employment report for March, which showed an expansion in payrolls of only 98,000 new jobs, less than half the pace of previous months.

The economic growth report took on added political significance coming as it did on the eve of Donald Trump’s first 100 days in office. Trump’s pledge to dramatically slash taxes for corporations and the rich, gut business regulations and launch a pro-corporate infrastructure program has fueled a euphoric rise on the stock market and a spurt in business confidence and investment, as the financial elite anticipates an enormous increase in profits and personal wealth.

But Friday’s report underscores the disconnect between the rising fortunes of the corporate oligarchy on the one hand, and the depressed state of the real economy and the fall in living standards for broad sections of the population on the other.

Just two days before the release of the Commerce Department report, Trump’s two top economic advisers, Treasury Secretary Steven Mnuchin and Gary Cohn, the director of the White House National Economic Council, released an outline of the administration's plans for a multi-trillion-dollar tax cut for corporations and the rich.

The two multi-millionaire former Goldman Sachs bankers insisted that the plan would not add to the national debt and require major social cuts because it would boost the growth rate to a sustainable 3 percent from the current average of around 2 percent, adding sufficient tax revenues to offset the impact of lower tax rates.

This lie is part of the attempt to present the wholesale redistribution of wealth from the bottom to the top as a boon to workers, driven by the desire to create "American jobs." The dismal GDP figure for the first quarter of the year has underscored the fraudulent character of these claims.

This will not in any way deter the government from implementing the demands of the financial oligarchy. On the contrary, the poor first quarter report will be cited as proof of the necessity for a tax boondoggle for the rich. As Republican Kevin Brady, chairman of the House Ways and Means Committee, put it, "This report underscores the urgent need for pro-growth tax reform."