Productivity figures and job cuts expose Trump's growth fraud

Nick Beams
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One of the factors that led to the election of Donald Trump to the US presidency was his commitment to boost the growth rate of the US economy, striking a chord in industrial states hit by job losses and factory closures.

Just four months into his presidency these promises lie in tatters. Underlying US economic trends continue to worsen, amid increased financial parasitism. The announcement by Ford that it will cut 10 percent of its global workforce is an expression of this process—the ruthless and relentless demands by finance capital for job destruction and cost-cutting to boost "shareholder value."

The Ford decision is only one manifestation of the parasitic processes in the US and major economies internationally. Some of the effects were highlighted in the results of research conducted by the Conference Board think tank published in the *Financial Times* earlier this week.

Labour productivity in the US—one of the main drivers of economic expansion—will rise this year by only one-third of the rate that prevailed before the financial crisis of 2008. While the expected increase for 2017 is 1 percent, compared with an increase of only 0.5 percent last year, it is still well below the level of 2.9 percent recorded between 1999 and 2006.

Trump said his policies of lower taxes and deregulation would lift growth in US gross domestic product (GDP) to at least 3 percent, compared with its present level below 2 percent. But their only real effect, if enacted, will be to shovel more money into the hands of the financial elites.

The prospects for growth are no better in the longer term. Even barring the eruption of another crisis, the Congressional Budget Office estimates that the potential growth for the US economy is 1.9 percent from 2012 to 2017, compared to average annual growth of 3.1 percent from 1981 to 2007.

Conference Board chief economist Bart van Ark told the *Financial Times*: "Even an optimistic productivity scenario would not get close to the Trump administration's target of 3 percent GDP growth."

The US figures are part of an international trend. According to the Conference Board, the European Union will experience an increase of 1.1 percent in productivity for 2017, up from 0.8 percent last year, but well below the 1.9 percent level in the years before the financial crisis.

Japan is expected to record a 1.1 percent growth in productivity, up from 0.5 percent in 2016, but less than half the pre-crisis rate.

Commenting on the data, van Ark said the weakness in productivity reflected the impact of the global financial crisis on business investment and the "sluggishness by which new technology has been translated into faster productivity." Companies would need to lift rates of investment to keep productivity and growth rising. Now was the time to make the investments planned for a long time.

Such expressions of hope run counter to the dominant trends in the US economy and elsewhere. The days when companies used profits to make new investments and expand production, giving rise to economic growth and improved wages, have long gone.

The road to increased profits is now savage cost-cutting in order to free up cash, which is then disbursed to shareholders—predominantly banks and hedge funds—in the form of increased dividends and share buybacks. And those firms deemed by financial markets not to be sufficiently engaged in this process come under intense pressure to change course.

As one recent Australian study noted, financial institutions exercise their power not primarily by holding directorships but "through exit"—the continual threat of withdrawal of funds if the rate of return is not sufficient. Managements, which in an earlier period were concerned with expanding and growing a business through productive investment, must now carry out the dictates of financial markets to strip resources from the firm or be removed.

The Trump administration's claims that it will boost jobs have also been shattered by figures coming from the retail sector.

According to a report in the *Financial Times* on Monday, since the election of Trump last November, the retail sector has lost 89,000 jobs—more than the total employment in either coal mining or steel—with more to come. The article began: "Anyone seeking the contemplative peace of a graveyard could do no worse than park at one of America's strip malls."

By some estimates, the US retail sector could lose up to one third of its 16 million jobs within Trump's term, on a par with the scale of job losses in manufacturing industry since the turn of the century.

The job shedding is the result of two factors. First, there is the general stagnation of consumer spending, flowing from the suppression of wages and rising household debt. The US economy grew at an annual rate of only 0.7 percent in the first quarter of this year, largely as a result of the weakest increase in consumer spending in seven years.

Second, there is the impact of online buying or ecommerce, epitomised by the rise of Amazon.

Amazon's business model is not based on general economic expansion but at driving more traditional outlets to the wall, resulting in major job losses. In earlier times of general economic expansion, the job losses would have been offset by the growth of employment opportunities in other areas of the economy. But this is not taking place.

It is estimated that for every three retail jobs lost, only one is created in ecommerce. Those displaced from the retail sector are either moving out of the workforce altogether or into lower paid and more precarious jobs in other service industries.

It is this essentially parasitic business model that has made Amazon such a darling of the financial markets.

Over the past 20 years its shares have risen almost 64,000 percent—$100 invested in Amazon stock at the time of its initial public offering would have accumulated to $64,000. Amazon's market value is now more than $450 billion, compared to $230 billion for Wal-Mart.

The rise and rise in Amazon's market value, unlike the rise of the giants of a previous era, is not an expression of economic strength. Rather, it is a manifestation of the parasitism, based on an appropriation of real wealth produced elsewhere, that has become the mainstay of profit accumulation in the US economy, and increasingly globally.

Technological innovations in transport and information systems have fueled this rise. But they are not utilised to facilitate economic growth, but rather to enable the sucking up of wealth into the coffers of finance capital.