

Global Slump, Continued Stagnation of US Economy. Sharp Increase in Jobless Benefit Claims

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Global Research, May 17, 2013

Region: [USA](#)

Theme: [Global Economy](#), [Poverty & Social Inequality](#)

A string of negative economic figures released this week point to continuing stagnation in the US in the midst of a worsening slump internationally. The US Labor Department reported Thursday that new claims for unemployment benefits jumped by the highest amount in six months. The same day, the retail giant Walmart said its sales tumbled unexpectedly in the first quarter of the year.

Signs of growing economic and social distress in the US coincide with an accelerating downturn in Europe and slowing growth in China. On Wednesday, the European Union's statistics agency said that the economy of the euro area contracted for the sixth consecutive quarter, after having posted record unemployment rates earlier in the month.

The number of people in the US who filed new claims for unemployment benefits grew by 32,000, hitting 360,000 in the week ending May 11—significantly higher than economists had predicted.

US industrial production fell last month, registering its sharpest decline in eight months, according to figures released Wednesday by the Federal Reserve. American factories, mines and utilities reduced their output by 0.5 percent in April, compared to a predicted drop of 0.2 percent.

On Thursday, the Federal Reserve Bank of Philadelphia said its economic index for the Mid-Atlantic region fell dramatically in May, to minus 5.2 from plus 1.3 in April, indicating an economic contraction.

Walmart announced that sales at its US stores fell by 1.4 percent in the first quarter, and visits to its stores fell by 1.8 percent. The drop in sales by the retailer, which sells primarily to working class people, reflects the impact of falling wages and continuing mass unemployment.

The negative figures prompted commentators to predict a slowdown in US growth in the second quarter of the year comparable to the last three months of 2012, when the economy slowed to a crawl. "Second-quarter growth is going to be slower than the first quarter," Julia Coronado, an economist for BNP Paribas, told Bloomberg News.

The US economy added 138,000 jobs in March and 165,000 in April, barely enough to keep up with population growth.

The negative figures for the United States came the same week that Eurostat, the European Union's statistics service, reported the euro area economy contracted by 0.2 percent in the

first quarter, worse than the 0.1 percent contraction economists had expected. This made the current contraction the longest since the euro was introduced in 1999, longer even than the contraction in 2008-2009.

Earlier this month, Eurostat said that unemployment in the euro zone hit another record in March, climbing for the 23rd consecutive month. The official unemployment rate in the euro area hit 12.1 percent, up 1.1 percentage points from a year earlier.

Last week, Greece's statistics service said the country's youth unemployment rate reached a staggering 64.2 percent, up from 54.1 percent in March 2012.

Led by the Federal Reserve, central banks throughout the world have sought to stave off the effects of the global slump through massive infusions of cash into the world financial system. This has served to inflate stock values and corporate profits even as the ruling class intensified its assault on jobs, wages and social services, driving the world economy deeper into slump.

There are indications, however, that the effectiveness of these vast and unprecedented money-printing operations in staving off deflation is reaching its limit. The Labor Department said Thursday that consumer prices in the United States fell by 0.4 percent in May, the sharpest fall since late 2008. This marked the second consecutive month of falling prices, after a 0.2 percent decline in April.

Over the past twelve months, prices have grown by only 1.1 percent, about half the target rate set by the Federal Reserve. "Further falls in US core inflation in the coming months may make some Fed officials concerned about very low inflation, or even deflation," Paul Dales, an economist with Capital Economics, told Reuters.

Nearly five years after the financial crash of September 2008, there is no recovery in sight. Depression-like conditions in the real economy combined with an unsustainable stock market bubble demonstrate that the crisis is not a temporary downturn that will pass and give way to pre-crisis conditions. Rather, it is a breakdown of the world capitalist system, with no prospect within the framework of that system of relief for the broad masses of working people.

No government anywhere in the world, whether of the official "left" or right, has any policies to offer to address mass unemployment, falling living standards and growing poverty. On the contrary, they all pursue the bankers' agenda of deeper and more brutal cuts.

Following this week's report that France had officially fallen into recession for the first time since 2008, the country's Socialist Party president, François Hollande, reaffirmed his commitment to austerity policies, saying, "We have engaged in reforms [to address] competitiveness and we will continue."

In the United States, the Defense Department announced Wednesday that it would begin unpaid furloughs for hundreds of thousands of its civilian employees as part of the imposition of \$85 billion in "sequester" budget cuts this fiscal year. And the Obama administration is preparing a sweeping attack on Social Security and Medicare, proposing to cut a combined total of more than \$500 billion from the two programs over ten years and implement structural changes that will slash benefits for millions of retirees.

In Detroit, once the symbol of the industrial might of American capitalism, the governor of Michigan has imposed a bankers' dictatorship in the form of an emergency manager, who this week announced a plan to slash city workers' wages and pensions, sell off assets such as the water and sewerage department, and shut down services to whole sections of the city.

The worsening economic crisis and the predatory response of the ruling class will give rise to vast social struggles. Already the impact of the crisis and the transparent role of governments as agents of the financial elite are producing far-reaching changes in mass consciousness.

Millions all over the world are losing confidence in the capitalist system and coming to the conclusion that radical change is needed. But for the emerging struggles to succeed, they must be guided by a conscious understanding of the nature of the system and the need for an independent and revolutionary struggle by the working class for power. Society must be reorganized on a socialist basis to satisfy social needs, not private profit. The critical issue is the building of a revolutionary leadership in the working class.

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