Economic Crisis in America: Entire Regions of US Will Remain in Recession until the 2020s. Study

By Jerry White
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A new study by a University of California-Berkeley economist says that at current sluggish levels of job growth, entire regions of the United States, which were hit hardest by the Great Recession will not return to "normal" employment levels until the 2020s. This amounts, to "more than a 'lost decade' of depressed employment" for "half of the country," wrote economist Danny Yagan.

The new study is one of many showing that the fall of the official unemployment rate, touted by the Obama administration and the news media as proof of a robust economic recovery, if not a return to "full employment," is largely based on the fact that millions of workers fell out of the labor force in the years preceding and following the 2008 financial crash.

The labor-force participation rate fell to a 38-year low of 62.4 percent last fall, and only climbed up to 62.9 percent in February. According to the Economic Policy Institute, February's official jobless rate of 4.9 percent—the lowest since the pre-recession level of 4.7 percent in November 2007—would really be 6.3 percent if the country's "missing workers" were included. These include 2.4 million workers who have given up actively looking for work.

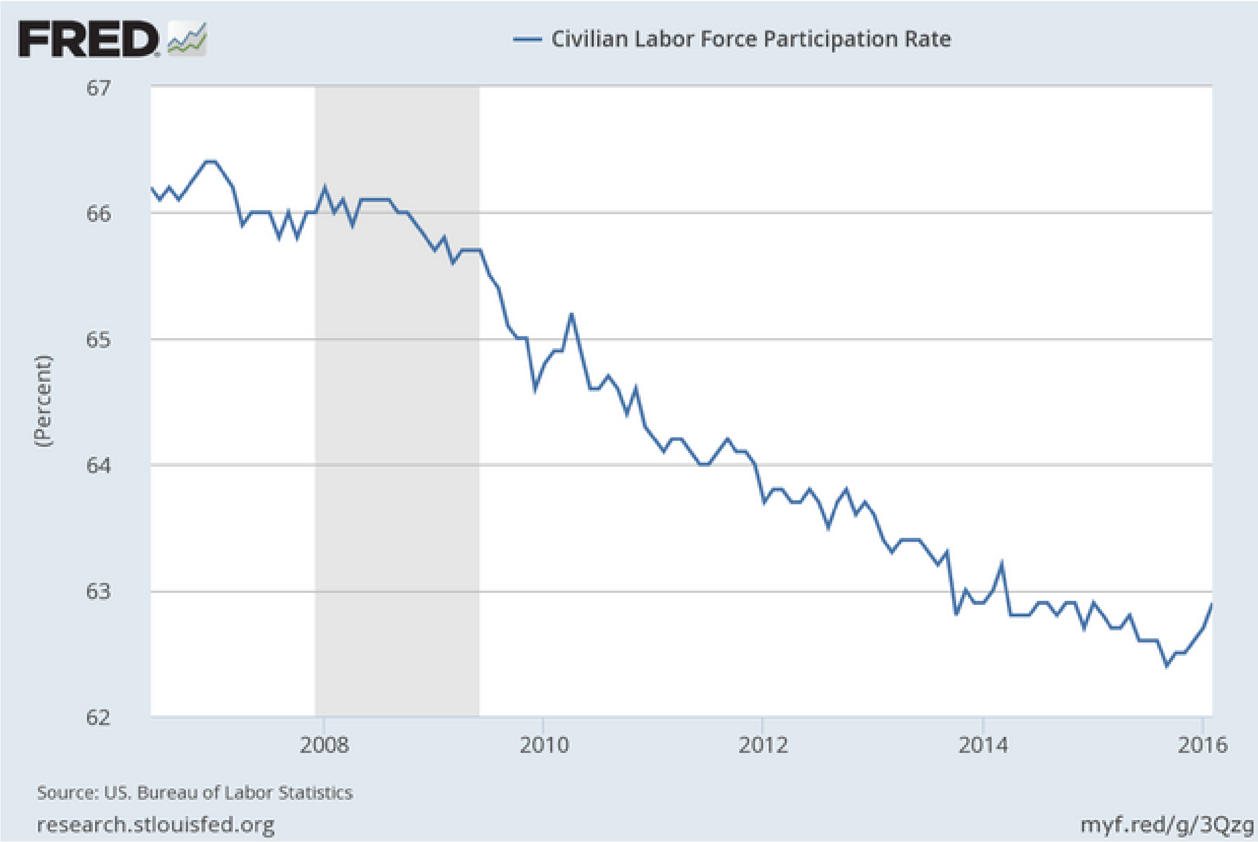

Image: Millions of workers have abandoned hope of finding a job.

Yagan based his findings on a detailed study of some 2 million, similarly paid workers in the retail industry in order to calculate employment patterns across different local areas and to account for occupations that might have been particularly hard hit in one region.

He found that the areas hardest hit by the recession, which began in December 2007 and officially ended in June 2009, continued to have high levels of joblessness in 2014. His map of these distressed areas includes all of Florida and parts of Arizona, Nevada, California, Colorado, New Mexico, the Dakotas, Michigan, Indiana, Ohio, Georgia, Connecticut, New Hampshire and other states.

While different areas of the country are often hit differently by an economic downturn, an article in the *Wall Street Journal* on Yagan's study noted, these economically distressed areas generally return to normal levels of employment chiefly because workers move to find work in areas with a higher demand for labor. In the case of the "Great Recession," however, the mass layoffs resulted in "muted migration," according to other studies cited by the*Journal,* and workers simply fell out of the labor market.

"Unlike the aftermath of the 1980s and 1990s recessions," Yagan wrote, "employment in hard-hit areas remains very depressed relative to the rest of the country." Living in areas like Phoenix, Arizona, or Las Vegas, Nevada means confronting "enduring joblessness and exacerbated inequality," Yagan wrote. "If the latest convergence speed continues, employment differences across the United States are estimated to return to normal in the 2020s—more than a decade after the Great Recession."

The lack of decent job opportunities in large swathes of the country has created a reserve army of unemployed and underemployed workers who are competing for a shrinking number of jobs in areas that are more or less permanently distressed. Last month's Labor

Department employment report noted that the average annual unemployment rate in 36 states, plus Washington, D.C. was higher in 2015 than the average unemployment rate for those states in 2007.

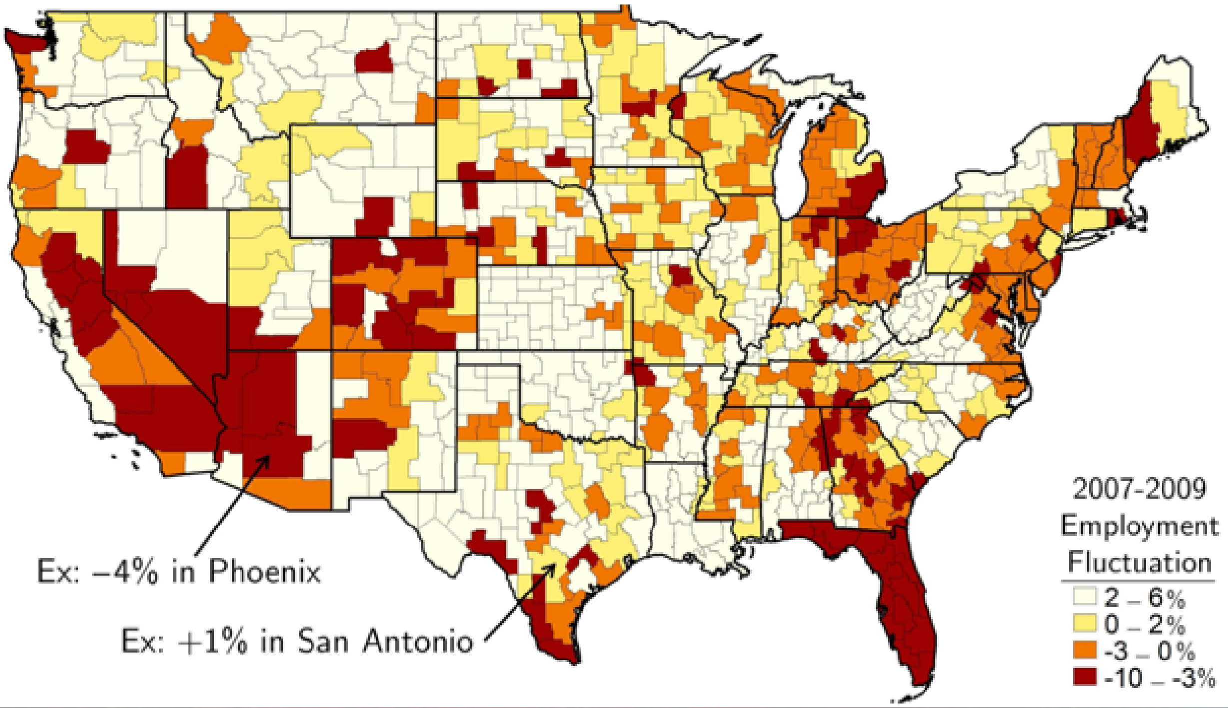

Image: DANNY YAGAN, Assistant Professor of Economics, University of California, Berkeley

The majority of unemployed people in the US do not receive unemployment insurance benefits, according to the National Employment Law Project, with just over one in four jobless workers (27 percent), a record low, receiving such benefits in 2015.

The details of these studies will come as no surprise for tens of millions of workers across the United States who face unprecedented levels of economic insecurity, ongoing mass layoffs, and more than a decade of stagnating or falling real wages. This has fueled the growth of enormous discontent and the initial stirrings of class struggle by American workers, which the trade unions and both big business parties have sought to channel in the direction of economic nationalism and hostility to workers in China, Mexico and other countries.

In fact, US workers are being subjected to the same attacks as workers around the world. The reports on the employment situation in the US coincide with a continual massacre of jobs in the world's steel, oil and mining industries, with 1.2 million steel and coal mining jobs targeted for destruction in China alone.

Continual layoffs in the US have been driven by the plunging price of steel, petroleum, coal and other commodities, which has been generated in large measure by the fall in demand from China and other so-called emerging economies. Last week, St. Louis, Missouri-based Peabody Energy, the largest coal mining company in the world, announced it could soon file for Chapter 11 bankruptcy, after its share values fell 46 percent over the last six months.

Peabody has already cut 20 percent of its global workforce since 2012, while spinning off large sections of its operations in order to cheat retirees out of their pensions. The company's announcement follows bankruptcy filings by both Arch Coal and Alpha Natural Resources and a similar threat from coal mining giant Foresight Energy. In its press release, Peabody pointed to the collapse in the coal market, where the price per ton has fallen to $40 from $200 in 2008.

The steel industry continues to wipe out jobs, with 12,000 steelworkers already laid off or facing imminent job cuts. The largest US steelmaker, US Steel, has slashed thousands of jobs in Texas, Illinois, Ohio, Indiana and Pennsylvania. The aluminum giant Alcoa is just weeks away from closing its smelter in Warrick County, Indiana, wiping out another 600 jobs. Meanwhile, the United Steelworkers (USW) union is pushing for protectionist measures against China, Brazil, Russia and other countries, even as it pushes through concession-laden contracts at US Steel, Allegheny Technologies and now ArcelorMittal.

Early last year, the USW betrayed the strike by thousands of oil refinery workers, blocking any struggle against the brutal restructuring of the industry that is now underway. The plunging of oil prices triggered more than 258,000 layoffs in the global energy industry in 2015—with the number of active oil and gas rigs in the US falling 61 percent. Analysts anticipate a new round of job cuts and bankruptcies in early 2016.

Texas has lost 60,000 energy-related jobs alone, or one-fifth of the workforce in that sector in the state, with North Dakota and Pennsylvania also being hard hit. The current US unemployment rate for the oil, gas and mining sector is 8.5 percent, but could top 10 percent by February, double the national jobless rate.

Last month, the air conditioner maker Carrier announced it was eliminating 1,400 jobs at its Indianapolis plant and a nearby facility, and shipping production to Monterrey, Mexico where wages are approximately $6 an hour. A video shot by a worker, capturing the explosive anger at a meeting of plant workers when a manager makes the announcement, has been viewed millions of times.

Far from organizing any resistance to the closure of the factory and destruction of jobs, however, the USW is collaborating with United Technologies Carrier management to carry out an orderly shutdown and the retraining of displaced workers for lower-paying jobs.

The USW is hostile to any fight to unite American workers with their brothers and sisters in Mexico, who have been engaging in growing resistance to the exploitation by the transnational corporations. USW officials are telling workers to rely on the Democratic Party to implement protectionist trade measures to “save jobs” and “take our country back.” Local and regional union officials have had nothing but kind words about Donald Trump’s efforts to swindle workers with economic nationalist appeals.

The unions have long used economic nationalism to undermine the class-consciousness of workers and to promote the corporatist outlook of “labor-management partnership.” In the name of making the corporations “competitive,” the USW and other unions have suppressed every struggle against plant closings, job cuts and the destruction of wages and benefits.

This has coincided with the political subordination of workers to the Democratic Party, which under the Obama administration has spearheaded the attack on workers’ jobs and wages and the historic transfer of wealth from the bottom to the top.

USW Local 1999, which claims to represent Carrier workers, is urging them to support Democrat John Gregg for Indiana governor. A former land agent for Peabody Coal and lobbyist for Amax Coal Company, Gregg served as the honorary chair of Hillary Clinton’s

2008 campaign in Indiana, and was a proponent of austerity and corporate tax cuts while Speaker of the state Legislature.

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