

Searching for the Depression and Finding It

Economic Stress Is Hidden, But It's There in a Recovery That Isn't.

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Last week I was telling a visiting filmmaker from overseas about the financial crisis and how it was getting worse. He looked at me askance. The market had just gone up, he said, and the White House was talking about an emerging recovery.

"I have been in New York before, he said, and it looks the same."

A lot of the pain is hidden, I told him, hidden behind the deceptive spin in our media or buried in the denial and delusions of many people on the streets who have not taken the trouble to try to understand the nature of the calamity they are living through.

On the elevator, we pass the offices of City Harvest, a charity that collects excess food from restaurants and distributes it to shelters and programs for the hungry. An employee explains that with the restaurant business way off, they have less to donate. What about the demand by the hungry, I ask? With a shrug, he tells me the need is way up. (AP is reporting, "The nation's food banks, struggling to meet demand in hard times, are turning to prison inmates for free labor to help feed the hungry.")

Out in the street, you soon notice fewer cabs and town cars. More people are walking or using public transportation, even though, the fares recently went up. Even that is deceptive because there are still a lot of tourists in Midtown to complicate the picture. New Yorkers have other things on their minds. There are retail vacancies on every block. Other stores are discounting everything. The fast food places have their specials going for \$2-5 dollars. Many of the clothing stores look like good will shops. When a JC Penny opened a store in Midtown, 15,000 people applied for 500 jobs.

As we walked downtown, we passed nearly empty bars and restaurants, a sign that the most customers are staying away. Media reports are now confirming what I saw. The Wall Street Journal reports, "Major retailers reported that American consumers are continuing to hunker down, casting a cloud over the durability of the U.S. recovery and underscoring the importance of overseas demand in restoring the world economy to health. Retailers across the spectrum provided foreboding reports."

Down where I live, you also pass new buildings with empty stores and unsold apartments. The foreclosure crisis is already hitting New York's condos and co-ops. You just can't see it from the street the way you can in a suburban tract. When you read the auction notices, you realize its real. A new wave of foreclosures is expected and not just in poor homes. The middle class and commercial real estate is affected.

Almost every block on 8th Avenue in Chelsea has a new bank branch. It's like ATM heaven

except most are not crowded. There was a report last week that banking industry opened 10,000 branches over the last five years. Most were based in shopping areas or concentrated in affluent neighborhoods. Only a small number are in poorer communities, especially those victimized by predatory subprime lending. The New York Times reported this week that 91,100 NY households hide their savings in closets, in pillows — even in brown paper lunch bags, just not at a bank

Meanwhile, every week, more banks are going bust and being taken over and sold by the FDIC. There are reports that the FDIC itself is insolvent.

And as for the markets, cooler heads prevailed when the wisemen realized that consumer demand has fallen up as defaults and delinquencies rise

Inequality is mounting in social and racial terms. Recent statistics cited in a Times study: “From the first quarter in 2008 to the first quarter in 2009, the national unemployment rates for blacks rose from 8.9 percent to 13.6 percent, compared to a rise for whites of 4.8 percent to 8.2 percent. In NYC, it was even worse: from 5.7 percent to 14.7 percent, compared to 3.0 percent to 3.7 percent for whites.”

Remember these statistics notoriously undercount those not looking for jobs that are not there. Unless you are following the trajectory of this crisis you might not know that economist Nouriel Roubini, who was among the first to predict it, still sees it as far more serious than most of us realize:

“This is the worst US and global recession in 60 years. If the US recession were—as is most likely—to be over at the end of the year, it will have been three times as long and about five times as deep—in terms of the cumulative decline in output—as the previous two.” Notice he is not quite predicting its end, using the “If” word to mask his own uncertainty. The Financial Times cautions against optimism taking refuge in the term “caution.”

Here in the Big Apple, The City’s top money man, Controller Bill Thompson says, “108,000 jobs evaporating citywide between August, 2008 and May, 2009. Typically, unemployment continues to climb even after the economy bottoms out and begins to recover. I expect the number of unemployed in New York City to reach 400,000 in 2010, for the first time in decades.”

Still invisible are the impact of cutbacks on city services and the educational system.

Income disparities are growing, according to a new study but how do I show that to my visitor since people with credit cards can still charge it even as credit limits are being cut back and interest rates rise. At the same time, A Bank of America Merrill study shows the Middle class is being hit hardest.

The LA Times reports, “The consumer debt problem in the economy really is a debt problem for the middle class. The need to work off a chunk of that debt will sap middle-class family spending power for perhaps years to come. By contrast, the upper 10% of income earners face a much smaller debt burden relative to income and net worth. Those people should have ample spending power to help fuel an economic recovery.”

And don’t think the end of the recession will bring back many of the jobs that are gone. Economists are now getting us used to a new term: “jobless recovery.”

Already employers are introducing compulsory furloughs, as the Christian Science Monitor reveals: “For millions of Americans, this might be the year of the furlough. Over the course of a month or so, workers – both white-collar and blue – may have to take several days off whether they want to or not. Call it a temporary pay cut – an action that is sold by management as a way to help save some jobs.”

Another new study finds, “Income inequality in the United States is at an all-time high, surpassing even levels seen during the Great Depression, according to a recently updated paper by University of California, Berkeley Professor Emmanuel Saez. The paper, which covers data through 2007, points to a staggering, unprecedented disparity in American incomes. On his blog, Nobel prize-winning economist and New York Times columnist Paul Krugman called the numbers “truly amazing.”

Its all amazing, all devastating to our lives and futures, and yet you can’t necessarily see it if you don’t look, or know what to look for. No one is talking about our economic pain—not the right or the left, perhaps because it is not an “event” that you can cover live at a town hall.

It’s there but, for many, it’s invisible and seen as a personal problem, not a social issue. This crisis didn’t just happen; it was caused. Will those responsible ever be held accountable? Out of sight is out of mind. The hope is that if we ignore it, it will go away.

If you think that, think again.

Mediachannel.org News Dissector Danny Schechter is finishing a book and film on the financial crisis as a crime story. Comments to dissector@mediachannel.org.

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