

“Secular Stagnation” and Mass Unemployment in America. Obscene Enrichment of a Corporate-financial Elite

By [Andre Damon](#)

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Speaking Friday in advance of signing a bill slashing \$8.7 billion from the food stamp program, President Barack Obama hailed the dismal jobs report for January released earlier that day. Wall Street also reacted enthusiastically, rallying to send the Dow Jones Industrial average higher by 160 points.

The US economy created 113,000 jobs in January, according to Friday’s report, far fewer than the 189,000 economists had predicted. It was the second consecutive month of slow job growth, following December’s increase of 75,000.

There are mounting warnings by economists that the US confronts long-term economic stagnation and high unemployment into the indefinite future. The *Associated Press* ran a piece Sunday entitled “US economy may be stuck in slow lane for long run,” and last month former Treasury Secretary Lawrence Summers warned of “secular stagnation.”

Mass unemployment has become a permanent fact of life in the United States and much of the rest of the world.

* Officially, there are ten million unemployed people in the US, up from 6.8 million in 2007.

* Fully 3.6 million people have been unemployed for 27 weeks or more, according to the official jobless rolls. This figure is three times larger than it was in 2006, when there were 1.1 million long-term unemployed.

* Nearly 36 percent of the unemployed have been out of work for more than 27 weeks, three times higher than the average between 1948 and 2008. The mean duration of unemployment currently stands at 35.4 weeks, up from 16.9 weeks in 2006.

These figures tell just part of the story, since they track only those who are actively looking for work. According to a survey by the Economic Policy Institute, a further 5.73 million “missing workers” have dropped out of the labor force over the past five years for non-demographic reasons. If these missing workers were counted as unemployed, the unemployment rate would be 9.9 percent.

The true scale of the jobs deficit is indicated by the fact that the US economy had 866,000 fewer jobs last month than it had in January 2008, while the working-age population had increased by ten million people.

This was the context in which Obama boasted of the success of his economic policies as he prepared to sign a measure cutting food assistance by almost \$100 per month for nearly a million needy households. Obama and the Democrats are absurdly posing as opponents of inequality and champions of the poor even as they join with the Republicans in dismantling social benefits and impoverishing ever broader layers of the population.

The cuts in food stamp benefits come on top of the expiration of jobless benefits for 1.4 million long-term unemployed workers and the passage of a bipartisan budget that keeps in place \$1 trillion in across-the-board “sequester” cuts over the next decade.

Following his speech Friday, Obama met with Detroit Mayor Mike Duggan to demonstrate once again his support for the bankruptcy of Detroit, which is being used to gut city workers’ pensions and health benefits, setting a precedent for similar attacks on public-sector workers across the country.

The ruling class policy of unlimited cash handouts for the rich coupled with sweeping reductions in social programs, mass layoffs and wage-cutting has caused social inequality to soar. By one estimate, based on the comparison of mean and median incomes, social inequality has grown four times faster under Obama than under Bush.

The wealth of America’s billionaires hit \$1.2 trillion last year, more than double what it was in 2009, while workers’ wages have stagnated or declined. Between 2007 and 2012, median household income in the United States plummeted by 8.3 percent.

Obama’s response to the jobs report reflects callous indifference to growing social distress and suffering and the disconnect that exists between the entire political establishment and the concerns and needs of the people. It also tacks the views of his core social constituency—the rich and the super-rich—as registered by Friday’s rise in share values on Wall Street.

As economist Robert Reich pointed out in a blog posting Sunday, Wall Street reacted positively to the poorer-than-expected employment report for definite material reasons. Slow job growth increases the likelihood that the Fed will keep interest rates near zero for the indefinite future, and raises the possibility that the central bank will slow down its “tapering” of bond purchases, which have pushed the stock market to record heights and injected trillions of dollars into the financial markets.

This will enable corporations to continue to borrow cheaply and use the cash to buy back their own stock, sending share prices even higher and guaranteeing record profits for speculators and record pay packages for executives.

Continued mass unemployment will, moreover, push workers’ wages even lower.

Meanwhile, big business can continue to amass a cash hoard, already at \$1.5 trillion, and use it to speculate and buy more and bigger mansions and yachts rather than invest in manufacturing and production, rebuild the country’s infrastructure, and hire the unemployed.

Such are the real considerations behind the policies of both corporate America and its political instrument, the Obama administration.

More than five years after the Wall Street crash, chronic mass unemployment and the

growth of social inequality underscore the fact that the financial meltdown was the expression of a systemic crisis. It marked the breakdown and failure of the capitalist system.

The crisis, triggered by the criminal practices of the banks, was seized upon by the ruling class to launch a social counterrevolution to reverse all of the gains won by workers in the course of a century of struggle. The trade unions have played an indispensable role, blocking and sabotaging every effort of the working class to fight back.

Working people must reject all calls for sacrifice and concessions, which only pave the way for even more brutal attacks. Instead, mass opposition to the ruling class assault on jobs, wages and living standards must be mobilized in a struggle against Obama and both parties of big business, and on the basis of a socialist program aimed at reorganizing society to meet social needs instead of effecting the ever more obscene enrichment of a corporate-financial elite.

Andre Damon

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