US Economy in Deflation and Slump

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The US Commerce Department said Friday that Gross Domestic Product, the broadest measure of economic output, grew by only 2.2 percent in the fourth quarter of last year, down from an earlier estimate of 2.6 percent and a sharp fall from earlier quarters.

This followed the announcement by the Labor Department on Thursday that consumer prices fell by 0.7 percent, the largest fall since December 2008. Over the past 12 months, prices have fallen by 0.1 percent, the first annual deflation figure posted since October 2009.

These figures belie official claims that the US is an economically healthy counterbalance to the overall slump and deflation that now encompasses most of the world. In fact, US economic growth, hampered by an enormous impoverishment of the working class in the years following the financial crisis, remains far below previous historical averages.

On Tuesday, Standard and Poor's said that its Case-Shiller Index showed that home prices grew by 4.6 percent over the past year, the slowest housing price increase since 2011. "The housing recovery is faltering," David Blitzer, chairman of the index committee at S&P Dow Jones, told the *Los Angeles Times*. "Before the recession, anytime housing starts were at their current level… the economy was in a recession."

Meanwhile the number of people in the US newly filing for jobless benefits jumped by 31,000 to 313,000 last week, in the largest increase since December 2013, reflecting a series of mass layoffs and business closures announced this month.

On February 4, office supply retailer Staples announced plans to buy its rival Office Depot, which would result in the closure of up to a thousand stores and tens of thousands of layoffs. The next day, electronics retailer RadioShack filed for bankruptcy, saying it plans to close up to 3,500 stores.

Mass layoffs have also been announced at online marketplace eBay, credit card company American Express, the oilfield services companies Schlumberger and Baker Hughes, as well as the retailers J.C. Penney and Macy's.

These disastrous economic developments come even as the Dow Jones Industrial Average hit an all-time record of 18,140 on Wednesday, though it retreated slightly later in the week. Worldwide, the FTSE All-World Index is near its highest level in history.

The rise in global stock indices reflects the satisfaction of global financial markets with the pledge by the Syriza-led Greek government to impose austerity measures dictated by the EU, as well as indications by Federal Reserve Chairwoman Janet Yellen in congressional testimony this week that the US central bank is likely to delay raising the federal funds rate in response to recent negative economic figures.

The US federal funds rate has been at essentially zero since the beginning of 2009. Together with the central bank's multi-trillion-dollar "quantitative easing" program, this has helped to inflate a massive stock market bubble that has seen the NASDAQ triple in value since 2009.

This enormous growth in asset values has taken place despite the relatively depressed state of the US economy, which grew at an annual rate of 2.4 percent in 2014. During the entire economic "recovery" since 2010, the US economy has grown at an average rate of 2.2 percent. By comparison, the US economy grew at an average rate of 3.2 percent in the 1990s and 4.2 percent in the 1950s.

The ongoing stock market bubble has led to a vast enrichment of the financial elite: the number of billionaires in the US has nearly doubled since 2009. The financial oligarchy, however, has not used its ever-growing wealth for productive investment, as shown by the decline in business spending in the fourth quarter of last year. Instead, it has either hoarded it or used it to buy real estate, art and luxury goods.

On Thursday, Bloomberg reported that global sales of "ultra-premium" vehicles, costing $100,000 or more, surged by 154 percent, compared with a 36 percent increase in global vehicle sales overall. The report noted, "Rolls-Royce registrations have risen almost five-fold. Almost 10,000 new Bentleys cruised onto the streets last year, a 122 percent increase over 2009, while Lamborghini rode a 50 percent increase to pass the 2,000 vehicle mark."

Meanwhile, the number of people in poverty in the US remains at record levels. In January, the Southern Education Foundation reported that, for the first time in at least half a century, low-income children make up the majority of students enrolled in American public schools.

To the extent that jobs are being created in the US, they are largely part-time, contingent and low-wage, replacing higher-wage jobs eliminated during the 2008 crash. A report published last year by the National Employment Law Project found that while American companies have added 1.85 million low-wage jobs since 2009, they have eliminated 1.83 million medium-wage and high-wage jobs.

Earlier this month, Jim Clifton, head of the Gallup polling agency, denounced claims that the US unemployment rate has returned to "normal" levels. "There's no other way to say this," he wrote. "The official unemployment rate, which cruelly overlooks the suffering of the long-term and often permanently unemployed as well as the depressingly underemployed, amounts to a Big Lie."

"Gallup defines a good job as 30+ hours per week for an organization that provides a regular paycheck. Right now, the US is delivering at a staggeringly low rate of 44%, which is the number of full-time jobs as a percent of the adult population, 18 years and older."

Clifton added, "I hear all the time that 'unemployment is greatly reduced, but the people aren't feeling it.' When the media, talking heads, the White House and Wall Street start reporting the truth—the percent of Americans in good jobs; jobs that are full time and real—then we will quit wondering why Americans aren't 'feeling' something that doesn't remotely reflect the reality in their lives."

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