US jobless benefit rolls hit record high

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Figures on initial US jobless benefit claims released Thursday show that the American and global economy is continuing its spiral downward toward full-scale depression, inflicting growing social misery on working people in the US and around the world.

The Labor Department reported that, for the second week in a row, more than 600,000 US workers filed new claims for unemployment benefits last week, bringing the total number of continuing claims—those drawn by workers collecting benefits for more than one week—to a record high of 4,810,000. Continuing claims have risen by more than 2 million over the past year, reaching the highest level since the government began keeping track in 1967.

Initial claims for jobless benefits totaled 623,000, slightly less than the upwardly revised figure of 631,000 for the previous week. The latest weekly figure was significantly higher than analysts' expectations of 610,000 claims. New jobless claims have nearly doubled from a year ago.

The four-week average of claims jumped 24,000 to 607,500, the highest total since November 1982, when the US was in its most severe recession since the 1930s.

An additional 1.5 million people are receiving benefits under an extended unemployment compensation program approved by Congress last year, bringing the total number of jobless pay recipients to 6.3 million.

Last week the Labor Department reported that US payrolls shrank by 598,000 in January, bringing the total net job loss since the recession began in December of 2007 to 3.6 million. Nearly half of that total has come in the last three months alone, and the jobless claim statistics for February show that the hemorrhaging of jobs is accelerating.

The official unemployment rate for January was a 16-year high of 7.6 percent. But that figure, which excludes laid-off workers who have stopped looking for work and those seeking full-time employment who are forced to work part-time, vastly underestimates the actual number of unemployed workers.

Moreover, as the Washington Post reported on Thursday, employers and state agencies are challenging the right of laid-off workers to receive government jobless benefits at a record rate. The Post cited a study of Labor Department data conducted by the Urban Institute showing that the claims of more than a quarter of those applying for jobless benefits are being contested by employers or state authorities. The article noted that court rulings since the 1980s have made it easier for employers to block laid-off employees from receiving benefits.

The jobless claims data was released in the midst of a rising wave of mass job cut announcements in the US and internationally, as well as economic reports showing an accelerating decline in industrial production in the US, Europe and Japan and a severe contraction in world trade.

Over the past several days, major corporations in the US and around the world have announced job cuts, including the Japanese consumer electronics firm Pioneer (10,000), the French car maker Peugeot Citroën (12,000), the Japanese car maker Nissan (20,000), General Motors (10,000), the US auto supplier BorgWarner (4,500), the Swiss Banking giant UBS (1,500-2,000), Estée Lauder (2,000), Fed Ex (900), Wal-Mart (700-800), the US software company Compuware (250), Foster Architecture (300), Putnam Investments (260) and US Airways (233).

In addition, General Motors announced it was offering early retirement packages to 22,000 hourly workers, Nike said it was considering up to 1,400 layoffs, and Starbucks issued pink slips to 1,000 employees as part of a previously announced cut of up to 7,000 jobs.

Besides a layoff of 10,000 salaried workers, General Motors announced pay cuts for the remaining employees and reductions in health benefits and insurance coverage for salaried retirees, joining a growing list of companies that are imposing cuts in pay and benefits on their workers.

The global dimensions of the crisis were underscored by a report on industrial production in the Eurozone countries released Thursday by Eurostat, the European Union's statistical office, showing a record decline of 2.6 percent in December on top of a 2.2 percent fall in November. For all of 2008, industrial production in the Eurozone countries fell 12 percent, the steepest annual drop since the euro was launched in 1999.

On Friday, figures on gross domestic product (GDP) in the Eurozone are to be released, and analysts anticipate they will show a contraction in the fourth quarter of 2008 of 1.3 percent or more, including a 2 percent decline in Germany, Europe's largest economy, largely the result of plummeting global demand for German exports.

On Thursday, the Spanish government officially announced that the country had fallen into its first recession in 15 years, its GDP having fallen 1 percent in the final quarter of 2008. Some 3.3 million Spanish people are unemployed, more than 14 percent of the workforce.

Over the weekend, Dominique Strauss-Kahn, managing director of the International Monetary Fund, summed up the economic situation by saying the world's advanced economies—the US, Western Europe and Japan—are "already in depression." He said the IMF might slash its global growth forecasts further and added that the "worst cannot be ruled out."

Strauss-Kahn's grim assessment was borne out by US trade figures released Wednesday by the Commerce Department. They showed that both imports and exports are falling dramatically, reflecting a steep and rapid decline in global trade.

The US trade deficit in December shrank for the third consecutive month, bringing the trade gap for all of 2008 to $677.1 billion, the second straight yearly decline. However, this is anything but a sign of economic health.

US exports fell for the fifth consecutive month as shipments of goods and services fell 6 percent from November to $133.8 billion, more than 20 percent below the recent peak in July 2008. US imports also fell in December by 5.5 percent to $173.7 billion and are down more than 24 percent since July.

“Our exports are going down, our imports are going down, and so are the rest of the world’s,” said Nigel Gault, chief United States economist at HIS Global Insight. “And they’re going down very, very fast.” He added, “Trade is plunging. For a precedent, you’d have to go back to the Depression.”

The Wall Street Journal reported Wednesday that container volume at the Port of Los Angeles, the busiest US container port, fell 15.8 percent in December from a year ago, the worst month since 1995. Economists say the reduced trade volumes point to a likely downward revision of the US’ fourth quarter annualized GDP growth figure, currently reported to be minus 3.8 percent.

The impact of the deepening global recession on trade is particularly acute in Asia. China reported Wednesday that its exports in January fell 17.5 percent from the same month last year. In December, Taiwan’s exports sank 42 percent, Japan’s fell 35 percent and South Korea’s were down 17 percent.

Other US figures released this week add to the grim picture of an economy approaching free fall.

The Commerce Department reported Thursday that US businesses cut inventories by the most in seven years during December, to adjust supplies in accordance with slumping demand. Inventories decreased by 1.3 percent, far worse than the 0.9 percent decline analysts had expected.

The Commerce Department also reported, unexpectedly, that US retail sales rose in January by 1.0 percent, the first increase in seven months. However, sales for December were revised downward by 0.3 percent to minus 3.0 percent, and sales for November were likewise downwardly revised 0.3 percent to 2.4 percent. Year over year, sales in January were 9.7 percent below January 2008.

The wave of US home foreclosures continues unabated. RealtyTrac reported Thursday that foreclosure filings exceeded 250,000 for the 10th straight month in January. A total of 274,399 properties received a default or auction notice or were seized by banks, the California-based seller of default data said.

There was a 10 percent drop in foreclosures as compared to December, but that was largely the result of temporary moratoria put in place by the government-owned mortgage finance firms Fannie Mae and Freddie Mac and a number of state governments. This only sets the stage for a further spurt of foreclosures, as more homeowners lose their jobs and their savings. More people have been falling behind on payments and RealtyTrac forecasts an additional 3 million foreclosures in 2009.

In the face of this mounting economic and social catastrophe, the Obama administration’s hodgepodge of tax cuts and wholly inadequate relief measures and spending programs will have little effect. The Wall Street Journal reported that the forecasting firm Macroeconomic Advisers on Wednesday said GDP, even with the Obama “stimulus” program, will likely decline at a 4.9 percent annual rate in the first three months of this year.

> Goldman Sachs economists said their forecast for the unemployment rate—9 percent by the fourth quarter of 2009—may be reached sooner. "Double-digit unemployment could well be reality sometime next year," said Goldman Sachs economist Ed McKelvey.

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