

The BLACK C o M M e n t a t o r

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dedicated to the movement for economic justice,
social justice and peace - Providing commentary,
analysis and investigations on issues affecting
African Americans and the African world.

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The Stimulus & the "Threat to Stability" Left Margin By Carl Bloice BlackCommentator.com Editorial Board

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Well, now it appears that, as the *New York Times* put it Monday, the "Rise in Jobless Poses Threat to Stability Worldwide." This comes just after the new United States Director of National Intelligence, Dennis Blair, told Congress instability caused by the global economic crisis had become the biggest security threat facing the United States, outpacing terrorism. It seems the experts have been looking at the rising unemployment figures around the world and pondering the large and sometimes volatile protest demonstrations and strikes over the past few months in places like Italy, Latvia, Chile, Greece, China, Bulgaria, Iceland, Russia, Britain and France. It is now being estimated that the current world economic crisis began a little over a year ago, and will result in 50 million people being forced out of work. A total of 3.6 million jobs have been lost in the U.S. already.

It seems the magic number is 10 percent: when that figure for the portion of people out of work is reached it portends serious trouble. As of January the jobless rate in this country stood at 7.6 percent. But the government's official statistics are always problematic. As Heidi Shierholz of the Economic Policy Institute observes only jobless workers actively seeking work are considered. Not counted are those who have dropped out of - or never entered - the labor force because they felt they would not be able to secure meaningful work. The official unemployment rate understates weakness in the labor market, Shierholz says. From January 2001 to January 2009, the labor force participation rate dropped 1.7 percentage points, from 67.2 percent to 65.5

percent and "if those missing workers were counted as unemployed instead of as not being in the labor force, the unemployment rate today would be 9.9 percent."

If those numbers are to be considered alarming, consider the situation facing African American workers. This January the black jobless rate hit 12.9 percent; it was 9.2 percent in January 2008. That's an increase of 3.7 percent points over 13 months. "Black men have been hit especially hard," notes economist Dean Baker. "Their unemployment rate rose by 0.7 pp [percentage points] to 14.1 percent, an increase of 5.8 pp from its year ago level."

Ethnic minorities continue to experience the largest increases, the EPI notes. Over the same period, the unemployment rates for Hispanics reached 9.7 percent and 6.9 percent for whites. The rate for Asians stood at 6.9 percent, almost twice what it was a year ago.

A number of well-intentioned commentaries have appeared over recent weeks suggesting that the principal cause in high African American unemployment is the number of black job seekers with criminal records. This is seriously misleading. While it is a serious problem, the main factors in high black joblessness are racial discrimination and a half century of deindustrialization that continues to wipe out jobs in manufacturing, construction and transport that were the source of what prosperity there has been in the African American community. All of this is now exacerbated by the deepening economic crisis.

"The January decline in payroll jobs (along with a sizeable downward revision of previous month's estimates) brings the total jobs lost since the recession began in December 2007 to 3.6 million," writes Shierholz. "As sobering as this number sounds, it actually far understates the true gap between how many jobs there are today and how many are needed. Simply to keep up with the ever-expanding population, the economy would have had to have *added* approximately 127,000 jobs every month over this period - or 1.7 million jobs in the 13 months since the start of the recession. Thus, the loss of 3.6 million jobs since December 2007 actually means the economy is now 5.2 million jobs below where it would need to be to have maintained pre-recession rates of employment for the American workforce."

Last week, Leo Hinder, chair of the Smart Globalization Initiative at the New America Foundation and partner at a private equity firm, and Donald Riegle, former chair of the Senate Banking Committee, published a commentary in the *Financial Times* titled: "Create Jobs to Rebuild Americas Economy." Therein they wrote, "These massive bail-outs and the stimulus package are not nearly a big enough response to the meltdown of the US economy. Pouring unlimited money into an economy to high-income individuals, as was done under Presidents Ronald Reagan and George W. Bush or to banks and Wall Street now is inefficient, ineffective and unfair."

"What we need instead is a focus on creating the 19 million jobs that we are short of for workers to be nearly fully employed," Hinder and Riegle wrote. "Only a jobs-based strategy can maintain our living standards and enable us to project our leadership around the world. Only this strategy, along with a reinvigorated manufacturing sector, can produce enough wealth to pay off our new debts and Mr. Bush's \$11,000 billion debt legacy."

"No nation can borrow its way to sustained prosperity. Nor does prosperity come from de-linking wages from productivity or from a government's refusal to protect the right of workers to organize. Yet this is what has been going on for the past 25 years. We have the greatest income inequality in the US since 1928. Our once vital manufacturing sector is now less than 30 per cent of our economy. The trade unions represent only 7.5 percent of US private sector employees. Most productivity gains have gone to those at the highest income levels through preferential tax policies. We must earn our way back to prosperity by fully developing, fairly deploying and fairly compensating our human capital."

Against this backdrop the current efforts to arrest the fast-paced economic downturn and debates over the various economic stimulus, take on a specially significance for African America and other people of color.

No one pretends that the stimulus package approved by Congress last week is going to turn this situation around anytime soon. It's a start but we are still faced with one out of 10 workers looking for employment coming up short in the middle of next year.

President Obama has said things are going to get worse before they get better.

What then are we to make of the opposition to the Obama stimulus plan (modest when weighed against the seriousness of the situation)? What must be going through the minds of the Republicans, not one of whom in the House of Representatives saw fit to vote for the stimulus package?

Conventional wisdom suggests the explanation lies in what economist Paul Krugman terms "the party's commitment to deep voodoo - enforced, in part, by pressure groups that stand ready to run primary challengers against heretics - is as strong as ever." There's some truth to that. Over on the rightwing side of the Internet, Republican operatives and scribes are up in arms about the three Republican senators who made passage of the stimulus bill possible. Dick Morris, former political adviser to Sen. Trent Lott (R-Miss.) and President Bill Clinton, called them the "Benedict Arnolds of the GOP." Elsewhere pledges are being made to defeat "The Judas of the Republican party" when they come up for reelection.

But there is probably another, devious reason for this madness, one suggested last week by *Black Commentator* contributor David Love who [wrote](#):

"The unanimous rejection by the House Republicans of the Obama stimulus package is proof that the current incarnation of the GOP cares far more about positioning itself for the 2010 election than in saving the nation from the next Great Depression. For these individuals, politics takes precedence over anything else. They are banking on Obama's failure and the complete destruction of the economy, and then they will provide the cleanup crew. If they didn't care about the state of the nation as they ran it into the ground under their watch, why should they care now?"

This view is echoed by former labor secretary Robert Reich:

"If everything goes as well as possible and the stimulus and next round of bank bailouts work perfectly, a turnaround could begin as early as mid-2010. But even under

this rosy scenario, employers wouldn't start rehiring until late 2010 because they'll want to be sure the upturn is for real (employment typically lags in a recovery). This means that under the best of circumstances - assuming the stimulus is big enough to jump-start the economy and the next bank bailout big enough to get credit moving - most Americans won't feel much better than they do now by November, 2010. Unemployment could easily be hovering close to 8 percent; underemployment, close to 14 percent; and many other indicators, still in the doldrums.

"That's if all goes extremely well. But what if the stimulus isn't big enough? (I fear it won't be, given the large and growing gap between what the economy can produce at near full-employment and the meager demand coming from consumers and businesses.) And what if the bailout doesn't quite work? (It may not, given that the banking system is collapsing and many banks are actually insolvent.) The economy in November of 2010 may be worse than it is now, with no turnaround in sight."

Reich concludes:

"Republicans don't want their fingerprints on the stimulus bill or the next bank bailout because they plan to make the midterm election of 2010 a national referendum on Barack Obama's handling of the economy. They know that by then the economy will still appear sufficiently weak that they can dub the entire Obama effort a failure - even if the economy would have been far worse without it, even if the economy is beginning to turn around. They'll say 'he wanted more government spending, and we said no, but we didn't have the votes. Elect us and we'll turn the economy around by cutting taxes and getting government out of the private sector'."

"Obama believes Republicans will eventually embrace bipartisanship," continues Reich. "I hope he's right but I fear he's wrong. They want to take back Congress the way Newt Gingrich retook the House (and helped Republicans retake the Senate) in 1994 - with hellfire and brimstone. Once in control of Congress, they'll be able to block Obama's big initiatives on health care and the environment, stop any Supreme Court nominees, and set up their own candidate for the White House in 2012."

On Monday, Cynthia Tucker wrote in the *Atlanta Journal-Constitution*, "Such is the state of the Grand Old Party these days, trapped in an outmoded ideology, contemptuous of compromise, bitter about its loss of power. Indeed, congressional Republican leaders seem more interested in finding a cudgel to wield against President Obama and other Democrats in 2010 than in rescuing the nation from the worst economic calamity since the 1930s."


If this assessment is correct, the Republicans are playing a cynical and dangerous game. This is political corruption at its foulest. They are threatening the well-being of millions of people who have been or will be thrown out of work by capitalism's current breakdown, particularly so the over 12 out of every 100 African Americans who are on the streets looking for a way to earn a living - or have simply given up. Their obstruction poses a threat to our stability right here at home.

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