Say goodbye to the recovery that never was

by H. Graham Lowry

A self-feeding process of collapsing sales, mounting layoffs, declining revenues, and deeper budget cuts is accelerating throughout the U.S. economy, burying all traces of the recovery that never was.

Nationally, the touted recovery in the housing industry disappeared on March 2, when the Commerce Department announced that January sales of new homes plummeted 13.8%, the largest one-month drop in 11 years. The nosedive occurred despite the fact that mortgage rates have reached their lowest level since April 1979. In the battered remains of the industrial Northeast, the decline was a staggering 39.4%.

Despite forecasts of "moderate" growth, announcements of mass layoffs continue to churn forth from the headquarters of the nation's major corporations. General Motors, which announced 23 plant closings during 1992, reported on Feb. 25 that it was reducing its work force by another 20,000, including the immediate layoff of at least 11,000 workers during the week of March 1. Those layoffs will occur almost entirely at GM plants in Michigan and Ohio, and come on top of 23,000 GM layoffs in Michigan alone announced last year. The company expects to cut roughly 9,000 more positions through an early retirement offer, or make up the difference in further firings.

Layoffs are also expected to top earlier projections at International Business Machines, which announced plans earlier this year to cut its work force by as much as 25,000. IBM reported on Feb. 25 that 6,000 workers at their plants in New York's Hudson Valley will be let go—double the figure they announced just last month. At least 2,000 of the jobs to be eliminated will come from IBM's mainframe operations in Poughkeepsie and Kingston. The 6,000-job cutback represents 28% of IBM's Hudson Valley work force. Industry analysts now expect IBM's overall layoffs for 1993 to top 30,000.

The nation's aerospace sector, devastated by layoffs and plant closings the past three years, is ordering more mass reductions in its work force. Boeing Co. recently announced major cutbacks in aircraft production and 28,000 layoffs, most of them in the Puget Sound area around Seattle, Washington. In January, the Connecticut-based jet engine producer Pratt and Whitney declared it planned to cut its remaining work force by nearly 11,000, or 25%, by the end of 1994. General Electric's Aircraft Engine Division, which announced 12,000 layoffs last year, reported on Feb. 26 that another 3,900 workers would be let go, including about 2,500 in Ohio.

President Clinton paid the Boeing workers in Washington State a personal visit, to offer them a pep talk and promises of new job creation and retraining, but even his minimalist plans for stimulating the economy are tied to new taxes which would flatten it further. The Clinton administration's proposed new energy taxes would eliminate 700,000 jobs, according to the American Petroleum Institute, and reduce the U.S. gross domestic product by $35 billion a year. The proposed BTU tax on all significant energy sources has also drawn the fire of the National Association of Manufacturers, whose president, Jerry Jasinowski, told Congress recently that the measure would mean "a simultaneous shock to both prices and production costs," resulting in the the loss of 600,000 jobs.

Urban unemployment on the rise

Despite the statistical legerdemain in Washington suggesting a minuscule economic upturn, even the official figures show that employment levels in the nation's cities are collapsing at a disastrous rate. The New York State Labor Department announced on Feb. 26 that the unemployment rate in New York City had jumped to 13.4%, nearly 2.5 points over January, to its highest level since the mid-1970s. In Texas, the employment commission reported on Feb. 23 that statewide unemployment jumped a full point in January to 8.4%, and had reached the range of 10-13% in the metropolitan areas of Beaumont-Port Arthur, Brownsville-Harlingen, El Paso, Laredo, Odessa, and Longview-Marshall.

The recent vogue of writing off mass corporate layoffs as the inevitable course of "structural change" in the economy, usually includes the claim that recovery lies in the expansion of "small businesses." The absurdity of that notion is documented by their own figures. A recent survey of 46,000 small California businesses by the National Federation of Independent Business showed that more than half of them laid off workers last year, and are pessimistic about this year's prospects as well.

All of this translates into a collapse of the revenue base and further budget cutbacks. In Illinois, the collapse of industry and agriculture has gutted revenues to the point that the state and the cities are at each others' throats battling over the shrinking pie. Gov. Jim Edgar plans to extend a 20% income tax surcharge beyond its June 30 expiration, but has warned municipalities not to expect to retain their share of that revenue. Chicago Mayor Richard Daley and 19 other mayors in Illinois held a press conference on March 1 to denounce Edgar's plan, where Daley announced that "local governments can't carry the state anymore." Chicago would be forced to cut another $65 million from its budget if it loses its share of the surcharge, which Edgar wants to keep to avoid further state cutbacks.