

Economic growth stalls amidst debt crisis, austerity

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Theme: [Global Economy](#)

Global Research, August 26, 2011

[World Socialist Web Site](#) 26 August 2011

A new batch of economic figures released this week confirms a renewed economic downturn, amidst an intensified assault on jobs and living conditions internationally.

The Organization for Economic Cooperation and Development (OECD) said the gross domestic product of its member countries grew by only 0.2 percent in the second quarter of this year, dropping from 0.3 percent in the first quarter.

Growth has slowed for four consecutive quarters, hitting the lowest level in two years.

The OECD's 34 members include the UK, Russia, Japan, Canada, the United States and most countries in the Eurozone. Most of the member nations separately announced their growth figures earlier this month. German economic growth all but collapsed, expanding only 0.1 percent in the second quarter, compared to 1.3 percent in the first.

The Japanese economy shrank 0.3 percent, after contracting .9 percent in the first quarter. The French economy stopped growing completely, after an expansion of 0.9 percent. The United Kingdom grew just 0.2 percent, after expanding 0.5 percent in the first quarter.

Three years after the financial crash of 2008, none of the problems that have plunged the world economy into a recession, resulting in the destruction of millions of jobs, have been resolved. The bailout of the financial system has transferred the bad assets of the banks onto government balance sheets, and the ruling class is responding through brutal austerity measures and intensified exploitation.

The economic situation is set to get much worse. Surveys of businesses point to third-quarter growth that will likely be lower than the second quarter.

Markit, the London-based financial information firm, said that its manufacturing purchasing managers index (PMI) for the Eurozone fell to 49.7, indicating a contraction in manufacturing, compared to 50.4 in July. This was the first contraction of European manufacturing in two years.

The company said that its Eurozone PMI for all industries (manufacturing and services) held for a second month at 51.1—the worst reading since late 2009.

Chinese economic growth is also falling, led by a slowdown in manufacturing. The HSBC manufacturing PMI for the country showed the second monthly decline in August. The index crept up slightly to 49.8, from 49.3 last month, but still below the level of 50 that indicates growth.

Eurozone consumer confidence, meanwhile, plunged in August. The European Commission said this week that its index of consumer confidence fell 5.4 points, hitting -16.6. This was the sharpest fall in consumer confidence in 20 years, outpacing even the impact of the collapse of Lehman Brothers in 2008.

These figures were followed up by disastrous German business confidence statistics, released Wednesday, that showed that business sentiment in the country fell the fastest in two years.

But the economic malaise creeping over most of Europe looks gentle compared to the devastation that has been inflicted on Greece as a result of the back-to-back austerity plans imposed on it as a condition for the 2010 and 2011 bailouts.

GSEVEE, a trade group that represents Greek small businesses, said that up to 100,000 of the country's businesses could collapse by the end of the year, resulting in as many as 134,000 job losses. Within the next 12 months, the group predicts that up to 183,000 businesses could collapse, resulting in up to a quarter million job losses.

In the United States, the housing market is heading into a "double-dip" and businesses are preparing for a new round of mass layoffs. New US home sales fell to their lowest level in five months, the US Commerce Department said Wednesday.

Initial weekly jobless claims jumped by 5,000 in the week ending August 20, hitting 417,000. During the last four months, the initial jobless claims figure has only been below 400,000—the threshold for improvement in the labor market—for a single week.

The downturn of the real economy is both driven by and feeding into the growing financial crisis, with banks among those most affected. Swiss bank UBS said Tuesday that it plans to cut 3,500 employees, or 5 percent of its global workforce, in an effort to adapt to worsening economic conditions.

In the United States, Bank of America announced thousands of layoffs earlier this month. The company has come under renewed pressure, with its shares falling more than 40 percent since the beginning of the year. In what appears to be an emergency effort to shore up the bank, Warren Buffett, the multibillionaire financier, said Thursday he would buy \$5 billion of newly issued Bank of America stock.

The move echoes a similar action on the part of Buffett in 2008, when he invested in Goldman Sachs and General Electric at the height of the financial crash.

Financial markets are looking to Federal Reserve Chairman Ben Bernanke's speech on Friday in the hopes that he will announce another round of "quantitative easing," that is, the printing of money to flood the financial system with cash. Such a move, motivated by the overriding concern of the Obama administration to defend the wealth of the financial aristocracy, would do no more to resolve the crisis than previous such measures. On the contrary, it would only further undermine the credibility of the dollar, intensify national divisions, and set the stage for even greater attacks on the working class.

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