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The New Economy is the No Jobs Economy

Only the Stupid Will Be Fooled

by PAUL CRAIG ROBERTS

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One of my most popular columns was about escaping from the Matrix existence in which Americans live. It is a world of disinformation and misinformation in which facts are fiction, and abstract theories are substituted for empirical reality.

Official government statistics are make-believe. The government makes inflation and unemployment disappear by how it defines inflation and unemployment, and it makes the economy grow by how it defines Gross Domestic Product. The definitional basis determines the statistical result.

For example, in his report on the official GDP revisions released July 31, John Williams (shadowstats.com) writes that “academic theories, often with strong political biases, have been used to alter the GDP model over the years, resulting in “Pollyanna Creep,” where changes made to the series invariably have had the effect of upping near-term economic growth.” In other words, definitional changes produce economic growth whether or not the economy produces economic growth.

Inflation is made to disappear by substituting lower priced items for higher priced items and by defining price rises as quality improvements. Thus, the higher prices don’t count as inflation.

Unemployment disappears by defining discouraged workers who cannot find employment as people who are no longer in the work force. They simply are disappeared out of the ranks of the unemployed. It reminds me of Punjab's magic blanket in the old cartoon strip, "Little Orphan Annie." Punjab disposed of problem people by covering them with his blanket, or perhaps it was a rug, and they disappeared.

Despite the absurdity of the government's data, Wall Street awaits with baited breath each new release to decide whether markets should go up or down or stay the same.

In other words, the financial markets themselves take guidance from make believe numbers. In short, capitalism is rudderless. It has no reliable indicators. Everything is rigged to support the Matrix which keeps the population in a stupor.

Certainly the monthly payroll jobs number is misconstrued and has undeserved influence. If the economy is down, a jobs number significantly higher than the approximately 130,000 new jobs required to stay even with population growth is seen as a beacon of recovery. But the number is so distorted, as John Williams explains, by shifting and unstable seasonal adjustments and an average monthly add-on of 52,000 jobs from the "birth-death" model that no one really knows what the number is. Only a statistician like John Williams who is very familiar with the government's data procedures can make much sense from the official statistics.

I take a simpler approach. I look at where the reported jobs are alleged to be. In the 21st century, the jobs created by "the world's largest economy" have been lowly-paid, non-tradable, domestic service third world jobs. Manufacturing and tradable professional service jobs such as software engineering have been moved offshore to low-wage, low-salary locations. The savings in labor costs have enriched corporate executives, Wall Street, and shareholders.

I have made this point monthly for many years, and it has had no effect on economists, policymakers, money managers, or financial markets, all of which continue in their make-believe world of make-believe reality.

Here we go, one more time. Of the 161,000 reported private sector jobs gained in July, 157,000 or 97.5 percent, are in non-tradable domestic services. A non-tradable service is a job that produces services that cannot be exported, such as waitresses, bartenders, hospital orderlies, retail clerks, warehousemen. Thus, no matter how large the number might be, it cannot reduce the huge US trade deficit. Most of these jobs are part-time jobs without health or pension benefits. People in these jobs tend to live hand-to-mouth. These jobs do not produce sufficient income to drive a consumer economy.

Of these 157,000 reported jobs, 63,000 or 40 percent are reported to be in trade, transportation, and utilities. Of these 63,000 jobs, 60,500 of them or 96 percent are in wholesale and retail trade.

Before we go to the next category, ask yourself if you believe that in an economy that has had no recovery, in which there are no new manufacturing or construction jobs, in which the labor force participation rate is down, in which shopping center parking lots are far from full, stores with such a poor sales outlook would hire so many people in July?

Financial activities account for 15,000 of the reported new jobs. The Federal Reserve accounted for 80 percent of these jobs and bill collectors for the rest.

Professional and business services accounted for 36,000 of the new reported jobs. About half of these jobs were temporary help services and services to buildings and dwellings.

Health care and social assistance accounted for 8,300 jobs of which ambulatory health care services comprised 80 percent.

Waitresses and bartenders contributed 38,400 jobs. I have previously noted the anomaly of a population without good employment prospects or rising incomes going out to eat and to drink more and more often, so often that waitresses and bartenders comprise each and every month a significant percentage of the new employees.

In her commissioner's statement accompanying the jobs report, Erica Groshen acknowledges that 8,200,000 or 6 percent of the currently employed are "involuntary part-time workers" who cannot find full-time employment.

The July 2013 payroll employment level of 136,038,000 stands 2,018,000 below the employment level in January 2008, which was 5 years and 7 months ago. If it requires 130,000 new jobs each month to keep employment equal with population growth, the US economy is behind by 10,728,000 jobs. These missing jobs show up in the declining labor force participation rate and the large number of discouraged workers who are no longer counted as unemployed.

Obviously, there is no economic recovery, despite the reporting of such by the press and the financial press. Most likely the US economy is sinking further into a depression. The numerous indicators of economic collapse are ignored by economists and financial media busy at work weaving the Matrix to support The Lie.

As former executives of the "banks too big to fail" and their proteges run the US Treasury, the financial regulatory agencies, and the Federal Reserve, US economic policy has been focused on bailing out the excessively large banks created by mindless deregulation. The purpose of US economic policy is to save the large banks from their bad bets on poorly understood new financial instruments in the gambling casino created by deregulation.

The architects of financial deregulation, such as former Senator Phil Graham and President Bill Clinton were rewarded for their service with fortunes of their own. The free market dupes, who aided and abetted Bill and Phil and misrepresented the repeal of financial stability as a new beginning for laissez faire capitalism, still pretend that the crisis resulted from Congress requiring banks to make mortgage loans to poor black people who could not pay.

The lack of reality in America is extreme. I do not believe anything like it has ever existed in the modern world. Essentially, no one in government or out understands anything.

The combination of the power of vested interests with ideological thinking remote from empirical reality is destroying the US economy and the economic prospects of the American

people. The employment profile of the US economy is increasingly that of a third world country. Economic security, except for the rich, has disappeared. A large and growing percentage of the population experiences the insecurity of poverty or near-poverty, while the waiting lists for \$50 million yachts expands. The distribution of income is so skewed upward that people of enormous wealth bid up the prices of used Ferraris from the 1950s and 1960s to \$12,000,000 and \$35,000,000. I can remember when a used Ferrari was something that a person with a moderate income could afford to purchase. I have a friend who bought and sold for \$9,000 in the 1960s the Ferrari that last sold for \$35 million.

Detroit, once the fourth largest American city and the manufacturing powerhouse of the world, is bankrupt. The populations of the cities that once were America's thriving manufacturing base are declining. Cleveland has boarded up homes. St. Louis has 20 percent of its homes vacant. Welfare is under attack by the Republicans and even some Democrats as the plight of the population worsens and despair rises.

Washington only responds to the half dozen powerful, rich private interest groups that fund election campaigns. The American people have no one to represent them. The American people have been placed outside the system of "democratic capitalism" which is only for the one percent.

As Jeffrey St. Clair has made clear, America no longer has a left-wing. America is a right-wing world in which people, including "progressives" have been brainwashed into perceiving reality in racial contrast: the whites are well off and the blacks are poor and destitute.

This is the false reality of the Matrix. As whites are a larger percentage of the population than blacks, there are more poor whites than poor blacks. Moreover, the percentage of poor whites is growing. The way the jobs-offshoring, bail out the rich, US economy operates today makes every one poor, including the remnants of America's once flourishing middle class. It is not a racial issue. It is a class issue. A few people have the power, and they are driving everyone else into the ground. The US government is their agent.

So go wave the flag, support the troops, believe the government's and media's lies, but unless you are the well-connected one percent, don't expect any future for your children. You have been sold out by "your" government. Obama is making pretty speeches, but only the stupid will be fooled.