As Dow Hits New Record: Dismal Jobs Report Exposes Claims of US Recovery

By Andre Damon
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The US economy added 162,000 net jobs in July, the Labor Department reported Friday, the worst jobs figure in four months. The jobs total was lower than economists' projections and well below the number needed to have an impact on mass unemployment.

The report underscored the fact that, five years after the 2008 financial crash, the US remains mired in a deep economic slump. Over the past four months, the US economy averaged only 173,000 new jobs per month, even though the working-age population is growing by a monthly average of 184,000.

The official unemployment rate dropped by 0.2 percent in July to 7.4 percent, mainly because 240,000 people left the labor force.

The US has recovered only about six million of the 8.5 million jobs lost during the 2008-2009 recession. Since the official end of the recession in June of 2009, the working-age population has increased by six million, meaning the gain in jobs relative to population growth has been essentially zero.

The share of the US population that is employed remained at 58.7 percent in July, largely unchanged from what it has been since 2009 and down from 62.7 percent in December 2007. The labor force participation rate, meanwhile, dropped 0.1 percent to 63.4 percent, near its lowest level in decades.

The number of people working part-time for economic reasons last month was 8.2 million, up by 19,000 from June, and the total number of people who are either unemployed or under-employed was 22 million.

Of the jobs created last month, the majority were low-wage and part-time positions, mainly in sectors such as food service and home health care. "Over the last four months, we've created 4.2 part-time jobs for every one full-time job. That trend is not going in a good direction," Burt White of LPL Financial told CNBC.

The food service sector added 38,400 jobs last month. The typical food preparation worker receives $9.18 per hour, or $19,100 per year, according to the Bureau of Labor Statistics. Private education and health services added 13,600 jobs, including 3,900 in home health care services, mostly consisting of home health care aids who have a median pay of $9.70 per hour.

The Federal government shed 2,000 jobs, while state government lost 3,000. This was in addition to the furlough of hundreds of thousands of federal government employees as a result of the "sequester" budget cuts, resulting in lost pay of up to 20 percent of annual salary.

The jobs report comes after the Commerce Department on Wednesday reported that the economy grew at a rate of only 1.7 percent in the second quarter of this year. At the same time, the government downgraded its estimate of economic growth for the first quarter to a rate of 1.1 percent.

Over the past three quarters, the US economy has grown at an annualized rate of only 0.96 percent. These figures shatter the government's claims of an economic "recovery" and show that the US economy is deteriorating, along with the economies of Europe, Asia and most of Latin America.

The US is today able to achieve a growth rate only one-sixth of the post-World War II average. In the past, a US growth rate of 3 percent or 4 percent was considered modest, anything under 3 percent was considered weak, and a growth rate below 2 percent was deemed to be disastrous.

In the face of this crisis, the Obama administration and the ruling class as a whole have no policies to offer for serious economic growth or job-creation. Their response is to intensify the assault on the working class. Obama's so-called "jobs" program consists entirely of tax cuts and subsidies for business and incentives to slash the wages and benefits of workers—in the name of increasing US "competitiveness" and convincing transnational companies to shift jobs from foreign cheap labor havens to take advantage of near-poverty wages in the US.

This is combined with austerity policies that further depress economic growth.

In his latest speech on the economy Tuesday in Chattanooga, Tennessee, Obama proposed cutting the corporate tax rate from 35 percent to 28 percent, with a 25 percent rate for manufacturers, while calling on the government to "partner with the private sector" to provide infrastructure, social services and education—code words for privatization and spending cuts.

This is under conditions where the Obama administration has rejected any federal assistance to the city of Detroit, which declared bankruptcy on July 18. State and city officials, representing the demands of the banks and major bondholders, are seeking to use the bankruptcy to slash the retirement benefits of 20,000 city workers and privatize the city's assets, including the world-famous collection of the Detroit Institute of Arts.

Meanwhile, the US Federal Reserve Board made clear in its latest statement this week that it will continue its $85 billion-per month money-printing operation and near-zero interest rate policy for the foreseeable future. The contrast could not be more stark: virtually unlimited funds are made available to finance the enrichment of the financial elite, while there is "no money" to pay the legally-mandated pensions of Detroit workers.

These vast cash handouts have driven an ongoing stock market rally. Despite the poor jobs figures, both the Dow Jones Industrial Average and the S&P 500 index set new records Friday for the second consecutive day.

The profits of the biggest US banks continued to swell in the second quarter of this year.

Last month, Goldman Sachs, JPMorgan Chase and Wells Fargo, among the largest US banks, announced record quarterly profits. JPMorgan made $6.1 billion in the second quarter, up 32 percent from a year ago, while Wells Fargo took in $5.27 billion, up 20 percent.

JPMorgan Chase is expected to make $25 billion in profits this year, equivalent to the gross domestic product of Afghanistan, a country with a population of 30 million.

According to an analysis conducted by Equilar Inc. for the *Wall Street Journal*, the CEOs of 200 US companies with revenues over $1 billion saw their pay swell by 16 percent in 2012, with the average hitting $15.1 million.

Facing protracted economic decline and crisis, the US ruling class is implementing a systematic policy of boosting the profits of major corporations and the wealth of the super-rich through the impoverishment of the majority of the population.

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Articles by: **Andre Damon**