No Economy For Americans

By Dr. Paul Craig Roberts
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Region: USA

The Dow Jones stock average closed Friday at 17,137, despite the fact that the payroll jobs report was a measly 125,000 new jobs for August, an insufficient amount to keep up with the growth in the working age population.

The low 125,000 jobs figure is also inconsistent with the Bureau of Economic Analysis' second estimate of second quarter 2014 US GDP growth of 4.2 percent–a figure beyond the capability of the present-day US economy.

Clearly, the economic numbers are out of sync with one another. They are also out of sync with reality.

One of the reasons the stock market average is high is the massive liquidity the Federal Reserve has pumped into the banking system since 2008. Instead of going into consumer inflation, the money went into stock and bond price inflation.

Another reason for the artificial high stock market is the multi-trillion dollar buy-back of their own stock by US corporations. Many of these corporations have even borrowed from the banks in order to drive up their share prices with heavy purchases, thus maximizing executive bonuses and the values of stock options for board members. In effect, they are looting their own firms by loading the companies with debt in order to drive up executive and board incomes.

The stock market's rise is not because consumer incomes and real retail sales are growing. Real family median incomes have been falling, and real retail sales, at best, are flat.

Let's look at the composition of the pathetic 125,000 new jobs, and then we will examine whether these jobs are real or make-believe. (Keep in mind that payroll jobs include part-time jobs and that the number of payroll jobs is not the number of people employed, because many Americans make ends meet by working two and even three jobs.)

As I have reported for many years, the US economy no longer is capable of creating goods producing jobs. The Bureau of Labor Statistics August payroll jobs report shows zero manufacturing jobs. I read the other day that the US now has four or five times more people on food stamps than in manufacturing jobs.

The jobs of the New Economy are in lowly paid, nontradable domestic services–the jobs that characterize a Third World Economy.

Perhaps reflecting the collapse of retail sales, retail trade lost 8,400 jobs in August.

"Professional and business services" accounted for 47,000 or 38% of August's new jobs. Of these 47,000 new jobs, 49% consisted of "administrative and waste services," largely temporary help services.

“Health care and social assistance” accounted for 42,700 or 34% of the new jobs of which 53% consists of “ambulatory health care services.”

Waitresses and bartenders accounted for 21,100 or 17% of the new jobs.

There were 8,000 new government jobs or 6% of the 125,000 new jobs.

That’s it. That is the job picture of “the world’s only superpower,” “the world’s largest economy,” “the world’s richest people.” It is the picture of employment in a Third World country.

And now for the real question: Are those 125,000 new jobs really there, or are they a statistical mirage. Statistician John Williams (shadowstats.com) says the jobs are a mirage produced by “the changing seasonal adjustments within the concurrent-seasonal adjustment process used by the Bureau of Labor Statistics” and by the birth/death model, which assumes that many more unreported new jobs are created each month by new start-up businesses than are lost from unreported business closings. Williams says that without the gimmicks used by BLS to create jobs that are not there, the actual change in August payrolls “was a solid contraction in excess of 125,000 jobs.” In other words, the economy did not gain 125,000 jobs. It lost 125,000 jobs.

Beginning with the Clinton regime, the American economy has only worked for the One Percent, and it only works for them because the government makes the 99 percent bail out the One Percent. The American economy is an Aristocratic Economy that works for the government-privileged few, but not for anyone else. To understand this hard fact, read Nomi Prins book, *All The Presidents’ Bankers.*

Of course, the real figures are more like the Ten Percent and the 90 percent. The One Percent caught on, because the upper reaches of that one percent are all multi-billionaires with more money than a family could spend in multiple lifetimes.

The time has passed when American corporations had a sense of social responsibility.

Two distinguished Americans writing in *Daedalus*, one of the few remaining publications not (yet) under corporate control, show that US corporations have become socially dysfunctional because they only serve shareholders and executives. http://www.amacad.org/pdfs/Sylla_Gomory.pdf

Historically in the US, corporations had responsibilities to their customers, employees, communities, and owners. In recent years this has been changed. Today corporations only have responsibilities to their shareholders. If profits go up, executives receive performance bonuses for serving shareholders.

Reducing executive success to one indicator has has enormous negative consequences for everyone else. Americans are suffering in many ways. Their jobs, both manufacturing and professional tradable services such as software engineering, have been moved offshore and given to foreigners. Americans have been deprived of interest income so that the former bank officials in charge of the US government can save the banks that deregulation permitted to over leverage with debt and risk.

The costs of customer service has been shifted to customers who lose large amounts of time waiting to connect with a live person who can correct the mistake the company has made. The unleashing of greed as the only business virtue and pressure from Wall Street for greater profits has caused many service providers, such as telephone and Internet, to forego maintenance and upgrade of facilities in order to hold down costs and boost profits. My telephone ceased to work on September 3, and my service provider lacks sufficient work crews to repair my line prior to the evening of September 8. Last year my Internet provider could not reestablish my Internet service for 10 days. If you call about a bill or a service problem, the companies keep you on the line forever awaiting a real person while they try to sell you new services even though the ones you have purchased don't work.

Sufficient service crews to provide satisfaction for customers means higher costs, less profits, less shareholder earnings and less performance bonuses for managers. Guess who pays the price for the large rewards to owners and managers–the customers.

I remember the days of AT&T, a regulated monopoly. Everything worked. Any problem was fixed within two hours, barring a major catastrophe such as a hurricane or tornado. The telephone was answered no later than the third ring by a real person, not a voice recording, and the person who answered could fix any problem. There was no menu of a half dozen or dozen from which to select and to wait another quarter hour while being given sales pitches.

Profits made by imposing costs on customers are not legitimate profits. Profits made by relocating American jobs offshore are not legitimate profits. Profits achieved by bailouts of managerial mistakes by taxpayers who provide the bailout funds but don't share in the bonuses are not legitimate profits.

Profits achieved by monopoly concentration, as now exists in the financial "services" industry, are not legitimate profits.

In America, franchises, chains, and big-box stores have destroyed a wide array of independent and family businesses that allowed enterprising Americans an independent existence.

Deregulated free-market America has created an economy that serves only the few, which explains the extraordinary concentration in the 21st century of income and wealth in fewer and fewer hands–another defining characteristic of a Third World country.

American capitalism has failed. It can no longer produce jobs for the work force, and its profits come from its political ability to impose costs on the American population.

Dr. Roberts *attended four of the finest universities, studied under two Nobel Prize-winners in economics, authored 20 peer-reviewed articles in journals of scholarship. and published four academic press peer-reviewed books, including Harvard and Oxford Universities, and seven commercially published books. His recent book, The Failure of Laissez Faire Capitalism and Economic Dissolution Of The West is available in German, English, Chinese, and is forthcoming in Korean and Czech.*

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