

The Federal Reserve is in Panic: the Growth of Employment is “Submerged in Economic Stagnation”

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The ego of Janet Yellen has broken into a thousand pieces. The new data published some days ago by the US Department of Labor confirms the hypothesis of economist Ariel Noyola Rodríguez, who has maintained since last year that the United States' labour market was much more fragile than was presumed by the head of the Federal Reserve.

In her public discourses, the president of the Federal Reserve, Janet Yellen, has avoided the serious problems that the United States economy suffers. When in mid-September the Federal Open Market Committee (FOMC) took the decision to maintain the federal funds rate between zero and 0.25% the target of Yellen's worries was directed to China[1] and the debts of emerging economies[2].

In accord with the President of the Federal Reserve, the process of recovery of the North American economy has been strengthening for considerable time. And, because of this, if the FOMC has not raised the cost of credit is due, above all, to a high rate of “obligation” and “responsibility” with the rest of the world.

Nevertheless, the truth is that the United States economy is not exactly in good health. The labour market data published during the 12 months before March of 2015 is not as robust as was presumed by the Federal Reserve: the Department of Labor recognized recently that it had overestimated the jobs created by the private sector by at least 255,000[3].

On the other hand, during the month of September the non-agricultural employment reached 143,000, much less than the 200,000 hoped for[4]. The greatest reversals were in sectors tied to external trade and energy. The rise of the dollar, and the fall in prices of commodities and the extreme weakness of global demand with the rest of the world precipitated the structural deterioration of the US economy.

The bad news does not end here: the numbers of the jobs generated in July and August were also lower[5]. Now we know that in August only 136,000 jobs were created, rather than the 176,000 originally reported: while in the month of July there were created 21,000 fewer jobs than those counted in the previous revision.

Hence with the data actualized by the Department of Labor, in the United States there were registered an average of 167,000 new jobs between July and September, an amount that represents less than 65% of the 260,000 (average per month) that were created during the previous year.

The policies of the Federal Reserve are not capable of increasing the economy by their own efforts[6]. Yellen bet everything on a reduction of the unemployed, hence businesses would be pressured to increase wages, so that the acquisitive power of families and price levels would increase (inflation).

This has not happened. While the rate of unemployment fell from 5.7 to 5.1% between January and September of this year, hourly wages hardly increased 2.2% in annual terms the past month, still far from the levels reached before the crisis, when increases above 4% were noted. Inflation has not succeeded in passing 2% in more than 3 years, the objective of the US central bank[7].

Hence it is now clear that the fall of the unemployment rates in recent months depends more on the reduction of the rate of participation in the labour market — as a consequence of the despair of thousands of US citizens — and less on the creation of quality long range jobs: on Friday October 2 it was announced that in September 350,000 persons abandoned the search for work[8]. There is no turning around, in the United States job growth has been submerged in stagnation.

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Translation: Jordan Bishop.

Notes:

[Russia Today](#).

[1] [«Look to China for clues on when the Fed will raise rates»](#), John Authers, *The Financial Times*, September 18, 2015.

[2] [«IMF Flashes Warning Lights for \\$18 Trillion in Emerging-Market Corporate Debt»](#), *The Wall Street Journal*, September 29, 2015.

[3] [«Current Employment Statistics Preliminary Benchmark Announcement»](#), *U.S. Bureau of Labor Statistics*, September 17, 2015.

[4] [«America's jobs report: Lousy jobs numbers suggest the Fed was right not to hike rates»](#), *The Economist*, October 2, 2015.

[5] [«Grim Jobs Report Is Likely to Delay a Move by the Fed on Rates»](#), Patricia Cohen, *The New York Times*, October 2, 2015.

[6] [«Fed's decision to hold rates adds to the uncertainty»](#), Dan McCrum, Robin Wigglesworth & Elaine Moore, *The Financial Times*, September 25, 2015.

[7] «[Deflation is the worst nightmare for the United States](#)», by Ariel Noyola Rodríguez, Translation Jordan Bishop, Russia Today (Russia), *Voltaire Network*, 20 September 2015.

[8] «[What the Terrible September Jobs Report Means for the Economy](#)», Neil Irwin, *The New York Times*, October 2, 2015.

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