Watching the Economy Crumble

By PAUL CRAIG ROBERTS

The US continues its descent into the Third World, but you would never know it from news reports of the Bureau of Labor Statistics' July payroll jobs release.

The media gives a bare bones jobs report that is misleading. The public heard that 207,000 jobs were created in July. If not a reassuring figure, at least it is not a disturbing one. On the surface things look to be pretty much OK. It is when you look into the composition of these jobs that the concern arises.

Of the new jobs, 26,000 (about 13%) are tax-supported government jobs. That leaves 181,000 private sector jobs. Of these private sector jobs, 177,000, or 98%, are in the domestic service sector.

Here is the breakdown of the major categories:

• 30,000 food servers and bar tenders;
• 28,000 health care and social assistance:
• 12,000 real estate;
• 6,000 credit intermediation;
• 8,000 transit and ground passenger transportation;
• 50,000 retail trade; and
• 8,000 wholesale trade.

(There were 7,000 construction jobs, most of which were filled by Mexicans immigrants.)

Not a single one of these jobs produces a tradable good or service that can be exported or serve as an import substitute to help reduce the massive and growing US trade deficit. The US economy is employing people to sell things, to move people around, and to serve them fast food and alcoholic beverages. The items may have an American brand name, but they are mainly made off shore. For example, 70% of Wal-Mart's goods are made in China.

Where are the jobs for the 65,000 engineers the US graduates each year? Where are the jobs for the physics, chemistry, and math majors? Who needs a university degree to wait tables and serve drinks, to build houses, to work as hospital orderlies, bus drivers, and sales clerks?

In the 21st century job growth in the US economy has consistently reflected that of a Third World country--low productivity domestic services jobs. This goes on month after month and no one catches on--least of all the economists and the policymakers.

Economists assume that every high productivity, high paying job that is shipped out of the country is a net gain for America. We are getting things cheaper, they say. Perhaps, for a while, until the dollar goes. What the cheaper goods argument overlooks are the reductions in the productivity and pay of employed Americans and in the manufacturing, technical, and scientific capability of the US economy.

What is the point of higher education when the job opportunities in the economy do not require it?

These questions are too difficult for economists, politicians, and newscasters. Instead, we hear that "last month the US economy created 207,000 jobs."

Television has an inexhaustible supply of optimistic economists.

Last weekend CNN had John Rutledge (erroneously billed as the person who drafted President Reagan's economic program) explaining that the strength of the US economy was "mom and pop businesses." The college student with whom I was watching the program broke out laughing.

What mom and pop businesses? Everything that used to be mom and pop businesses has been replaced with chains and discount retailers. Auto parts stores are chains, pharmacies are chains, restaurants are chains. Wal-Mart, Home Depot, and Lowes, have destroyed hardware stores, clothing stores, appliance stores, building supply stores, gardening shops, whatever--you name it.
Just try starting a small business today. Most gasoline station/convenience stores seem to be the property of immigrant ethnic groups who acquired them with the aid of a taxpayer-financed US government loan.

Today a mom and pop business is a cleaning service that employs Mexicans, a pool service, a lawn service, or a limo service.

In recent years the US economy has been kept afloat by low interest rates. The low interest rates have fueled a real estate boom. As housing prices rise, people refinance their mortgages, take equity out of their homes and spend the money, thus keeping the consumer economy going.

The massive American trade and budget deficits are covered by the willingness of Asian countries, principally Japan and China, to hold US government bonds and to continue to acquire ownership of America's real assets in exchange for their penetration of US markets.

This game will not go on forever. When it stops, what is left to drive the US economy?

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