No Jobs for Ten Years?

News & Views
12/30/2009 - by Staff Reports (ARBP)

Getty Images *The decade ahead could be a brutal one for America's unemployed - and for people with jobs hoping for pay raises. At best, it could take until the middle of the decade for the nation to generate enough jobs to drive down the unemployment rate to a normal 5 or 6 percent and keep it there. At worst, that won't happen until much later - perhaps not until the next decade. The deepest and most enduring recession since the 1930s has battered America's work force. The unemployed number 15.4 million. The jobless rate is 10 percent. More than 7 million jobs have vanished. People out of work at least six months number a record 5.9 million. And household income, adjusted for inflation, has shrunk in the past decade. Most economists say it could take until at least until 2015 for the unemployment rate to drop down to a historically more normal 5.5 percent. And with the job market likely to stay weak, some also foresee another decade of wage stagnation. Even though the economy will likely keep growing, the pace is expected to be plodding. That will make employers reluctant to hire. Further contributing to high unemployment is the likelihood of more people competing for jobs, baby boomers delaying retirement and interest rates edging higher. All this would come after a decade that created relatively few jobs: a net total of just 464,000. By contrast, 21.7 million new jobs were generated between 1989 and 1999. - Huffington Post*

Dominant Social Theme: It's looking grim?

Free-Market Analysis: There are a lot of statistics cited in this article but like many articles with a mainstream tone, most of them are besides-the-point or shed little illumination about what is going on. First of all the jobless rate in America is closer to 20-30 percent, we figure, when you throw in everyone who wants to work but can't find work, even part-time work. And second, we distrust the other unemployment figures cited in this article. Finally, we look in vain for a reason as to why all this is happening. Can we find it somewhere else in the body of the article? Here's some more:

That's mainly because the economy's recovery, sluggish by historical standards, isn't expected to regain its vigor over the next few years. As a result, companies will be in no rush to ramp up hiring. Other analysts think the economy will recover the jobs wiped out by the recession by 2013 or 2014 but that the unemployment rate will stay high. They note that the healing economy will cause more people to stream back into the labor force, vying for too-few jobs.

In addition, baby boomers whose retirement accounts have shrunk could put off retiring and stay in the work force longer. That would leave fewer positions available for the unemployed. Other contributing forces - businesses squeezing more work from employees they still have and relying more on part-time and overseas help - have intensified. And record-high federal budget deficits and the threat of inflation could drive up interest rates, which could hobble growth and restrict job creation. All those factors could combine to keep unemployment high.

"It will be the mother of all jobless recoveries," predicts economic historian John Steel Gordon. On the other hand, it's possible some technological innovation not yet envisioned could generate a wave of jobs. Yet at the moment, most economists aren't betting that any such breakthroughs will rescue the labor market.

The last time the jobless rate reached double digits, in the early 1980s, it took six years to bring it down to normal levels. Unemployment hit a post-World War II high of 10.8 percent at the end of 1982 as the country was emerging from a severe recession. The rate fell to around 5 percent in 1988. It took less than two years for the number of jobs to return to its pre-recession level. In this recovery, the economy is far more fragile. Hard-to-get credit is exerting a drag. Wounds from the banking system's worst crisis since the Great Depression will take years to fully heal. People and companies, scarred by the crisis, are likely to restrain borrowing, spending and investing.

From our perspective this article does what all such articles do, it describes what's going on without explaining anything. You can read the whole article, and you'll never come up with a reason why 20 percent or more of America is unemployed. Is it because people are lazy? They don't want jobs even though they pretend they do?

We would write the article differently. We would start by explaining that for the past 100 years America's manufacturing might has been disintegrating even though the country has looked relatively healthy. But the combination of the income tax and central banking, introduced in the 'teens, has robbed the country of its industrial muscle. Many big companies have moved away rather than be subject to the income tax. And employees have given up productive trade and agricultural jobs to chase after the latest Fed-stimulated bubble. The tech sector looked attractive in the 1990s, and the mortgage business was great during the 2000s. But neither business lasted because they weren't real. They were the chaff of central bank monetary stimulation.

The income tax and central banking have hollowed out American industrial capacity. This is the reason that jobs will not return to America - and the world - for a long time. It wasn't enough by the way that all this happened over a period of nearly 100 years now, but every time there's a cyclical bust, the West stimulates - throws good money after bad that only prolongs the agony by confusing the market signals that the economy would otherwise present to rational investors.

Conclusion: Deprived of market signals, investors have a hard time determining what's an efficient business and what is not. They've decided, with considerable reason, that too-big-too-fail banks are probably a good investment. Well, this may be so, but it does nothing for the larger economy. Putting good money after bad into these large fiat-money sinkholes only retards real innovation and sets the economy up for another bout of inflationary bleeding and boom-bust madness. What's needed is a return to a private market gold-and-silver standard that will provide real feedback to those who want to purchase equity in winning entrepreneurial companies. See, it's not hard to explain, but for some reason, the story just doesn't get told, certainly not in the mainstream press.

http://www.thedailybell.com/697/No-Jobs-for-Ten-Years.html