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U.S. government employs 7.7 million more people than does manufacturing.

Paul Craig Roberts

08/21/06 "Information Clearing House" -- -- Readers want to know why I have not reported on the payroll jobs statistics for the past two months. Does this mean, they ask, that the situation has turned around and that the US economy is again creating jobs in export and import-competitive sectors?

Alas, no. I did not write about the past two payroll jobs data reports, because it is the same distressing story that other readers say they are bored with hearing.

The July report from the Bureau of Labor Statistics lists 113,000 new jobs, all of which are in services.

“Leisure and hospitality” accounted for 42,000 jobs, most of which are waitresses and bar tenders.

“Education and health services” accounted for 24,000 jobs.

“Professional and business services” accounted for 43,000.

Manufacturing lost another 15,000 jobs.

In the US today, government employs 7.7 million more people than does manufacturing. Little wonder we have an \$800 billion annual trade deficit when the government sector is larger than the manufacturing sector.

American economists are yet to face up to the fact that offshoring high productivity, high value-added jobs that pay well and replacing them with waitresses and bartenders is a knife in the heart of the US economy. Charles W. McMillion of MBG Information Services reports that compensation is falling behind price rises and that the US economy has been kept afloat by consumers overspending their disposable incomes by drawing down their accumulated assets

and going deeper into debt.

McMillion reports that according the Bureau of Economic Affairs, households outspent their disposable incomes by 1.5% in the second quarter of this year, a rate of dissaving equaled only by the depression year of 1933.

McMillion also reports that recent BLS data indicates that 25 states have lost manufacturing jobs year over year and that 25 states have lost jobs in the information sector.

Little wonder that permits for new private housing are down 20.5% year over year and that new housing starts are down 13.3% year over year. What will we do with the millions of illegal Mexicans when construction jobs dry up?

Wage data covering 82% of all private sector jobs show that the purchasing power of weekly wages today is less than it was when the economic recovery began in November 2001. What kind of economic recovery is it when the purchasing power of wages falls instead of rises?

In my opinion, the recovery was artificial. It was based on extremely low interest rates orchestrated by the Federal Reserve. The low interest rates discouraged saving, but the low rates reduced the mortgage cost of real estate, inflated home prices and encouraged consumers to refinance their homes and to spend the equity.

The federal government has been overspending its income also, and has wasted a minimum of \$300 billion on an illegal, pointless, and lost war that has turned Iraq into a terror zone.

It is unclear how much longer the world will trade Americans real goods for pieces of paper that the US economy cannot redeem with tradable goods and services.

Considering the loss of good jobs, the high debt burden, and the dependence on imports, it is unclear what will enable America to pull herself out of the next recession.

Perhaps growing ranks of the unemployed will become cannon fodder for Bush's wars in the Middle East.

Paul Craig Roberts was Assistant Secretary of the Treasury in the Reagan administration. He was Associate Editor of the Wall Street Journal editorial page and Contributing Editor of National Review. He is coauthor of The Tyranny of Good Intentions.

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