

# The Unemployment Crisis in America: Staring “Economic Armageddon” In The Face While Hiding It With Official Lies

By [Dr. Paul Craig Roberts](#)

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According to the Bureau of Labor Statistics, the US economy created 236,000 new jobs in February. If you believe that, I have a bridge in Brooklyn that I'll let you have at a good price.

Where are these alleged jobs?

The BLS says 48,000 were created in construction. That is possible, considering that revenue-starved real estate developers are misreading the housing situation.

<http://www.counterpunch.org/2013/03/08/us-housing-is-the-recovery-real/print>

Then there are 23,700 new jobs in retail trade, which is hard to believe considering the absence of consumer income growth and the empty parking lots at shopping malls.

The real puzzle is 20,800 jobs in motion picture and sound recording industries. This is the first time in the years that I have been following the jobs reports that there has been enough employment for me to even notice this category.

The BLS lists 10,900 jobs in accounting and bookkeeping, which, as it is approaching income tax time, is probably correct; 21,000 jobs in temporary help and business support services; 39,000 jobs in health care and social assistance; and 18,800 jobs in the old standby-waitresses and bartenders.

That leaves about 50,000 jobs sprinkled around the various categories, but not in numbers large enough to notice.

The prostitute media attributed the drop in the headline unemployment rate (U3) to 7.7% from 7.9% to the happy jobs report. But Rex Nutting at Market Watch says that

the unemployment rate fell because 130,000 unemployed people who have been unable to find a job and became discouraged were dropped out of the U3 measure of unemployment. The official U6 measure which counts some discouraged workers shows an unemployment rate of 14.3%. Statistician John Williams' measure, which counts all discourage workers (people who have ceased looking for a job), is 23%.

In other words, the real rate of unemployment is 2 to 3 times the reported rate.

Nutting believes that the U3 unemployment rate has become too politicized to have any

meaning. He suggests using instead the work force participation rate. This rate is falling substantially, reflecting the discouragement that occurs from inability to find jobs.

John Williams ([shadowstats.com](http://shadowstats.com)) says that distortions in seasonal factor adjustments overstate monthly payroll employment by about 100,000 jobs. The jobs data that is not seasonally adjusted shows about 1.5 million fewer jobs in the economy.

In a recent communication, statistician John Williams ([shadowstats.com](http://shadowstats.com)) reports that the rigged official annual rate of consumer inflation (CPI) of 1.6% is in fact, as measured by the official US government methodology of 1990, 9.2%. In other words, the rate of inflation is 5.75 times greater than the reported rate. If Williams is correct, the interest rate on bonds is extremely negative.

Over the years the measure of inflation has been altered in two ways. One is the introduction of substitution for what formerly was a constant weighted basket of goods. In the former measure, if a price of an item in the basket (index) rose, the CPI rose by the weight of that item in the basket.

In the substitution-based measure, if a price of an item in the basket goes up, the item is removed from the basket, and a cheaper item is put in its place. For example, if the price of New York strip steak rises, the new CPI will substitute the price of a cheaper cut.

In this new measure, inflation is held down by measuring not a fixed standard of living but a declining standard of living.

The other adjustment used to restrain the measure of inflation is to re-classify many price rises as "quality improvements." Price rises declared to be quality improvements

do not translate into a higher measure of inflation. In other words, if a product rises in price, the price increase or some portion of it can be assigned to improved quality, not to a rise in component or energy costs. As the incentive is to hold down the inflation measure in order to save money for the government on Social Security cost-of-living-adjustments, quality improvements are over-estimated.

Consumers have to pay the higher prices, and as incomes, except for the 1 percent, are not growing, higher product prices, regardless of whether they are or are not quality improvements, mean a lower standard of living for the 99 percent.

The understated new measure of inflation allows the government to show real GDP growth and thus the end of the December 2007 recession, and it allows the government to show in the latest report real retail sales again matching the pre-recession level. However, when measured correctly, as by statistician John Williams, the true picture of retail sales shows a steep decline from 2007 through 2009 and bottom bouncing since.

The reason real retail sales cannot recover is that real average weekly earnings continues its downward path. Earlier in this new century, the lack of income growth for the bulk of the US population was masked by a rise in consumer debt. Americans borrowed to spend, and this kept the economy going until the point was reached that consumers had more debt than they could service.

John Williams report of real average weekly earnings shows that Americans are taking home

less purchasing power than they did in the 1960s and 1970s.

Reflecting the dollar's loss of purchasing power, the price of gold and silver in dollars has risen dramatically during the Bush and Obama regimes.

For the last year or two the Federal Reserve and its dependent banks have operated to cap the price of gold at around \$1,750. They do this by selling naked shorts in the paper speculative gold market.

There are two gold markets. One is a market for physical possession by individuals and central banks. The rising demand in the physical bullion market points to a rising price for gold.

The other market is the speculative paper market in which financial institutions bet on the future gold price. By placing large amounts of shorts, this market can be used to suppress price rises in the physical market. The Federal Reserve, which can print money without limit, can cover any losses on its agents' paper contracts.

It is important to the Federal Reserve's low interest rate policy to suppress the bullion price. If the prices of gold and silver continue to rise relative to the US dollar, the Fed cannot keep the prices of bonds high and interest rates low. If the dollar is widely perceived to be declining in value in relation to gold, the price of dollar-denominated assets will also decline, including bonds. If the dollar loses value, the Fed loses control over interest rates, and the US financial bubble pops, with hell to pay.

To forestall Armageddon, the Fed and its dependent banks cap the price of gold.

The Fed's fix is temporary, and as the Fed continues to create ever more dollars, the price of gold will eventually escape the Fed's control as will interest rates and inflation.

The Fed has produced a perfect storm that could consume the US and perhaps the entire Western world.

*Dr. Roberts was Assistant Secretary of the US Treasury for Economic Policy in the Reagan Administration. He was associate editor and columnist with the Wall Street Journal, columnist for Business Week, and the Scripps Howard News Service. He has had numerous university appointments. His latest book, The Failure of Laissez Faire Capitalism and Economic Dissolution of the West is available here:*

[http://www.amazon.com/Failure-Capitalism-Economic-Dissolution-ebook/dp/B00BLPJNWE/ref=sr\\_1\\_17?ie=UTF8&qid=1362095594&sr=8-17&keywords=paul+craig+roberts](http://www.amazon.com/Failure-Capitalism-Economic-Dissolution-ebook/dp/B00BLPJNWE/ref=sr_1_17?ie=UTF8&qid=1362095594&sr=8-17&keywords=paul+craig+roberts)

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