# Turning “Mirage Recovery” into a Real Economic Recovery

By Kevin Zeese and Margaret Flowers
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*Recently, news reporters have been sounding almost giddy, saying that unemployment is dropping, housing prices are rising and the stock market is growing to new highs. But, these reports do not ring true with what people see around them. When you look beyond the sunny headlines, the sad reality is mirage recovery.*

The economy is limping along with unemployment and underemployment remaining at high levels while the number of new jobs is still way too low. This is especially true for US youth, many of whom will soon be graduating. Increased housing prices represent Wall Street taking advantage of cheap loans from the Fed and profiting from the collapse by buying up real estate. It is another massive transfer of wealth to the wealthiest.

What economists have been emphasizing throughout the collapse remains true today – until the job market strengthens dramatically there will be no real recovery. Here is the latest on jobs, housing, health care and Obama’s appointments. The bottom line is that recovery will come from grassroots efforts to build local sustainable economies and put real pressure on those in power.

First, let’s look at jobs. Robert Reich points out that the jobs report really was not good news: “The Labor Department reports that 165,000 new jobs were created in April – below the average gains of 183,000 in the previous three months.” And, making the inadequate number of jobs worse is that “most of the new jobs now being created pay less than the ones that were lost.”

Heidi Shierholtz of the Economic Policy Institute puts things in perspective, noting the “unemployment rate hardly budged, moving just six-hundredths of a percentage point, from 7.57 percent to 7.51 percent” and describing this as “an ongoing disaster. We need 8.7 million jobs to get back to a healthy labor market.” She adds “it will take more than five years to return to the prerecession unemployment rate,” and points out that wages dropped substantially at a 4.8 percent annualized rate.

The former Assistant Secretary of the Treasury for President Reagan, Paul Craig Roberts, reviewed each category of jobs in the report and calls it fictitious. He notes the decline in construction jobs, the zero increase in manufacturing jobs, the minimal increase in energy jobs (despite all the hype about fracking and the US now being the number one oil producer in the world) and estimates that the real unemployment is 23% and that the government is exaggerating job growth by two-fold.

Economist Dean Baker of the Center for Economic Policy Research looks at the not so bright future writing: “Furthermore there are good reasons that job growth may prove slower going forward. Excluding inventory fluctuations the economy grew at just a 1.5 percent annual rate in the fourth quarter. It has grown at less than a 1.8 percent rate over the last year. This is well below the pace that would ordinarily be needed to keep the unemployment rate from rising.” Further, the impact of federal spending cutbacks are just beginning to be felt, so that there is not “enough momentum to make any substantial dent in unemployment in the foreseeable future.”

If we focus on youth, the job picture is even worse. High school and college seniors will be graduating into a dismal labor market, with college students deeply in debt. A summary of youth unemployment includes The New York Times reporting “The US has gone from having the highest share of employed 25- to 34-year-olds among large, wealthy economies to having among the lowest.” Also, young workers now have wages that are lower than in 2000.

The Economic Policy Institute released a detailed report on youth unemployment which they describe as “decimated job prospects and earnings for young workers.” They summarize:

> “For young high school graduates, the unemployment rate is 29.9 percent, compared with 17.5 percent in 2007, and the underemployment rate is 51.5 percent, compared with 29.4 percent in 2007. For college graduates, the unemployment rate is 8.8 percent, compared with 5.7 percent in 2007, and the underemployment rate is 18.3 percent, compared with 9.9 percent in 2007.”

On top of this, wages have been in steep decline: “between 2000 and 2012, the wages of young high school graduates declined 12.7 percent, and the wages of young college graduates decreased 8.5 percent.” The report predicts a decade of struggle and low wages for this group.

Let’s look at housing next. Corporate media was hyper in their reporting of big gains in prices for housing. But, what is really going on? Big investors are taking advantage of low interest rates thanks to the Federal Reserve and are buying up houses at low prices. They often buy at foreclosure or before houses go on the market and are crowding out people who want to buy a home to live in. Investors are purchasing homes to rent because the poor job market is making it hard for individuals to afford to own a home. In a few years, the investors will sell at a big profit, taking more from working families.

The housing market continues to have some important problems. “There are around 4.9 million loans that are either in the foreclosure process or that aren’t making their payments.” though banks have learned how handle this by “modifying loans or approving short sales.” So, the real losers are the home owners whose lifetime investment is destroyed.

And, in health care, economist Gerald Friedman describes how treating health care as a commodity has resulted in dramatically increased costs in premiums and co-pays. One of the big costs of health care are exaggerated pharmaceutical prices due to “evergreening” of patents that lengthen patent protection. One hundred prominent experts in leukemia point out, in an editorial in American Society of Hematology, that this practice is harming patients. When the government of India revolted against this practice, President Obama made it clear – profits for Big Pharma were more important than saving lives.

The bad economy for the vast majority of Americans is showing itself in many ways. One distressing report this week was the rapid rise in suicides among middle-aged Americans. The Centers for Disease Control and Prevention reports a rapid 28 percent increase in suicides among middle-aged Americans. More Americans died from suicides than automobile accidents for the first time starting in 2010.

This week we saw more examples that the economy and government are rigged in favor of the wealthiest. Apple avoided paying taxes by borrowing the largest corporate bond ever, $17 billion, at Fed-created low interest rates to buy back shares, increase its stock dividend and avoid paying US taxes. This was done despite the fact that Apple had $145 billion in cash and securities. It's a scam, but legal under laws rigged for the wealthiest. Apple might look cool in its advertisements but people should think "corporate criminal" when they see the Apple symbol.

Gary Rivlan writing in The Nation did a detailed review of how the banks undermined the already too weak, Dodd-Frank financial regulation. The banks had 3,000 lobbyists swarming the Capitol, six lobbyists for every member of Congress, before Dodd-Frank, but they did not stop when the bill passed. After passage they battled every stage of implementation by federal agencies. Annette Nazareth, a former top official at the Securities and Exchange Commission, and Eugene Scalia, the son of the right-wing Supreme Court justice, led the fight with a particular focus on derivatives, Dodd-Frank and the Consumer Financial Protection Agency. Big finance spent one billion on lobbying before the bill passed, and they spent even more after it passed on the lobbyists, lawyers, PR firms and think tanks shilling for them. That is how it is done in DC.

While big business is able to game the system, small business is being destroyed by it. The Economic Collapse Blog reports "the percentage of Americans that are working for themselves has never been lower in the history of the United States." The decline in the number of startup jobs per 1000 Americans has dropped from 11.3 under the first President Bush, to 7.8 under President Obama. They report "the percentage of "new entrepreneurs and business owners" dropped by a staggering 53 percent between 1977 and 2010." Entrepreneurs, who take risks, innovate and, when they succeed, hire people, seem to be being killed off in the US economy. It does not portend well for the future.

Les Leopold describes the size of the corrupt economy's impact, the "top 7% gained a whopping $5.6 trillion in net worth . . . while the rest of lost $669 billion. Their wealth went up by 28% while ours went down by 4%." This transfer of wealth to the richest happened because of specific government policies.

This brings us to President Obama's recent appointments which Jill Stein describes as a betrayal of the American people. In fact, they couldn't be much worse for the public interest. He has been appointing campaign donors and big-time finance bundlers. At Commerce, Penny Pritzker will become the first female Secretary of Commerce. While we support female leadership, did he have to pick someone who cashed in on the housing bubble, crashing a bank after ripping off working class people? She's actually a two-fer, not only a bankster, but a race-to-the bottom employer who mistreats workers at her family-owned Hyatt hotels.

And, then there is the US Trade Representative, who will finish the negotiations on the disastrous Trans-Pacific Partnership. Michael Forman, a former Citigroup executive from 1999 to 2008, was part of the team that ran the bank into the ground with risky investments and rip-offs of consumers. It is no surprise that he left as the bank was bailed out by the federal government to work for Obama.

The final appointee spent decades as a lobbyist in Washington, DC as a representative of big business and as a venture capitalist. Tom Wheeler was nominated to chair the Federal Communications Commission. It is hard to imagine Wheeler acting in the public interest with his background, so consumers can expect higher cable bills and more concentration of industry in the future.

It should be evident to all now that since President Obama no longer has to answer to voters, he is not promoting policies for the people. His administration has become even more plutocratic. He still needs to raise money for the Obama Presidential Center, so a cabinet of millionaires and now billionaires, will certainly be good for fundraising.

Despite the bad news, it does not have to be this way. The solutions are evident. As Dean Baker points out "There are many more ways to spend money that will put people back to work, but the key is to get such spending back on the political agenda." What to spend on, Heidi Shierholtz recommends: "fiscal relief to states and substantial additional investment in infrastructure." Robert Reich says the time to focus "on jobs and inequality, it's now. But don't hold your breath." The political agenda in Washington, DC shows no sign of even considering sensible policies. It is not going to get better unless there is a revolt from the American people who say "NO MORE."

The future can be defined by the people; we must have the confidence that we can create it. We have no doubt – we can and we must. Look for our article on alternative currencies and economies on May 8 in TruthOut. There is a lot we can do now to opt out of Wall Street. An important finding is that shifting spending from big box stores to independent businesses by just 10% in Michigan was extrapolated to "generate an annual economic impact of nearly $200,000,000 and create 1300 jobs with over $70,000,000 in payroll." The power to create recovery is in our hands and communities.

This article is based on a weekly newsletter for ItsOurEconomy.us. To sign up for the free newsletter, click here.

*Kevin Zeese JD and Margaret Flowers MD co-direct It's Our Economy and are organizers of the Occupation of Washington, DC. They co-host Clearing the FOG on We Act Radio 1480 AM Washington, DC and on Economic Democracy Media. Their twitters are @KBZeese and @MFlowers8.*