US stocks near record highs

Dismal jobs report sparks Wall Street surge

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The blue chip Dow Jones Industrial Average closed above 14,000 for the first time in five years and neared its all-time high on Friday in response to a Labor Department report showing stagnant job growth and an uptick in the official unemployment rate.

The Dow surged 149 points to close at 14,009, approaching its peak of 14,164 reached in October 2007. The broader-based Standard & Poor's 500 Index jumped 15 points to 1,513, just 63 points from its all-time intraday high of 1,576. The Nasdaq Composite Index climbed by nearly 37 points.

The January employment report released by the Labor Department's Bureau of Labor Statistics offered little encouragement to working people, still struggling after five years of the worst jobs crisis since the Great Depression. The official unemployment rate—a vast underestimation of the real level of joblessness—rose to 7.9 percent from the previous month's 7.8 percent.

US nonfarm payrolls increased by only 157,000 jobs, far below the upwardly revised increases for November and December of 247,000 and 196,000, respectively. The net payroll increase was barely half that recorded a year ago, in January 2012.

The January jobs total was also well below the monthly average of 181,000 for 2012. It was far short of the pace of job creation needed to significantly lower the unemployment rate. The net total of new jobs added in January will barely keep pace with the normal monthly growth in the working-age population. To produce a real recovery in the jobs market, the economy has to generate well over 200,000 jobs per month on a sustained basis.

The enthusiastic response of the financial markets to the jobs report underscores the stark divergence between the fortunes of the financial elite that controls the markets and monopolizes stock and bond holdings and the broad mass of working people. Buoyed by the policies of the Obama administration and the Federal Reserve, the rich and the super-rich have in recent weeks been celebrating record corporate profits and bulging stock portfolios.

For the working class, there has been no respite from mass unemployment and falling living standards, and the worst is yet to come as the Obama administration and Congress prepare to impose unprecedented cuts in core social programs such as Medicare, Medicaid and Social Security.

The bull market on Wall Street is not based on any genuine recovery in the real economy. Just this week, the Commerce Department reported that US economic output actually shrank in the fourth quarter of 2012, declining by 0.1 percent, the first contraction since the official end of the recession in June 2009. And on Thursday, the Labor Department reported a sharp rise in initial unemployment claims, an increase of 38,000 in the previous week to a total of 368,000.

The headline figures in the January jobs report largely conceal an ongoing social catastrophe. There are 3.2 million fewer jobs today than there were in December 2007, when the recession officially began. Taking into account the normal growth of the working-age population, the total jobs deficit is over 8 million.

As the Washington-based Economic Policy Institute wrote in its analysis of the jobs report: "The jobs deficit is so large that at January's growth rate, it would take until 2021 to return to the pre-recession unemployment rate."

The official jobless rate counts as employed some 8 million people forced by the economy to survive on part-time jobs and does not take into account millions who have stopped looking for work over the past 12 months. The Labor Department's so-called "underemployment" rate—including involuntary part-time workers and laid-off people who looked for work in the past year but not in the past month—is closer to the reality. In January it stood at 14.4 percent, representing some 23 million people.

But even this is a substantial underestimation. In its employment estimates, the US government effectively writes off millions of laid-off people who have given up looking for a job and millions of young people who have been unable to land their first job. It is estimated that over 6 million Americans have exhausted all unemployment benefits, federal as well as state, a number that will rapidly increase in the coming months. The real unemployment rate in the US is likely in the vicinity of 20 percent.

The official jobless rate has fallen to 7.9 percent in January from a high of 10 percent in October 2009, but that decline is largely the result of people dropping out of the job market and no longer being counted. A more accurate gauge of the jobs crisis is the population-to-employment ratio, 58.6 percent in January, and the labor force participation rate, which includes people over 16 actively looking for work, which stood at 63.6 percent in January. Both of these indices are at 30-year lows.

Friday's report showed an actual increase in the number of unemployed people, from 12.2 million to 12.3 million. It also showed the number of people with a job falling by 110,000 and the number of unemployed rising by 117,000.

Long-term unemployment remains at staggering levels. The number of people out of work for 27 weeks or more was 4.7 million, representing 38.1 percent of all of those counted as unemployed. The average duration of unemployment in January was 35.3 weeks.

Average weekly wages grew by 1.9 percent over the last year, barely keeping pace with inflation and continuing the long-term decline in workers' real wages.

The jobs crisis continued to take its greatest toll on young and minority workers. The teenage jobless rate was 23.4 percent. It was 13.8 percent for African Americans and 9.7 percent for Hispanics.

Retail trade, construction, health care and wholesale trade added jobs over the month. Manufacturing barely grew, with a net increase of 4,000. Both construction and manufacturing employment remain well below their 2007 levels.

The Obama administration responded to this latest dismal report with its usual combination of complacency and indifference. At a briefing on Friday, White House Press Secretary Jay Carney said the report meant "we have been moving in the right direction when it comes to job creation."

Alan Krueger, the chairman of Obama's Council of Economic Advisers, repeated verbatim the sentence he has uttered in response to the last three monthly jobs reports: "While more work remains to be done, today's employment report provides further evidence that the US economy is continuing to heal from the wounds inflicted by the worst downturn since the Great Depression."

These soporifics signify that the Obama administration will advance no serious proposals to create jobs or provide relief to the millions being economically devastated by mass unemployment.

As if to underscore his exclusive focus in his second term on austerity and deficit reduction, Obama on Thursday allowed his Jobs and Competitiveness Council, which he had set up in January of 2011, to expire. The council was never more than a fig leaf to conceal his opposition to public works or any other government program to create jobs. It was headed by General Electric CEO Jeffery Immelt and dominated by big business.

Nevertheless, Obama's dismantling of the council is symbolic of his relegation of jobs to the background and elevation of cuts in entitlement programs to the top of his agenda.

Some media outlets, reflecting the satisfaction of Wall Street with the jobs report, referred to it as a "Goldilocks" report. It was not so weak as to spook the markets and negatively impact stock portfolios and profits, nor so strong as to encourage workers to demand higher wages and resist speedup or lead the Federal Reserve to discontinue its money-printing "quantitative easing" program of virtually free credit for the banks and finance houses.

As far as the bankers and CEOs are concerned, the ongoing impact of mass unemployment will facilitate the drive to destroy wage levels and slash social spending, while providing the government with a pretext for continuing to inflate financial assets and underwrite Wall Street speculation, in the name of job creation.