Stronger than expected US jobs report for January evokes concerns on Wall Street

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On Friday morning, the US Department of Labor reported that the economy added 517,000 new jobs in January, far above earlier projections of 187,000. Employment estimates for November were also revised upward by 34,000 and the estimate for December was revised upward by 37,000.

The official unemployment rate fell to 3.4 percent, a 53-year low. The stronger than expected job numbers were seen as a setback by wealthy investors.

The report evoked concerns on Wall Street that the Federal Reserve's program of interest rate increases has not sufficiently slowed economic growth and increased unemployment to break the back of militant wage demands in the working class in the face of soaring prices, expressed in strikes and mounting opposition to the trade union bureaucracies.

The potential for explosive struggles this year over contracts impacting hundreds of thousands of autoworkers, truck drivers, health care workers, educators and others, and an indefinite extension of recessionary interest rate increases by the Fed, led to a fall in the stock market Friday.

Fed officials have blamed "excessive" wage increases for near-record rates of inflation. However, the official inflation rate, reported currently at 6.5 percent, down from 9 percent last year, is well ahead of reported wage gains of 4.4 percent, down from 4.6 percent in December. The official inflation figures undoubtedly understate the real impact of price increases on workers. Prices of many basic items have increased far in excess of 6.5 percent, including food, which is up 10 percent, heating oil, up 40 percent since last year, and natural gas, up 24 percent.

The Census Bureau reports new housing starts fell 21.8 percent year over year. Home construction is expected to fall even further in 2023, as high interest rates increase the cost of mortgage loans.

While the official unemployment rate fell to its lowest level since May 1969, the labor force participation rate, the percentage of the total workforce employed, is still below pre-pandemic levels, reflecting the fact that millions of workers have been forced out of the workforce due to the impact of the ongoing pandemic.

This highlights the reality of relatively low unemployment figures obscuring increasing hardship among ever broader sections of the population who are seeing wages eaten up by inflation, pandemic-related government social support being withdrawn, and employers demanding brutal work schedules.

It is noteworthy that the largest number of job gains were in lower-paid sectors of the economy. The leisure and hospitality sector, including hotels, bars and restaurants, added 128,000 jobs. Retail trade added 30,000 and state government and education services rose by 35,000, partially reflecting the return to work by tens of thousands of striking academic workers in California, mostly lower-paid graduate workers.

Tech employment declined in January by 5,000. But the employment number does not reflect the full impact of mass layoffs announced in January among better-paid tech-sector workers: Google (12,000 jobs) Amazon (18,000 jobs), Microsoft (10,000 jobs), Salesforce (7,000 jobs) and Cloud Software Group (2,000 jobs).

Reacting to the jobs report, the *Wall Street Journal* warned in an opinion piece titled "Upbeat Economic Data Keep Investors on Edge About Fed": "Yet, as has been the case for much of the past year, some investors took away a different story. They worry that good news for the economy might in fact be bad news for the markets if it pushes the Federal Reserve to tighten

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monetary policy more than they expect."

It continued: "Following the release of the report, traders increased bets that the Fed will raise interest rates two more times this year, instead of just once more, according to data from CME Group. Traders also bet the Fed will push interest rates higher than they had thought before the jobs report, according to FactSet, something that could ultimately put more pressure on markets."

In an editorial titled "The Incredible Expanding Job Market," the *Journal* noted positively that wage growth slowed slightly last month and pointed to the increase in the number of young people age 20-24 who are working. The editors remarked, "Maybe more are now leaving Mom's basement as savings from pandemic transfer payments run out," expressing approval for the winding up of all pandemic-related assistance.

The higher than expected job numbers indeed make it likely that the interest rate increases will continue. Federal Reserve Chairman Jerome Powell made this clear in remarks last week after the Fed's latest increase in the key federal funds rate. He told the press that a "strong labor market" and "elevated" wage growth demonstrated the need for more interest rate hikes.

The Federal Reserve raised its benchmark interest rate a quarter of a percentage point to a range of 4.5 percent to 4.75 percent, and Powell said the central bank was considering several more interest rate hikes this year. The Fed has already raised rates eight times since March 2022.

At a press conference Friday following the release of the January jobs report, President Biden boasted of "the strongest two years of job growth in history by a longshot." He also pointed to "real wages going up — but moderately going up, not going through the roof."

He claimed the rise in employment signaled success for his policies. These have included record military spending and the stoking of the US-NATO proxy war against Russia, alongside preparations for war against China as well as stepped-up trade measures against economic rivals.

His remarks were shot through with hypocrisy and lies. Real wages, taking into account inflation, are continuing to decline, with the inflation rate standing well above the rate of wage increases for the past year.

This is exactly what the Biden administration wants and intends. Biden has enlisted the support of the trade union bureaucracy to block strikes, and where strikes break out, betray them and shut them down as soon as possible. This policy has borne some success. According to the latest figures from the Labor Department, wage increases for workers in unions increased at a 3.9 percent annual rate through December 2022, well below the official inflation rate of 6.5 percent and below the rate of pay increases for nonunion workers, at 5.3 percent.

When the unions have proven unable to contain workers' struggles, the Biden administration has shown its willingness to join with Republicans in open strikebreaking, as it did in November and December, enacting legislation to ban a strike by railroad workers and impose a management-dictated contract that had been voted down by tens of thousands of rail workers.

In addition, Biden has supported the policy of interest rate increases by the Federal Reserve aimed at inducing a major economic slowdown or recession, so as to undercut workers' attempts to win decent pay increases.

But as far as Wall Street is concerned, jobs are far too plentiful and millions more must be thrown out of work to further slash wages.

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