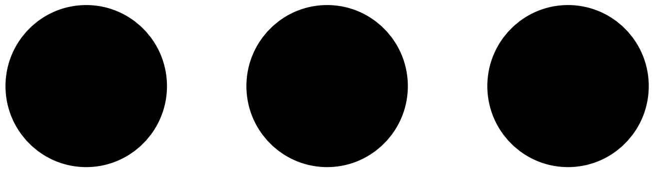
Back-to-back Reports Confirm Federal Reserve's Success in Slowing the Economy

People are being laid off faster than at any time since last summer, according to the Bureau of Labor Statistics on Thursday. This follows the report from payroll and HR company ADP on Wednesday showing that new job growth is slowing nearly to a standstill. Both reports confirm the Federal Reserve's success in slowing the economy.



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Initial claims for state unemployment benefits jumped by 14,000 last week, to the highest level since August 2023. Job growth, on the other hand, was a minuscule 122,000 in July, the lowest pace since January.

Most telling is the private report from global outplacement firm Challenger, Gray & Christmas: companies have announced 460,000 job cuts so far this year, while employers have plans to hire back fewer than 75,000 of those laid off. That's the lowest level since 2012, more than a decade ago.

According to Plan

All this is according to plan. As Nela Richardson, chief economist at ADP said: "The labor market is playing along with the Federal Reserve's effort to slow inflation."

That plan — to slow the economy in order to fight inflation — is the result of implementing Modern Monetary Policy, or MMT. It's the strategy first promoted by Stephanie Kelton, professor of public policy and economics at Stony Brook University and advisor to socialist big spenders Bernie Sanders and Alexandria Ocasio-Cortez (AOC). It's the dream of every socialist: to spend money without limit and without worrying about where it will come from.

As Kelton noted more than five years ago:

> To save the planet and fix historical inequities … we must change the way we approach the federal budget. We must give up our obsession with trying to "pay for" everything with new revenue or spending cuts.

To combat the inevitable inflation (destruction of the purchasing power of the currency), the Federal Reserve (which created the new money) ratchets up interest rates. This has the intended effect of slowing the economy through loss of jobs and bankruptcies, allowing the next cycle of credit creation, inflation, phony economic growth, and contraction to begin again.

As *The New American* noted five years ago:

> In simple terms, MMT is the new alchemy, a reiteration of a 4,000-year-old dream of tyrants, a medieval chemical pseudo-science that aimed to change lead into gold, a philosophy that promised a universal cure for cancer and a means of indefinitely prolonging life on earth.

Austrian economist Murray Rothbard exposed the fiction of wealth creation through monetary inflation:

> What makes us rich is an abundance of goods, and what limits that abundance is a scarcity of resources: namely land, labor, and capital.
>
> Multiplying coin will not whisk these resources into being. We may feel twice as rich for the moment, but clearly all we are doing is diluting the money supply.
>
> As the public rushes out to spend its newfound wealth, prices will, very roughly, double.

Implementing MMT

The Covid pandemic gave the federal government the opportunity to implement MMT with a vengeance. In February 2020, just as the federal government started ramping up its attack on economic, political, and religious freedoms in the name of fighting the China virus, the money supply reported by the Federal Reserve was $15 trillion. As of Thursday that number was $21 trillion, an increase of more than 35 percent.

And that's what MMT has done: It has reduced the purchasing power of the American dollar by more than a third, resulting in the cost of living skyrocketing by a similar amount over that period.

So how well is MMT working? Hiring activity has declined, job postings have fallen, more people are unemployed, bankruptcies are increasing, major retailers are closing hundreds of stores, credit card delinquencies are climbing, and mortgage rates are setting new highs, negatively impacting the housing market.

But isn't the economy doing just fine? The present administration is selling that mantra. Julia Pollak, a chief recruiter at ZipRecruiter, exposed the canard: "This is an unusual state of affairs where the aggregate numbers look pretty strong, but they're really being boosted by the unusually strong government and health care numbers, which are masking the unusual weakness elsewhere." She added:

> I think it's the major reason why the aggregate figures look so strong and yet people feel so bad. Most people in the country are not working in health care or [government] and can't easily switch into those kinds of jobs.
>
> These averages can look quite rosy but mask the very real challenges and struggles of business owners and job seekers.

Further evidence for the deliberately planned economic slowdown called for by MMT should show up tomorrow when the Labor Department issues its own report on new jobs. That report should look rosy as it will include new government jobs created last month. ADP's report focuses on the private sector.

In the real world, where most people still work for themselves or for a privately held business, the struggle against the effects of MMT will continue.

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