Government Reports No New Jobs in August, Markets Tumble

The U.S. Bureau of Labor Statistics (BLS) reported that the economy added no new jobs during the month of August in a September 2 release. "Nonfarm payroll employment was unchanged (0) in August, and the unemployment rate held at 9.1 percent," the BLS reported.

News of the lackluster numbers sent all of the major stock indexes tumbling, and gold and silver soared as a safe haven in early trading against the bearish market and expected inflation. Gold rose to more than $1,875 per ounce, and silver topped $43 per ounce in trading within hours of the BLS release.

Although the unemployment rate was unchanged, the report denotes upward pressure on the already high unemployment rate. Most economists estimate that the market must add about 100,000 new jobs per month just to keep up with population growth in order to keep unemployment levels stable. The economy has added fewer than 100,000 jobs in each of the last four months, and the August report was the first time the U.S. economy didn't add any jobs since September of 2010.

The "Great Recession" technically ended in June 2009, as a recession formally requires two consecutive quarters of negative economic growth.

Obama's first budget request, *A New Era of Responsibility*, submitted back in February of 2009 predicted the economic growth for the current fiscal year (which will end September 30) would be a robust 4.0 percent growth in conjunction with his "stimulus" program. But the actual economic growth for the fiscal year that ends September 30 is expected to be about one percent, which on a per-capita basis is zero growth.

Obama's original 2009 estimate of four percent growth was not unreasonable, as the second year of most recoveries from recessions have historically seen vigorous growth. But the economy is not seeing historically normal economic growth in a recovery, and the question many are now asking is: Has Obama's "stimulus" (along with Federal Reserve Bank stimulus) killed the recovery? Most free market (Austrian school) economists insist that government jobs programs, i.e., "stimulus," and Federal Reserve Bank's "quantitative easing" and suppression of interest rates hurt the economy in the long run. For example, Austrian school economist Peter Schiff, who predicted the housing bubble and bust with amazing accuracy, also predicted the failure of Obama's government stimulus program back in January 2009. Austrian school economists have a long history of highly accurate economic predictions. Austrian school economist Frederick von Hayek predicted the original Wall Street crash in 1929 and the "double dip" recession of 1937 during the Great Depression, predictions of what he called the "trade cycle" that won him the Nobel Prize in Economics many years later.

About the only good news for the economy is that the non-productive sector of the economy -— government -— has continued to shed jobs. The BLS reported that “Government employment continued to trend down over the month (-17,000).” But the downward pressure on government employment is based solely in local governments, as federal and state governments have continued to spend freely in deficit while local governments have made cuts as tax revenues dropped during the recession. The BLS noted that “Despite the return of about 22,000 workers from a partial government shutdown in Minnesota, employment in state government changed little in August (+5,000). Employment in local government continued to decline. Since employment peaked in September 2008, local government has lost 550,000 jobs.”

Photo: Job hunters line up to attend a job fair in Ontario, Calif., Feb. 27, 2008.: AP Images

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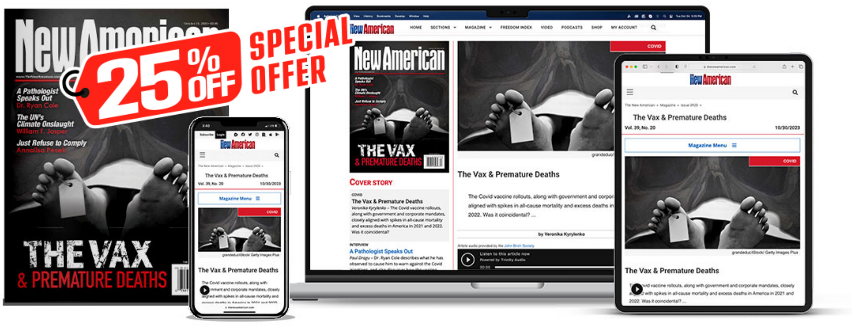

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