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Economic bouquets . . . and barbs

By Paul Craig Roberts
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There is no good news in the April payroll data released last Friday by the Bureau of Labor Statistics. Disaster lurks in the jobs numbers: the U.S. labor market is becoming Third World in character.

The April jobs data show a continuation of the troubling pattern established in recent years. Despite a massive trade deficit that pours $500 billion annually into foreign hands, the U.S. economy cannot create jobs in the export or import-competitive sectors of the economy. The U.S. economy can only create jobs in non-tradable domestic services -- jobs that cannot be located offshore or performed by foreigners via the Internet.

The 280,000 private sector jobs created in April break out as follows: 104,000 were hired as temps and in administrative and waste services, 34,000 were hired as waitresses and bartenders, 30,000 were hired in health care and social assistance, 29,000 in wholesale and retail trade, 21,000 in manufacturing (half of which are in fabricated metal products), 20,000 plumbers, electricians and specialty contractors, 10,000 hired by membership associations, 10,000 in legal, architectural and engineering services, 8,000 in management and technical consulting, and 4,000 in real estate.

The vast majority of these jobs do not require a college degree. One can only wonder what will become of the June graduating class.

Since January 2001, the U.S. has lost 2.7 million manufacturing jobs.

Job loss by sector: wood products: 50,000, nonmetallic mineral products: 61,000, primary metals: 145,000, fabricated metal products: 272,000, machinery: 300,000, computer and electronic products: 536,000, electrical equipment and appliances: 136,000, transportation equipment: 209,000, furniture and related products: 97,000, miscellaneous manufacturing: 79,000, food manufacturing: 53,000, beverages and tobacco products: 13,000, textile mills: 128,000, textile product mills: 33,000, apparel: 172,000, leather and allied products: 18,000, paper and paper products: 90,000, printing and related support activities: 137,000, petroleum and coal products: 10,000, chemicals: 79,000, plastics and rubber products: 125,000.

Since January 2001, financial activities created 247,000 jobs, and nontradable domestic services (education services, healthcare and social assistance, leisure and hospitality, and membership associations) created

2,026,000 jobs.

These service jobs were offset by 302,000 lost jobs in retail, 261,000 lost jobs in transport and warehousing, 124,000 lost jobs in management of enterprises, and 1,222,000 lost jobs in tradable services such as telecommunications, ISPs, search portals, and data processing, accounting and bookkeeping, architecture and engineering, computer systems design, and business support services.

That leaves a net increase of 488,000 jobs in domestic services created during the past 31/4 years. Offsetting these jobs with 2.7 million lost manufacturing jobs, leaves the US economy with 2.2 million fewer private sector jobs at the end of April 2004 than existed in January 2001.

Once free trade was a reasoned policy based in sound analysis. Today it is an ideology that hides labor arbitrage. Because of the low cost of foreign labor, U.S. firms produce offshore for their U.S. customers. The high speed Internet permits people from all over the world to compete against Americans for knowledge jobs in the US. Consequently, the "new economy" is being outsourced even faster than the old manufacturing economy.

Where does this leave Americans? It leaves them in low-pay domestic services. As the BLS 10-year job forecast made clear, 7 of the 10 areas that are forecast to create the most jobs do not require any university education -- definitely not the picture of a high-tech economy.

Why then will Americans attend universities? Will Wal-Mart require an MBA to stock its shelves? Will nursing homes want its patients bathed by engineers?

Obviously, education and retraining are not answers to job loss from U.S. employers substituting foreign labor for American labor.

One does not have to be an economic genius to understand what is happening. Capital is most productive where labor is most abundant, and labor is most productive where capital is most abundant.

Thus, we see US capital flowing to Asia where labor is cheapest, and Asian labor flowing via the Internet to the U.S. where capital is abundant.

U.S. labor loses both ways. Products Americans used to make are now made offshore, and the Internet lets foreigners compete against Americans in the U.S. labor market.

An engineer in Boston, Seattle, Atlanta or Los Angeles cannot compete with an Internet hire in India, China, or Eastern Europe, because the cost of living in the U.S. is much higher. The Boston engineer cannot work for the Indian salary, because his mortgage debt and grocery prices will not adjust downward with the salary.

The man in the street has no difficulty comprehending this simple fact, but for ideologues free trade is a virtue regardless of the harm done to American labor and the U.S. economy.

Paul Craig Roberts is a nationally syndicated columnist.