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## Economics Briefs

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### The Emperor's New Jobs

The U.S. Labor Department reported Aug. 6 that U.S. employment rose by 943,000 in July, with a big drop in the unemployment rate to 5.4%. And promptly and compellingly, from every well-publicized side, arose the cry that the time has come for the Federal Reserve to begin “tapering” its quantitative easing program of securities purchases from the banks, bring inflation under control with higher interest rates, etc. One Democratic Congressman called on the Fed to reconsider its monetary policy completely, given that, as he sees it, there has been a “strong recovery” from the pandemic collapse and inflation is rising.

While these nearly one million new jobs were parading by, however, one might notice that they were entirely an artifact of “seasonal adjustments.” The unadjusted figures gathered in the Department’s Establishment Survey actually showed total non-farm employment *dropping* by 133,000, roughly what usually happens from June to July over the last decade (summer jobs for teens are a thing of the past). Looking closer, we see that **total employment** remains a full 6.5 million below its recent peak in November 2019; **goods-producing employment** is still 650,000 less than its recent peak, which was in August 2019. We also see that the American **labor force has shrunk** by 2.1 million participants in two years, and **employment as percent of population** has dropped by a full 2.4% in those two years. Not surprisingly, if we turn our gaze to the back of the parade we see that the number of Americans **out of the U.S.**

**labor force** has risen sharply by 4.37 million since July 2019.

There has been a rapid and severe atrophy of the labor force, impoverishment of key parts of it, and a collapse in productive employment, constituting an economic emergency for the nation. So rather than demanding the Federal Reserve do another monetary trick, Congress would better nationalize it, replace its management, re-charter it as a national bank for infrastructure and manufacturing, and as Lyndon LaRouche insisted, “make sure you call it Hamiltonian.”

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### Fed Losing Control of Interbank Lending, as in September 2019?

A new Standing Repo Facility has been created by the Federal Reserve with an authorization of \$500 billion, subject to unlimited increase by Fed chair Jerome Powell. The Fed announced the facility July 28 and activated its operation the next morning, according to economists Pam and Russ Martens in their “Wall Street on Parade” column of July 28. This indicates some urgency to cope with a liquidity problem in the interbank lending market.

In September 2019 the Fed suddenly confronted a serious freeze-up in the interbank lending market and was forced to make emergency liquidity loans to the primary dealer banks which burgeoned to hundreds of billions a day. There were many calls then for a standing repo facility, which was not created. Now it is set up, and will make repo loans not only to primary dealer banks, but to hedge

funds, private equity funds, money-market mutual funds—and, a second Standing Repo was created for “foreign and international monetary institutions.”

So, the situation has clearly gotten much more unstable. The Federal Reserve has crammed the big banks with more than \$4.5 trillion in new reserves just since the restart of QE in October 2019; those banks are also crammed with trillions in new deposits even as they have withdrawn loan and lease credit, net, from the economy in the past 15 months, doubling their speculative securities assets the while.

Equally ominous, although the Martenses did not report it July 28: The Fed embarks on these new facilities to *pump in liquidity*, after about six weeks of reverse repo operations—where the Fed makes overnight loans of Treasuries in exchange for cash loans from banks, to *take liquidity out* of the banking system—which have run as high as \$1 trillion/day! This indicates uncontrolled volatility in the credit markets.

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### Coal Use Is Growing in Asia

OilPrice.com, in an Aug. 5 article concentrating on summer heat and high coal use for power in China, concluded overall: “The IEA [no doubt unhappily —ed.] is now projecting a growth in coal demand by 1.8 percent in 2021, higher than anyone would have previously thought as coal plants across Europe become more and more scarce.” This worldwide upshift, concentrated in Asia, represents a dramatic shift from 2020, as there was a significant slump in coal demand and prices during that year because of

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lockdowns, business shutdowns and other restrictions in relation to the COVID-19 pandemic.

“So, as Europe continues to move dramatically away from its strong coal mining past,” reported OilPrice.com, “many parts of Asia, Australia, South Africa and South America continue to invest heavily in the traditional energy source as demand shows no plans of easing.” The [article](#) is: “China Doubles Down on Coal Despite Global Push To Go Green.”

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## China’s Trade Turned Down in July

Although China’s worldwide exports remained about 30% higher than a year ago in July, and its imports about 20% higher than for the same month of 2020, both were down for the month from June to July—exports very slightly, only –0.3%, but imports by –6.4%. At the same time, the new situation continued to obtain that the ASEAN nations are now China’s first trading partner, with Europe second and the United States third.

It is very likely that the decline in trade in July resulted from COVID-19’s Delta variant; that is, the surges in cases in a number of China’s major ports as well as industrial centers, although the numbers would be considered minor in most countries, caused the government to order shutdowns of port facilities for periods of weeks at a time during July, interrupting ocean trade. More ships going on relatively short hauls to nations in Southeast Asia will have had loading or unloading blocked—more than those going on weeks-long trips to and from Europe and the United States. Inflation also had an impact: China’s imports of commodities had lower volumes in July than June, but cost more.

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## 13% of German Households in Poverty

According to a survey of the Hans Boeckler Foundation, almost 13% of all households are living under poverty conditions—that means they spend more than 40% of their monthly income on rent. Particularly single mothers in the big urban regions are affected by this, which implies that 25% of all children are faced with a situation in which there is never enough money for food, clothing, and other things that make an average standard of living.

A more updated survey of the Federal Statistics Office says that 14% of all households are affected by poverty. Labor unions are warning that the recently passed and planned “carbon emissions” taxes will make everyday goods and energy for families more expensive and less affordable for many—“energy poverty” will have to be added to the above-cited category. Gasoline prices are apparently now increasing by roughly 20% in Germany as a result of this tax.

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## Household Debt Is Spiking in the United States

A measure of the threat of evictions and/or foreclosures on economically pressed American households, is the sharp rise of household debt by \$313 billion in the second quarter of this year. It is the largest increase in 14 years (that is, the biggest debt spike since the last gasp of the consumer debt bubble that triggered the financial crash of 2007-08). Total household debt hit \$15 trillion; it has risen by 6% in the six quarters since the end of 2019, but by 2.1% just in the second quarter 2021, according to the New

York Federal Reserve Bank. This is an indirect measure of rapidly increasing inflation.

Dominating the jump was a \$282 billion (3%) jump in mortgage debt in the second quarter. American households’ mortgage debt, which had stagnated since 2008 and never gone above \$9.5 trillion, has now reached \$10.44 trillion in a sudden rise driven by exploding prices of new and existing homes. Real estate taxes and insurance costs are rising for all homeowners, whether selling, buying, or neither, making them less able to afford the mortgage payment.

As for rents, the rental price of newly signed leases is up 14.6% in one year—this is largely the “Blackstone phenomenon” of single homes to rent from Wall Street—which has put pressure on all rents and driven landlords to want to evict existing tenants in forbearance or otherwise in arrears. Rental unit occupancy is an extraordinary 96.5% nationally, according to ApartmentList.com. The Federal Reserve’s stock market boom has given wealthier households the means to bid up rental, as well as home ownership prices. The eviction moratorium partial extension ordered by the CDC Wednesday has already been challenged in Washington, D.C. District Court. Given U.S. Supreme Court opinions expressed in January of this year on the CDC moratorium, this extension could very well be judged illegal in the top court well before Oct. 1.

The Federal Reserve and Wall Street’s biggest banks and financial companies are directly behind the extraordinary financial pressure on low- and middle-income households threatened with losing their place to live. Congressional enactment was and is the only clearly legal way to stop a wave of evictions and foreclosures.