Why the July 2018 Employment Report Was Abysmal and is a Recession Warning-Shot Across the Bow

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August 6th, 2018

On August 3rd, 2018, the Labor Department's Bureau of Labor Statistics reported that U.S. Non-farm Payroll Jobs rose 157,000. However, in their back door CES Birth/Death report, where they reveal how many of the 157,000 jobs were an estimated number of new jobs they hope were created by new businesses they think might have started up in July, net of jobs lost from businesses that closed their doors in July, they reported that 146,000 of the 157,000 were in fact a guess. That means the U.S. Economy generated 11,000 "counted" new jobs in July, woefully below the 150,000-minimum number of new jobs the economy has to create each month to accommodate legal population growth, worse if we include illegal population growth.

Why should the Bureau of Labor Statistics be criticized for including in the monthly non-farm payroll gain or loss figure the above estimate? The counterargument goes, "I get that they may be wrong. But if we throw out their estimate, aren't we assuming that the number of new jobs from new businesses is literally ZERO? Not one single job? Isn't that just as ridiculous as their estimate?"

No, and here is why their start-up / shutdown Business job estimate has to be removed from the non-farm payroll monthly jobs report. First of all, there is no way to come up with an accurate start-up business new jobs estimate. It is a guess. Second, there are thousands of businesses that close each month as well as open. To assume the economy has a dark pool of new jobs is to assume optimism. What if more businesses are closing than opening? I suspect that is the case right now as large corporate America takes over the world with their nice fat 40 percent tax cut. For example, Land of Lakes and Monsanto are systematically wiping out independently owned small family farms. Armed with this tax cut, large corporations can accelerate their push-out of small businesses at will. Therefore, there should be no assumptions, the reported number of new non-farm payroll jobs should only be "counted" new jobs, period.

And let me add, have you ever opened a new business or been hired by one? I have three times. Employees often have zero or far under-market paychecks for a

long period of time during the startup phase. No or little income for the employees, especially for solopreneurs. Hopes, promises and sometimes stock options, which often never bear fruit because over 50 percent of new startup businesses shut down within 4 years and 96 percent fail within 10 years. Many new employees borrow money in lieu of taking a salary to live off of until the business is profitable. The point is new businesses each month are irrelevant to an accurate non-farm payroll number. Just count actual jobs. To include a guess of new jobs from startup businesses net of new job losses from closed businesses each month is a fabrication, a fudge, a distortion, a delusion usually to cover up the fact the economy failed to produce sufficient actual new jobs to support the policies of the powers.

In the present case, the failure of the 40 percent large corporation tax cut back in 2017. The tax cut was skewed to large corporations at the expense of the middle class, those earning $150,000 to $500,000 (that definition may startle some, but hyperinflation, unreported of course, has risen the necessary income to send kids to college, pay the mortgage, buy quality food, make insurance payments, own a car, pay up to 50 percent of those income figures in taxes, and still be able to sock away some money for retirement).

If the 40 percent large corporation tax cut was passed with the promise of producing millions of new U.S. jobs, why isn't the July non-farm payroll number, the "counted" number, up around 300,000?

It is historic common knowledge that 70 percent of all new jobs in America are created by small businesses, not large corporations. This recent tax cut failed to recognize this. Now we are seeing the consequence of the folly of that tax cut. The cut should have been aimed at middle America. There should have been no rollback of itemized deductions for state and local taxes and mortgage interest. That took money from the middle incomers and gave it to the Warren Buffets of the large corporation world. The individual income tax rate should have been dropped 40 percent, not given to the Apple Computer, Amazon, or Berkshire Hathaway's of the world. So, what are the big dogs doing with their tax cut? Buying back their stock mostly, to boost their stock prices and improve the value of their Board's stock and stock options. In 2018 we are seeing record corporate buy backs. But is it any wonder? In January 2010, the Supreme Court removed limits on corporate donations to political campaigns. Large corporations can now donate as much as they want to the political campaigns of Congress, where tax policy is birthed. Is it no wonder they got the goodies?

But let's go further. Why is the Middle class, including most small businesses, getting income squeezed? In addition to onerous taxes, which can include the unconstitutional confiscation of property known as the real estate property tax, in addition to the constitutional but onerous Federal and State income taxes, there is the rising cost of health insurance provided to family and employees.

Obamacare. Health insurance premiums have skyrocketed and can run as high as $20,000 per year for a family of four on Blue Cross for example. Why hasn't anything been done about this by Congress?

Well, let's see. Aetna and United Health's Profits hit record highs at the end of 2017. Why would they want to see any changes like a requirement to offer a catastrophic only health care plan where an individual or small business could self-insure up to $25,000 or $50,000 and have insurance cover all catastrophic healthcare expenses above that level for a reasonable monthly premium of $500? Nope, they like getting the $1,800 monthly premium fees they are enjoying now.

There is an instructive article by Caitlin Bronson from Insurance Business America from May 2016, *The insurance industry is spending millions in politics – but where is it going?* Check it out at

https://www.insurancebusinessmag.com/us/news/breaking-news/the-insurance-industry-is-spending-millions-in-politics--but-where-is-it-going-31724.aspx

The point is, the 40 percent tax cut helped large corporations when it was in the best interest of the nation, and its core strength, to allocate the bulk of the tax cut to small business and the middle class. This is why we are seeing a stall in employment growth, and will be a contributing factor to the coming economic recession that our charts at www.technicalindicatorindex.com are warning is coming.