



Zanetti Monday Missive 2023.08.14

What If What We Measure Is Wrong

**“Facts are stubborn things, but statistics are pliable.”
~ Mark Twain**

Hello Everyone,

What if we are measuring the wrong things?

Imagine this. You are listening to the news in the car and the announcer is relaying the latest government statistics. He says the Bureau of Labor Statistics (BLS) reports the unemployment rate at a mere 3.7%. The economy is avoiding recession. All is well.

And, as you listen, you instinctively think, “That doesn’t sound

right. If only 3.7% are out of work, doesn't that mean that over 96% of the eligible population is working? No way!"

Then, to support your suspicions, you look around. You see homeless people on almost every corner. You see strip malls with boarded up windows. You think of some of your younger cousins who are "burned out" and sponging off mom and dad---or "participating in" government subsidies.

In other words, the BLS "facts" do not align with your reality.

Still, you may doubt yourself. You think, "The BLS is part of the government. They have experts. They have a broader view than I do. Therefore, they might be right, and I could be wrong."

Chances are, however, you are closer to objective truth.

Here are some reasons why.

The unemployment statistics do not include those who are not "actively seeking work." Imagine this phone conversation:

Bureau of Labor Statistics Canvasser: "Good morning, sir. I see you are unemployed. Are you currently looking for a job?"

Potential Worker: "No way, dude. I'm way too stressed to work. I need time to clear my head."

Bureau of Labor Statistics Canvasser: "Thank you, sir."
Click

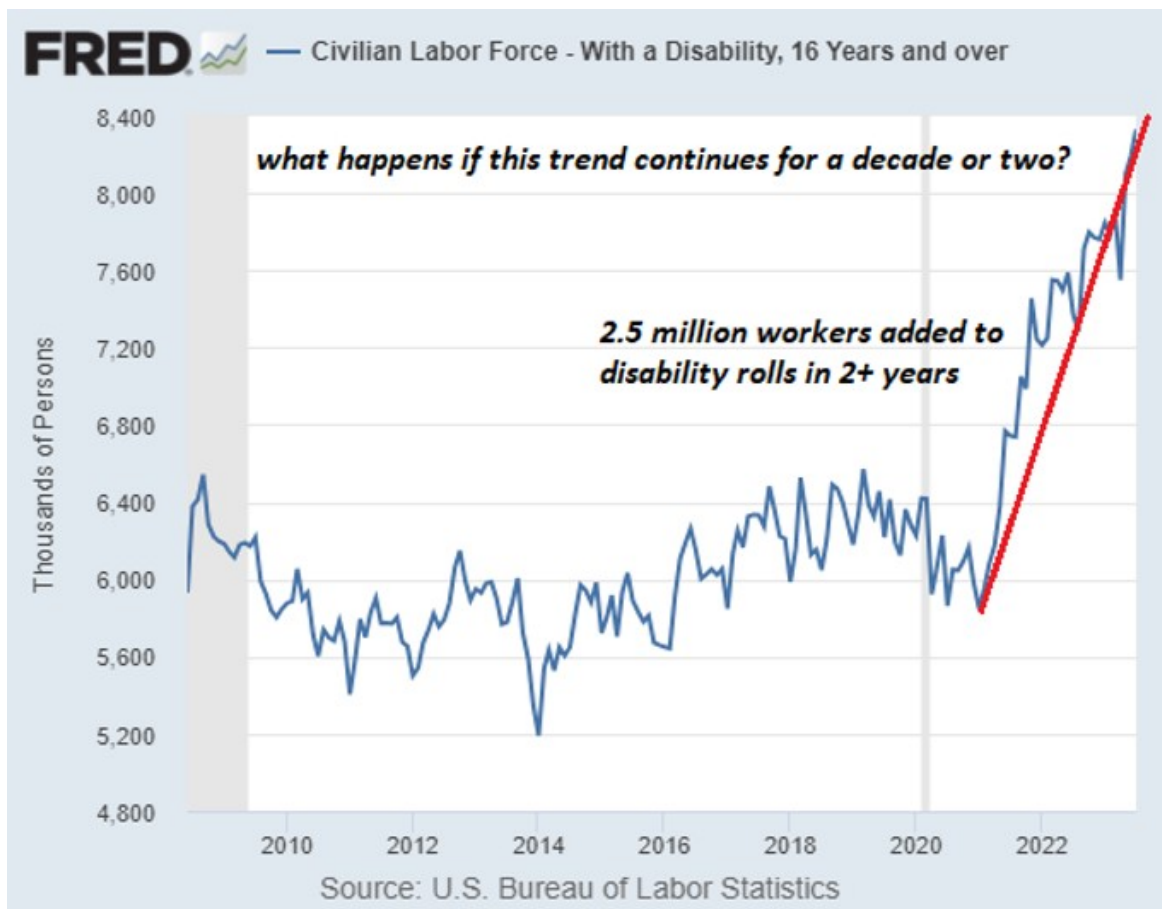
That non-working (but potential) worker is not counted in the unemployment statistics. Do you think that this statistical methodology might skew the numbers lower?

Moving on...

Disabled people are not counted either. The following couple of paragraphs should make your ears perk up.

In the past two and half years, 2.5 million American have been added to the disability rolls! Think about that. 2.5 million. This is a monstrously high number....and is particularly disturbing at many levels.

Look at the below chart from the St. Louis Fed—courtesy of Charles Hugh Smith's website. Note the trend. Yikes!



notes added by charles hugh smith www.oftwominds.com 8/23

What is happening here?

Post Covid, did people learn to game the disability system for “free money?” Did Covid, or the vaccines, contribute?

Something else? All the above? Whatever it is, something is wrong. This is not normal. And no one is talking about it.

Regardless, this massive disability spike has produced a significant disconnect between real life and the unemployment hype.

Let's keep going.

The satirical headline below is from [The Babylon Bee](#).

"White House Says Bidenomics So Successful The Average American Has Twice As Many Jobs As They Had Two Years Ago"

And a quote from the story:

"Wow! Thanks, President Biden!" said local barista/hardware store clerk/landscaper/drive-thru worker/Uber driver Brett Barnes. "I'm just swimming in jobs right now!"

Like any good satire, there is an element of truth to the ridicule. And yes, the BLS double (and triple) counts workers who must hold down multiple jobs to make ends meet.

This is not new.

Both Republicans and Democrats have been happy to have the statistic calculated this way. It's just the Biden administration's turn in the chute.



Here are some final points, the unemployment figures also do not consider:

- Demographics.
- Underemployment.
- Quality of products and services.
- Purchasing power as the result of a person's labor.
- Productivity.

With respect to the above bullet points, here is where you should trust your eyes and not the government experts.

- The working population is getting older. According to the BLS, **almost all the 20 million new jobs created since 2002 have been in the 55-year and older cohort.** Some work because they love it. Many, however, really need the

money.

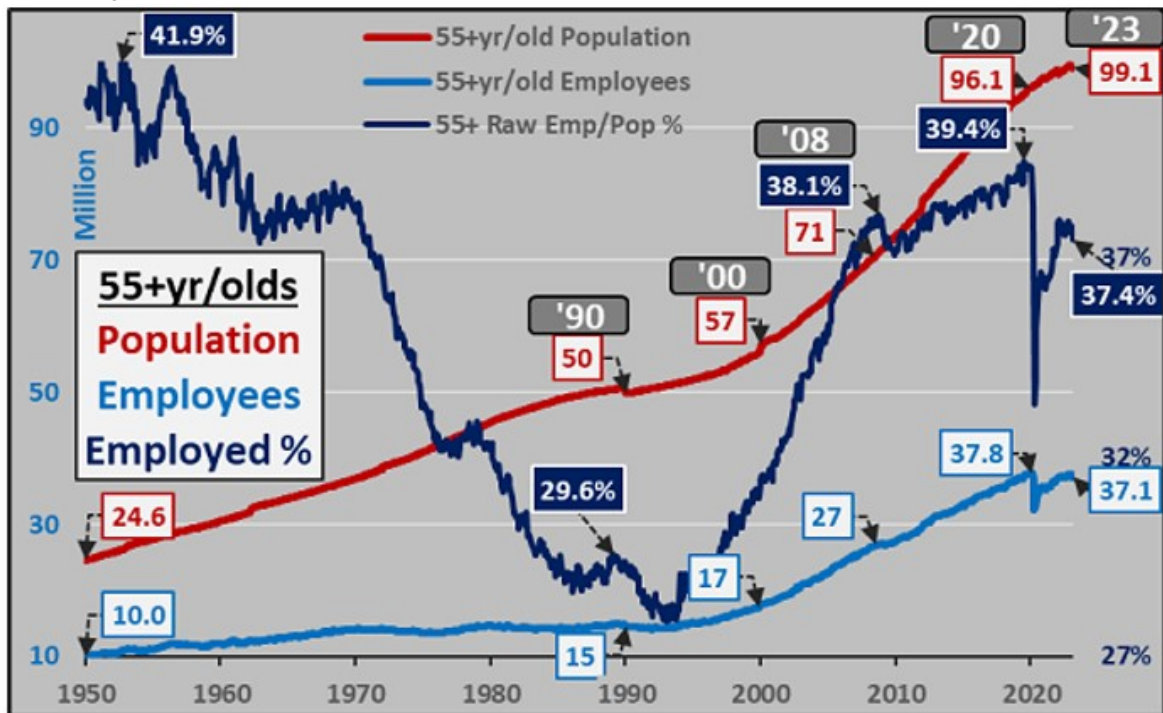


chart source: @Econimica

- Next, underemployment. The statistic does not count the mechanical engineer working as a Fed Ex driver because his engineering job was outsourced to India...or Artificial Intelligence.
- Next, quality of work. Are today's workers providing better products and services? Do products last as long? Is the food healthier? Is the infrastructure being maintained?
- Next, just because people have jobs doesn't mean they can pay the bills. Rents are up 25% from a year ago. Wages are up 5%. Credit card balance just went over the \$1 trillion mark. That's a first.
- Finally, the real measure of economic growth is productivity. Here, even the BLS is admitting productivity is falling---and at the fastest pace on record. Uh oh.

In short, something negative is occurring America's work environment and psyche. The unemployment figures do not reflect this. Nor does the BLS desire to qualify, or adjust, their

stats in any way.

There is a lot more here, but I'm too wordy already. Please realize though, anyone pointing to the unemployment statistics as a measure of economic health is either lazy or disingenuous.

Despite the calming reassurances, there is tumult under the surface.

Great changes are afoot. Our job is to keep our clients ahead of these changes. Summer trading is almost over. Wall Street's A-Teams will be back from "holiday" in a few weeks.

Then we will see the real trends.

Signed, Your Who-Knew-That-In-2023-Running-For-Two-Terms-Would-Mean-Prison? Financial Advisor,
Greg

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