Jobs & GDP Report

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Caption: Despite all the good news, the economy is not yet gaining sufficient momentum to achieve the Administration's goal of creating 25 million new jobs and sustained 4% GDP growth over the next ten years.

Executive Summary. The latest U.S. Bureau of Labor Statistics (BLS)[1] and ADP Research Institute[2] employment reports for May 2018 indicate that the United States created only 213,000 (government and private sector) and 178,000 (private sector) new jobs respectively. Both figures are below the job threshold advocated by most economists for robust economic growth. Also, the number of unemployed increased by 499,000, which was mitigated by a reduction of 413,000 citizens in the BLS Not-in-Labor-Force category (i.e., people who can work but don't work).

As reported by the Bureau of Economic Analysis (BEA)[3], during the first year of the Trump Administration, GDP averaged 2.6%. BEA's second estimate for Q1 2018 is a disappointing 2.0%. However, the Federal Bank of Atlanta's GDP Now[4] projection for Q2 2018 is an optimistic 4.0%, which is based mainly on business and consumer optimism due to recent regulatory and tax measures instituted by the Administration. Consequently, the U.S. economy is not yet gaining sufficient momentum to achieve President Trump's goal of creating 25 million new jobs and sustained 4% GDP growth over the next decade.

From a Jobenomics standpoint, to achieve President Trump's 25 million new jobs and sustained 4% GDP growth goal, the Administration must spend more time on small, micro and startup business creation, with emphasis on the emerging digital economy.

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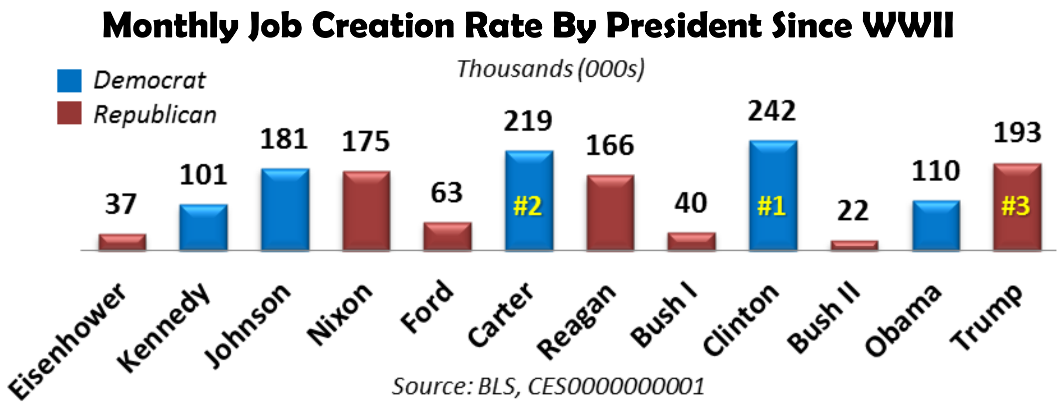
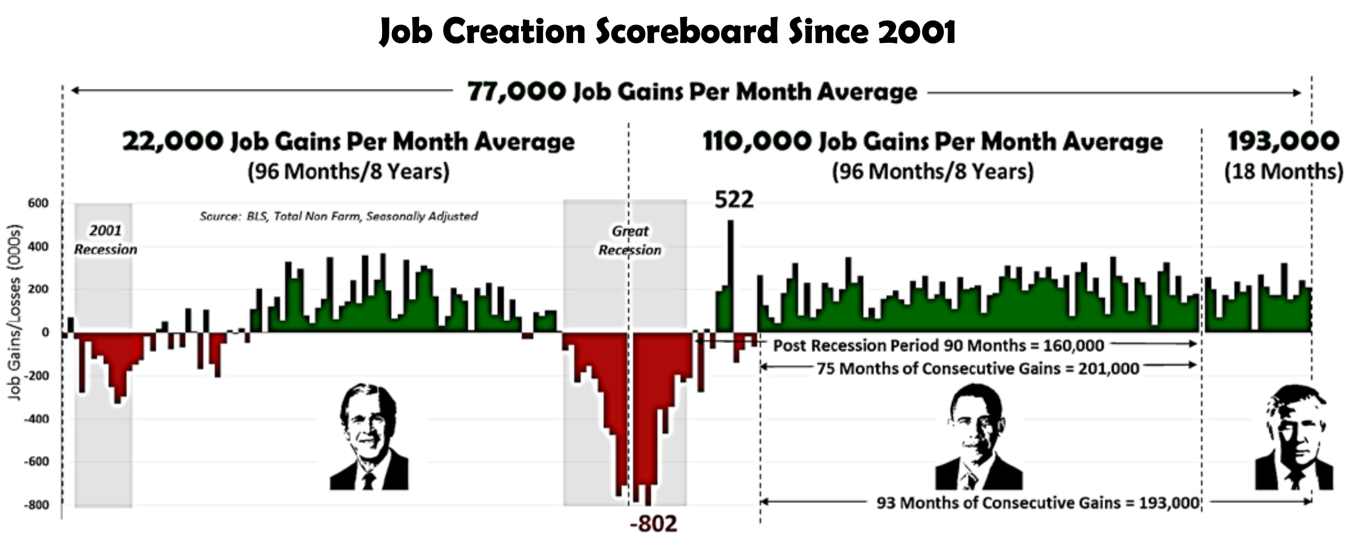
[1] U.S. Bureau of Labor Statistics, Employment Situation Summary, https://www.bls.gov/news.release/empsit.nr0.htm
[2] ADP Research Institute, National Employment Report, https://www.adpemploymentreport.com/
[3] BEA, National Data, GDP, Table 1.1.1. Percent Change From Preceding Period in Real Gross Domestic Product, https://www.bea.gov/iTable/iTable.cfm?reqid=19&step=2#reqid=19&step=3&isuri=1&1921=survey&1903=1
[4] Federal Reserve Bank of Atlanta, GDP Now, https://www.frbatlanta.org/cqer/research/gdpnow.aspx

Detailed Discussion. In today's highly-charged political environment, what people want to know is how today's president is performing against past presidents.



As color-coded by political party, of the twelve presidents since WWII, President Trump's average monthly job creation rate is 193,056, which puts him in third-place following President's Clinton and Carter. Adjusted for population size (U.S. population during the Eisenhower Administration was almost half, 160 million, of today's population of 328 million), President Trump would be in sixth place following Carter, Clinton, Johnson, Nixon, and Reagan.



From January 2001 through May 2018, the United States averaged an abysmal 77,000 new jobs per month. During this period, the monthly job creation high water mark was 522,000 new jobs in May 2010, and the low water mark for job losses was 802,000 in March 2009.

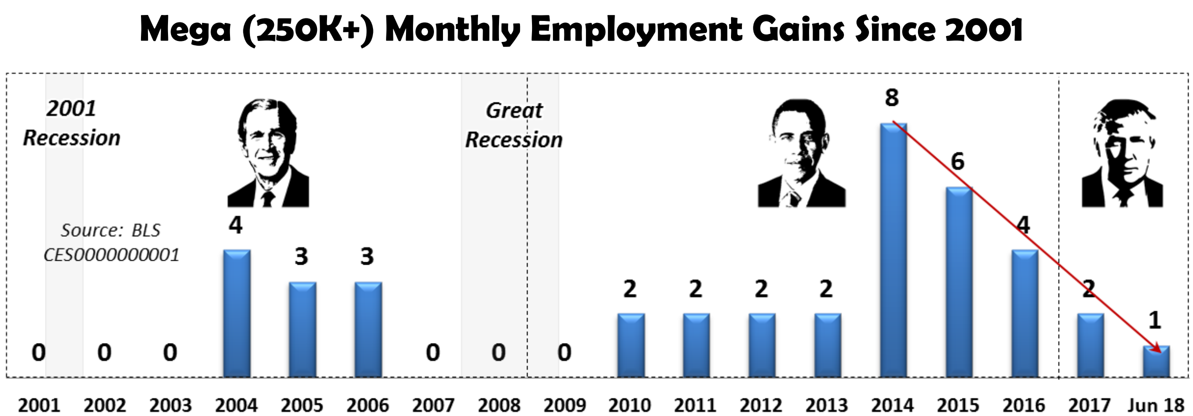
From an Administration standpoint,

- The Bush Administration (2001 to 2008) created an average of only 22,000 new jobs per month, due to the onslaught of two major recessions, the calamity of 9/11 and the United States' expensive mobilization for the global war on terrorism, and numerous natural disasters.

- The Obama Administration (2009 to 2016) created an average 110,000 job gains per month. Subtracting the six months of the Great Recession that Obama "inherited" from the previous administration, the average job creation rate during the 90-month post-recession period yielded an average of 160,000 new jobs per month. Perhaps, the most important legacy of the Obama Administration is 75-months of consecutive job gains averaging 201,000 jobs per month.

- The Trump Administration continued the positive job creation trend with 18 consecutive months of job gains and extended the continuous job creation run to 93-months—the longest span of labor force gains since the Bureau of Labor Statistics began record keeping in February 1939.

  The Trump Administration is averaging 193 million job gains per month, which is insufficient for the Administration to achieve the President's 25 million new job goal over the next decade (120 months). To accomplish this job creation goal, the Administration needs to generate an average of 211,029 new jobs per month for the remaining 102 months in the decade since President Trump was elected.



A 250,000 threshold is a reasonable job creation standard to robustly grow the economy and provide a hedge against future downturns. During the recent 93-month run of consecutive job gains, the United States exceeded the 250,000 job threshold 22-times, or slightly over one out of every four months. Unfortunately, the number of mega (250K+) monthly employment gains is on the decline as shown.

The Administration's tax cuts and regulatory reforms should motivate job creation. In 2017, the Trump Administration averaged 182,000 new jobs per month. During the first 5-months in 2018, this average increased to 257,000 new jobs per month, which can be attributed to the Administration's business-friendly policies. The Administration's biggest month was In February 2018 with 324,000 new jobs. If current economic trends continue, Jobenomics predicts that the remainder of 2018 will record more mega-employment gains.

Jobenomics Analysis of the BLS Employment Situation Summary Report.

The monthly U.S. Bureau of Labor Statistics (BLS) Employment Situation Summary is a monthly summary of all U.S. government and private sector employment.

On 6 July 2018, the Bureau of Labor Statistics reported that the U.S. labor force added 213,000 new jobs, and the unemployment rate rose from a post-recession low of 3.8% to 4.0%.

From a Jobenomics standpoint, these employment statistics are essential measures of economic growth, but **only as a prelude to net labor force gains and losses**.

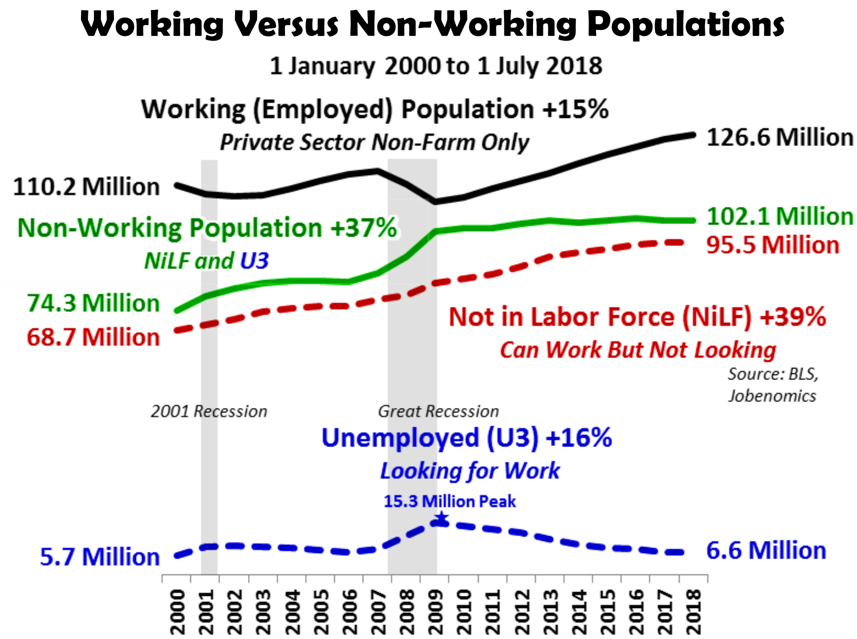
Knowing how the BLS defines labor force and accounts for the different labor force categories is essential to understanding labor force statistics and interpreting fact from fiction. The basic concepts involving employment and unemployment are straightforward.

- People with jobs are **Employed**.
- People are **Unemployed** if they do not have a job, have actively looked for work in the prior four weeks, and are currently available for work.
- People who have no job and are no longer looking for a job are classified by the BLS as “not in the labor force” or **Not-in-Labor-Force**.

To be classified as unemployed, one must be actively looking for work. Frustrated or discouraged Americans who are capable of working but quit looking and voluntarily depart the workforce are accounted in a BLS Not-in-Labor-Force category that few people comprehend. Consequently, it is **theoretically possible for the United States to have a zero rate of unemployment** if every unemployed America quit looking for a job. An equally disturbing statistic reported by the BLS is that 95% of the (surveyed) 95 million people in the Not-in-Labor-Force “do not want a job now.”

The U.S. labor force consists of approximately 250 million citizens (called the civilian noninstitutional population) enrolled in one of three Bureau of Labor Statistics categories: Employed, Unemployed and Not-in-Labor-Force. From a Jobenomics viewpoint, it is vitally important to evaluate the give-and-take between each of these categories as opposed to emphasizing each individually. For example, increasing the labor force by 25 million new jobs (Trump’s plan) makes little economic sense if 25 million people voluntarily leave the workforce for welfare and alternative lifestyles as has happened in the recent past.

Since the beginning of the 21st Century (1 January 2000), 17.9 million people entered the workforce as opposed to 27.3 million who voluntarily departed to the Not-in-Labor-Force. This disparity is made even worse if one includes population growth of 46 million additional Americans (282 million in 2000 versus 328 million today). If these trends continue, the U.S. economy will suffer due to the financial burden of the non-working population. Fortunately, current trends are positive, but a financial downturn could easily reverse our economic situation.



This graph presents a strategic perspective of the U.S. Private Sector Working Population (Employed) and the Non-Working Population (Unemployed and Not-in-Labor-Force) covering the period from 1 January 2000 to 1 July 2018.

The private sector produces the vast majority of goods and services that drive economic growth. From the year 2000, the private sector Working Population increased by 15% (126.6 million workers) compared to a Non-Working Population rise of 37% (102.1 million citizens). Within the Non-Working Population, the Not-in-Labor-Force rose by 39% (from 68.7 million in the year 2000 to 95.5 million citizens today), and the U3 Officially Unemployed increased 16% (from 5.7 million in the year 2000 to a peak of 15.3 million in 2009 to 6.6 million citizens today). During the Great Recession, the Non-Working Population almost matched the level of the Working Population in 2009. Fortunately, the spread between the Working Population and Non-Working Population is widening, which is a good sign for the economy and labor force.

U.S. Labor Force Gains and Losses Since 2000

as of 1 July 2018

	Working Population	Non-Working Population		Net Labor Force Gains-Losses
	Employment Gain/Loss	Not-in-Labor Force Gain/Loss	Unemployed (U3) Gain/Loss	
Last Month (June 2018)	213,000	(413,000)	499,000	127,000
Trump Era (Jan 2017-Present)	3,475,000	496,000	(938,000)	3,917,000
Post Recession (Jan 2010-Present)	16,757,000	11,689,000	(8,534,000)	13,602,000
Obama Era (2009-2016)	10,595,000	14,626,000	(3,784,000)	(247,000)
Bush II Era (2001-2008)	2,115,000	9,892,000	5,652,000	(13,429,000)
Since Year 2000	18,123,000	26,847,000	911,000	(9,635,000)
	BLS CES Report (CES0000000001) Table B-1 Seasonally Adjusted	*BLS Not-in-Labor-Force Report (LNS15000000) Seasonally Adjusted*	*BLS Unemployed Report (LNS13000000) Table A-10*	

The BLS Employment Situation Summary reported that the U.S. economy generated 213,000 new jobs in June 2018. The official unemployment rate (U3 rate) rose to 4.0%, and the number of unemployed increased by 499,000 citizens. Equally important, and least reported by the media, is that the Not-in-Labor-Force cadre of sidelined citizens decreased by 413,000. The reason that this reduction in sidelined citizens is significant is that most of these people are now looking for work, which the BLS classifies as Unemployed as opposed to Not-in-Labor-Force. The combined effect of a moderate employment boost, a decrease in sidelined Not-in-Labor-Force cadre and an increase in the number of unemployed yielded a labor force **net gain** of 127,000.

During the 18-months of the **Trump Administration**, from 1 January 2017 to 1 July 2018, the U.S. labor force **net gain** amounted to 3,917,000 individuals. 3,475,000 new workers entered the labor force—an average of 193,056 jobs per month. The number of work-capable people in the Not-in-Labor-Force increased by 496,000 citizens, and 938,000 fewer workers were listed as officially unemployed.

Since the **end of the Great Recession**, from 1 January 2010 to 1 July 2018, the U.S. labor force **net gain** was 13,602,000 workers. 16,757,000 new workers entered the labor force. The number of in the Not-in-Labor-Force increased by 11,689,000 people, and 8,534,000 fewer workers were listed as officially unemployed.

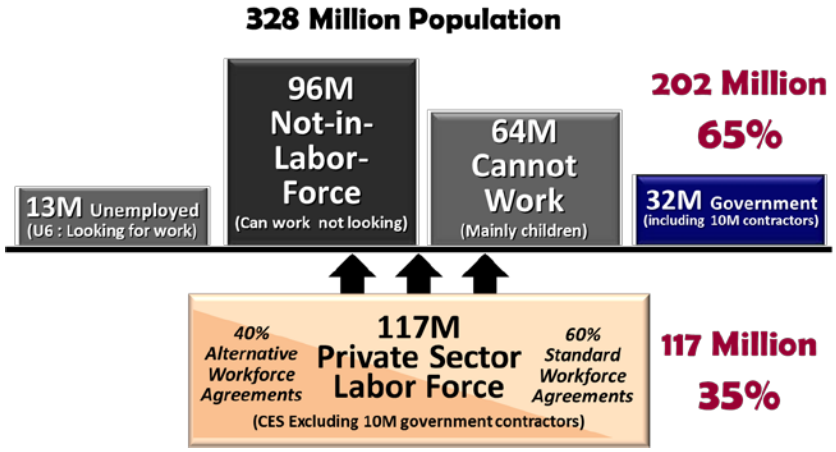
During the 8-years/96-months of the **Obama Era** (1 January 2009 through 31 December 2016), the U.S. labor force **net loss** was 247,000 jobs, with 10,595,000 entering the labor force, 14,626,000 voluntarily departing, and 3,784,000 fewer people recorded as officially unemployed. It is important to remember that the first 21-months of President Obama's first term in office, the Administration dealt with the Great Recession and post-recession recovery operations. Obama's next 75-months in office produced the longest run of consecutive labor gains since WWII when BLS record keeping began. This 75-month run exceeded the previous record of 48-months that occurred from July 1986 to June 1990.

During the 8-years/96-months of the **Bush II Era** (1 January 2001 through 31 December 2008), the U.S. labor force suffered a devastating **net loss** of 13,429,000 jobs (2,115,000 new jobs, 9,892,000 voluntary workforce departures, and 5,652,000 newly unemployed). To a large extent, President Bush endured the perfect storm of labor force calamities:

- 8-months of the 2001 Recession (March 2001 through November 2001),
- 13-months of Great Recession (December 2007 through December 2008),
- the aftermath of the 9/11 attacks and the ensuing global war on terrorism, and
- nine major Hurricanes (Katrina, Ike, Rita, Wilma, Ivan, Charley, Frances, Jeanne, and Allison) that collectively caused over $275 billion in damage.

From the **beginning of the 21st Century** (1 January 2000 to 1 July 2018), the American labor force is **still weaker by a net 9,635,000 workers**. This weakness is exacerbated by a population growth of 46 million additional American citizens present today compared to 2000 (282 million versus 328 million) plus the impact of a rapid rise of contingent part-time workers with a commensurate decrease in traditional full-time workers.

To sum up, while recent trends are slowly reversing America's descent from an economic quagmire, the U.S. economy is not yet sustainable without the continued strengthening of the U.S. private sector labor force. Excluding an estimated 10 million private sector government contractors, the private sector workforce[5] consists of 116,571,000 workers, which represents only 35% of the total U.S. population[6] of 328,071,727 as of 6 July 2018.



Out of a total population of 328 million Americans, 117 million non-government private sector workers support: 32 million government workers and government contractors, 96 million people who can work but chose not to work, 64 million who cannot work (caregivers, children, retired and institutionalized citizens), and 13 million unemployed, underemployed and marginalized citizens. Of the 117 million private sector workers, approximately 60% are standard full-time workers, and 40% are contingency workers (part-timers, freelancers, independent contractors, etc.) who make substantially lower wages, often with fewer or no benefits than their full-time counterparts.

The U.S. economy is not sustainable with only 35% supporting an overhead of 65%. Small business and job creation is the number one issue facing the United States regarding economic growth, sustainment, and prosperity. Jobs do not create jobs, businesses do, especially small businesses that currently employ around 77% of all Americans and created up to 73% of all new jobs since the end of the Great Recession. Therefore, policy-makers and decision-leaders must concentrate on small business creation and sustainment to achieve economic and labor force growth.

[5] U.S. Bureau of Labor Statistics, Table B-1, Employees on nonfarm payrolls by industry sector and selected industy detail, https://www.bls.gov/webapps/legacy/cesbtab1.htm
[6] U.S. Census Bureau, U.S. and World Population Clock, https://www.census.gov/popclock/

Jobenomics Analysis of the ADP National Employment Report.

The ADP National Employment Report is a monthly survey of workers in 400,000 U.S. private sector businesses by the ADP Research Institute in collaboration with Moody's Analytics.

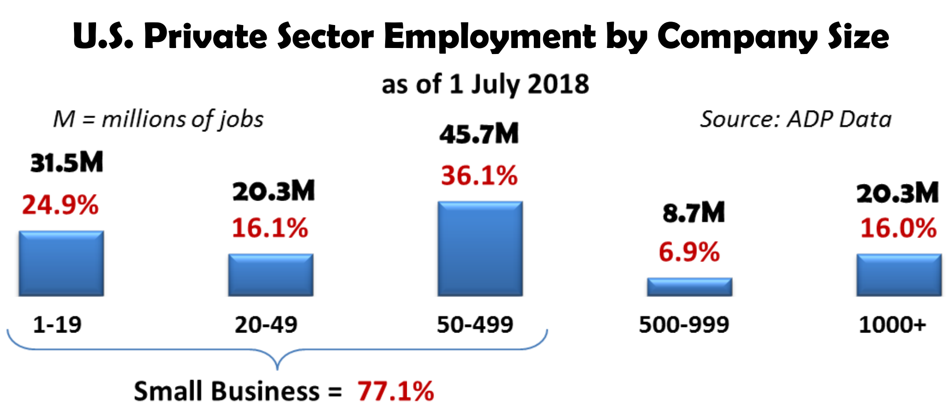
The June ADP National Employment Report, released on 5 July 2018, states that the U.S. private sector created 177,000 new jobs, which is 25,000 less than the 202,000 new private sector jobs reported by the BLS Employment Situation Summary. Note: ADP does not report on government employment, unemployment or workforce departures as does the BLS.

Of the 177,000 new jobs reported by ADP, small businesses (1-49 employees) gained 29,000 jobs, medium businesses (50-499 employees) gained 80,000 new jobs, and large companies (500+ employees) gained 69,000 new jobs. Micro-businesses (1-19 employees) created 16,000 compared to 48,000 by Macro-businesses (1000+ employees), or 66% less, which is a historically low percentage.

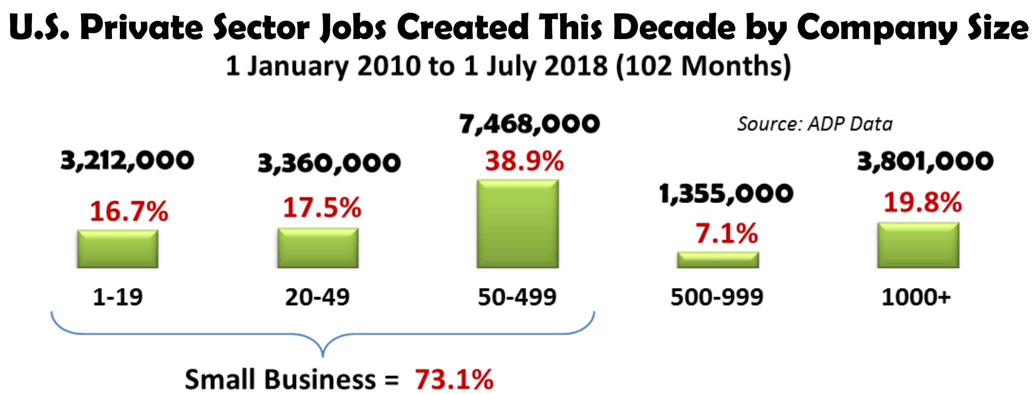
Service-providing industries created 148,000 jobs and the goods-producing sector only 29,000 jobs—a small percentage given the current emphasis on the Manufacturing supersector that created 12,000 new jobs last month.

Of the ten private sector goods-producing and service-providing supersectors, Education/Health Services generated 46,000 new jobs, followed by Leisure & Hospitality (33,000), Professional/Business Services (33,000), Trade/Transportation/Utilities (24,000), Construction (13,000), Manufacturing (12,000), Other Services (7,000), Financial Activities (7,000) and Natural Resources & Mining (5,000). The Information supersector was the only supersector that lost jobs (-2,000).

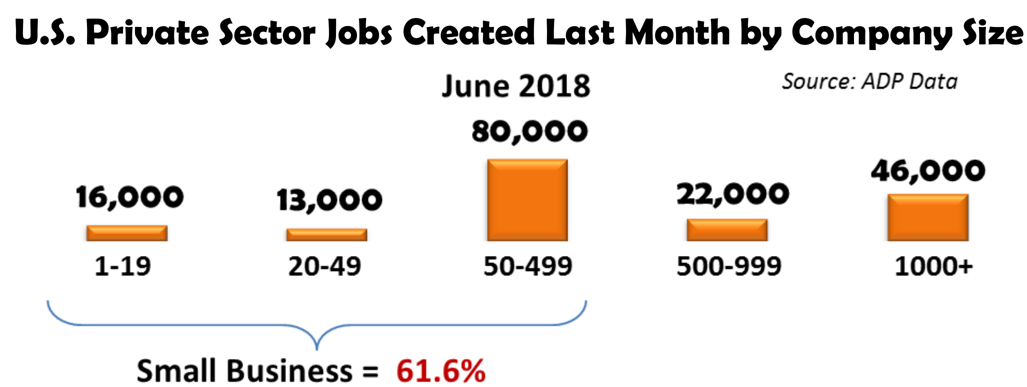
For the remainder of this report, Jobenomics classifies "small business" as having 1-499 employees (the definition supported by the U.S. Small Business Administration), medium-sized business as 500-999 employees and large businesses as 1000+ employees. Also, Jobenomics defines micro-businesses as having 1-19 employees, which includes self-employed individuals.



As reported by ADP, small businesses are undeniably the dominant employer in the United States. Small companies with less than 500 employees employ 77.1% of all private sector Americans with a total of 97,489,000 employees—over 3.4-times the number of established enterprises with more than 500 employees that have 20,253,000 employees. Micro-businesses with 1-19 employees employ 1.6-times the number of giant corporations with over 1,000 employees (31,496,000 versus 20,203,000).



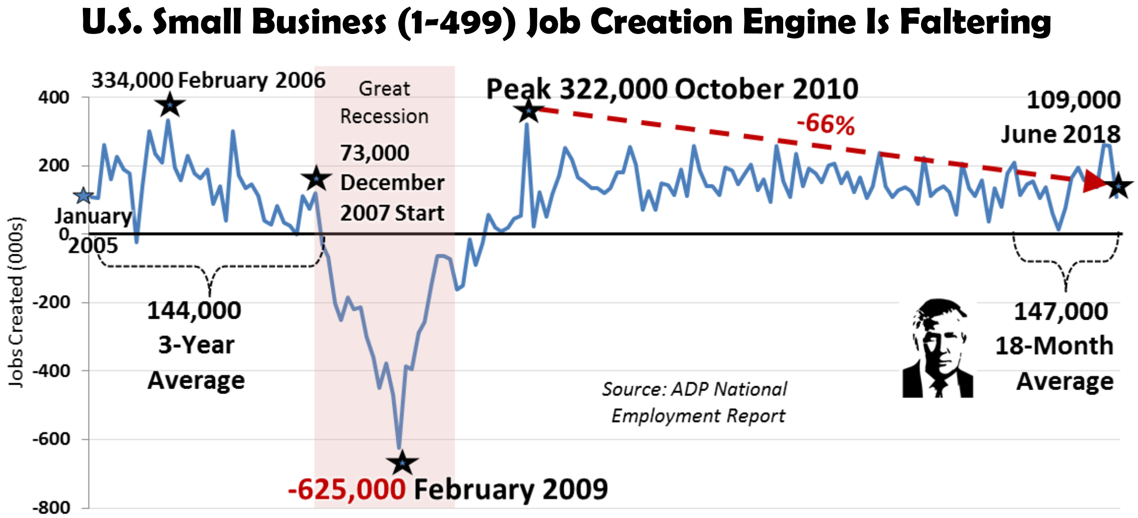
Since the beginning of this decade, small businesses created 73.1% of all new jobs in the United States. Small businesses with less than 500 employees created 2.7-times more jobs as large businesses with 500+ employees, or 14,040,000 versus 5,156,000 new jobs respectively. Micro and self-employed firms with 1-19 employees produced 85% as many jobs as large-scale corporations with over 1,000 employees (3,212,000 versus 3,801,000).



Last month (June 2018), U.S. small business (1-499 employees) created 61.6% of all new jobs. This percentage is slightly below average (67.8%) compared to the previous 18-months of the Trump Administration. The monthly average of previous months were 72.1% in May, 70.7% April, 69.3% March, 66.4% February, 65.3% January 2018, 78.7% December, 82.0% November, 47.5% October, **16.9% September (Low)**, 35.9% August, 68.3% July, 69.5% June, 77.1% May, **93.6% April (High)**, 93.5% March, 75.3% February, and 72.7% January 2017.

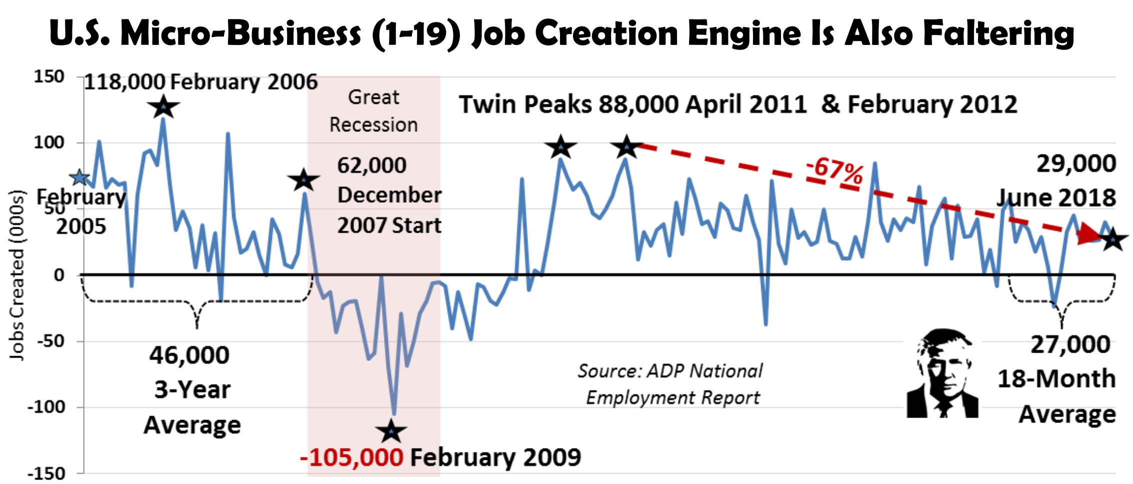
Jobenomics Analysis of the Small and Startup Business Situation.

While current small business statistics are impressive, the U.S. small business engine is faltering.



During the depth of the Great Recession in February 2009, small businesses laid off 625,000 people in a single month, which is indicative of the hazards of a stalled small business engine. Twenty months later, the small business engine was hitting on all cylinders and generated a peak of 322,000 jobs in October 2010. Since this post-recession peak to today, small business job creation **dropped 66%** to 109,000 in June 2018, a difference of 213,000 jobs per month. Consequently, over a 120-month period, a deficit of 213,000 monthly jobs equates to 25 million fewer jobs per decade. The Trump Administration could use these lost jobs to fulfill the President's vision of 25 million new jobs over the next decade.

If the small business engine had a heart, it would be a micro-business. Most micro-businesses are self-employed firms (one-person incorporated or unincorporated), family businesses (mom-and-pops) or partnerships. Mom-and-pop stores are essential to local communities. They are the type of enterprises that hire the unemployed and give part-time jobs to high schoolers and other entry-level individuals who want to work. Continued deterioration and denigration of micro-businesses can only lead to economic stagnation.



Sadly, the U.S. micro-business heart is suffering from a form of atherosclerosis as indicated by a significant decline since the twin post-recession peaks. Since the post-recession peak month in February 2012, micro-businesses **declined by 67% today.** The average number of micro-business jobs created during the Trump Administration is 27,000 jobs per month, which is a meager number considering the relative strength of the U.S. economy. The 3-year average before the Great Recession was 46,000 new jobs per month.

America needs to rejuvenate the small business entrepreneurial spirit and create a worldview that small and micro-businesses are a viable alternative to the decreasing number of high-paying full-time jobs. Women-owned and minority-owned businesses are deserving of far more attention than they receive today. Additionally, digitally-savvy Screenagers (Generation Z) are suited for starting micro-businesses tailored to meet the needs of the emerging digital economy and contingent labor force. If the 29.6 million American small businesses created or hired only one net new employee over the next several years, Trump's 25 million new jobs goal could happen in a much shorter timeframe than he currently envisions.

The rate of small business startups is also dropping precipitously.

Business startups are the seed corn of the U.S. economy. Without the planting and fertilization of these seedlings, the fields of American commerce will be fallow.

Of the estimated three million startups over the last decade, tens of thousands of ultra-high growth businesses (called unicorns and gazelles) have generated millions of net new jobs for America. According to the Kauffman Foundation[7], these fleet-footed startups account for 50% of all new jobs created. Uber, Lyft, Airbnb, SpaceX, WeWork, and Pinterest are recent examples of unicorns—a startup company that rapidly achieves a stock market valuation of $1 billion or more. A gazelle is a high-growth company that increases revenues by over 20% per year for four-plus years. The top-10 U.S. gazelles include Natural Health Trends, Paycom Software, Lending Tree, ABIOMED, MiMedx Group, Facebook, NetEase, Ellie Mae, Amazon.com and Arista Networks, according to Fortune[8] magazine's 100 Fastest Growing Companies.

Regarding new starts (firms less than 1-year old), the Census Bureau's Business Dynamic Statistics indicate that the United States is now creating startup businesses at historically low rates, down from 16.5% of all firms to 8% in 2014. Based on a Wall Street Journal (WSJ) analysis[9] of this Census Bureau data, "If the U.S. were creating new firms at the same rate as in the 1980s…more than **200,000 companies and 1.8 million jobs a year**" would have been created.

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[7] Kauffman Foundation, Understanding the Economic Impact of High-Growth Firms, 6 June 2016, http://www.kauffman.org/newsroom/2016/06/understanding-the-economic

[8] Fortune, 100 Fastest Growing Companies, http://fortune.com/100-fastest-growing-companies/list/

[9] Wall Street Journal , Sputtering Startups Weigh on U.S. Economic Growth, Decadeslong slowdown in entrepreneurship underscores transition in American labor market, 23 October 2016, http://www.wsj.com/articles/sputtering-startups-weigh-on-u-s-economic-growth-1477235874?mod=djem10point

During the heydays of the 1970s, Bill Gates and Steve Jobs started Microsoft and Apple, two of the world's most celebrated companies with a market capitalization (the value of the total number of shares multiplied by the present share price) of $771 billion and $932 billion, respectively. One has to wonder if these companies would have started in our current austere startup environment?

According to a Census Bureau's Business Dynamic Statistics Press Release[10] on 20 September 2017, in 2015, 414,000 U.S. startup firms created 2.5 million new jobs, which is well below the pre-Great Recession average of 524,000 startup firms and 3.3 million new jobs per year for the period 2002-2006. In 2015, job creation minus job destruction equaled **net** job creation of 3.1 million, which supports the Jobenomics hypothesis that net job creation is a more critical statistic for policy-makers than just focusing on only new jobs. Other tidbits of the 2017 Business Dynamic Statistics press release include:

- 5 million U.S. small businesses (1-499 employees) created 45% (1,400,711) of all net new jobs compared to 20 thousand large enterprises (500+ employees) that produced 55% (1,690,591) net new jobs.
- 4.5 million micro-businesses (1-19 employees) net job creation equated to 14% (434,203) of all net new jobs.
- Net job creation in urban areas was over twice the rate of rural communities, or 2.7% versus 1.2% respectively.

According to another Kauffman Foundation[11] analysis of the Census Bureau's Business Dynamic Statistics, most **city and state government policies that look too big business for job creation are doomed to failure** because they are based on unrealistic employment growth models. "It's not just net job creation that startups dominate. While older firms lose more jobs than they create, those gross flows decline as firm's age. On average, one-year-old firms create nearly 1,000,000 jobs, while ten-year-old firms generate 300,000. The notion that firms bulk up as they age is, in the aggregate, not supported by data."

Jobenomics agrees with both the WSJ and Kauffman analyses. Moreover, the Jobenomics 20-part series, entitled President Trump's New Economy Challenge[12] provides a detailed analysis why **the Trump Administration's bold economic (4% GDP) and job creation (25 million new jobs) vision is likely to fall short** due to its concentration on big business rather than small business creation and sustainment. Small business is not only critical to net job creation; it is the primary determinant for GDP growth given the fact that big firms are increasingly looking at automation and outsourcing (to foreign workers or domestic contingency workers) to replace the conventional full-time labor force.

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[10] U.S. Census Bureau, Business Dynamic Statistics Press Release CB17-TPS.68, 20 September 2017, https://www.census.gov/newsroom/press-releases/2017/business-dynamics.html

[11] Kauffman Foundation, The Importance of Startups in Job Creation and Job Destruction, 9 September 2010, http://www.kauffman.org/what-we-do/research/firm-formation-and-growth-series/the-importance-of-startups-in-job-creation-and-job-destruction

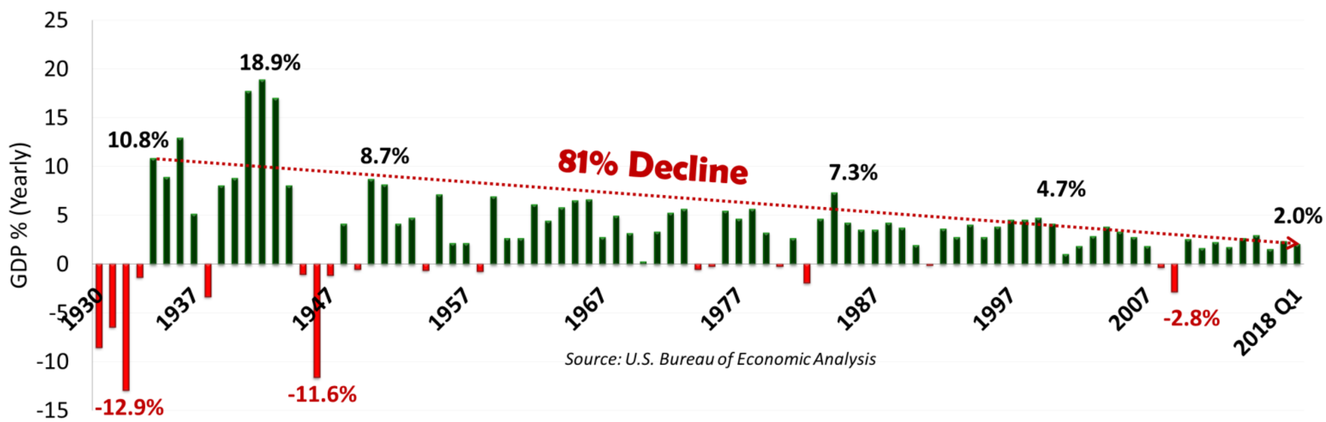
[12] Jobenomics, President Trump's New Economy Challenge, 6 February to 4 April 2017, https://jobenomicsblog.com/wp-content/uploads/2011/11/President-Trumps-New-Economy-Challenge-Series-6-February-–-4-April-2017.pdf

Jobenomics Gross Domestic Product (GDP) Analysis.

U.S. GDP history from 1930 to present has been on a downward trend as shown.

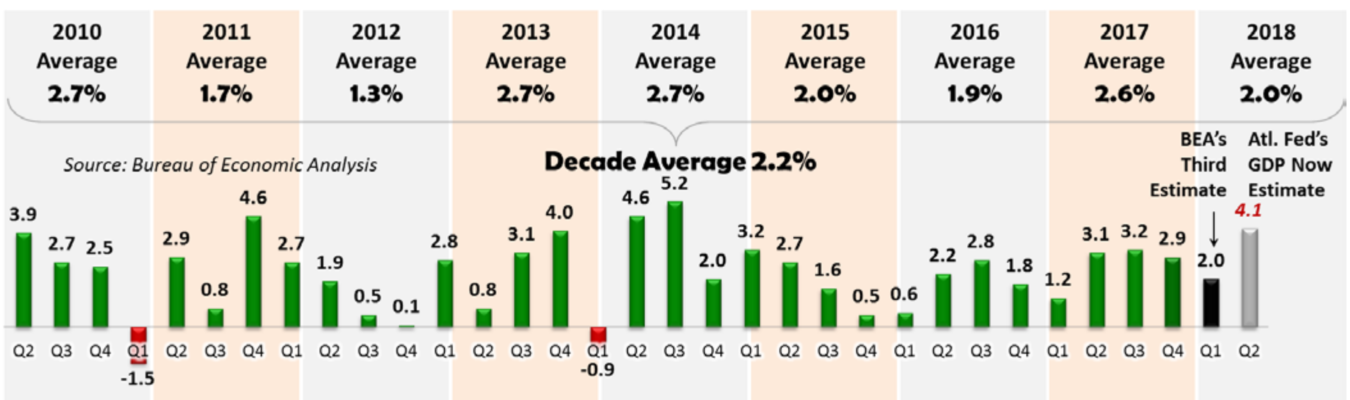
U.S. GDP History (1930 to Present)

Source: BEA, Table 1.1.1. Percent Change From Preceding Year



The ideal rate for U.S. GDP growth is around 3%. Any GDP growth below 2% is sclerotic, which makes the U.S. economy vulnerable to financial downturns.

Real GDP Quarterly Percent Change This Decade



According to the U.S. Bureau of Economic Analysis (BEA[13]), during the post-recession recovery period from Q1 2010 through Q1 2018, U.S. GDP averaged 2.2%. In 2015 and 2016, U.S. GDP grew by subpar rates of 2.0% and 1.9% respectively. During the 8-years of the Obama Administration, GDP averaged 1.8%. During the first year (Q1 through Q4 2017) of the Trump Administration, GDP averaged 2.6%. BEA's third estimate for Q1 2018 is a disappointing 2.0%.

[13] BEA, National Data, GDP, Table 1.1.1. Percent Change From Preceding Period in Real Gross Domestic Product, https://www.bea.gov/iTable/iTable.cfm?reqid=19&step=2#reqid=19&step=3&isuri=1&1921=survey&1903=1

For Q2 2018, as of 2 July 2018, the Federal Reserve Bank of Atlanta's GDPNow[14] forecast is 4.1%—an optimistic but encouraging projection. Unlike recent previous quarters that were downgraded significantly from initial projections, the Fed's Q2 2018 projections hovered above the 4% level (at one point as high as 4.8%) since its initial forecast on 30 April 2018. The GDPNow's "Blue Chip consensus" survey of leading business economists forecast that Q2 2018 growth will be 3.7% with a low estimate of 3.2% and a high estimate of 4.4%. If a 4.0%+ projection is realized, it will be good news for the Trump Administration and an indicator that the Administration's tax and regulatory policy changes are bearing fruit.

While GDP growth does not ensure employment growth, sclerotic GDP growth discourages business hiring, consumer spending and labor force expansion. Sclerotic GDP growth also discourages lower rates of unemployment and voluntary workforce departures. Negative GDP growth creates recessions and depressions depending on the severity and longevity of the contracting economy.

The period of sclerotic GDP growth from 2000, has dramatically impacted the American middle-class and the U.S. labor force that is weaker by 11 million workers today than at the beginning of the 21st Century. Even though wages have improved in the last year, for most American workers, real salaries (purchasing power) have not increased significantly for decades in contrast to other economies, like China's wages (Gross National Income[15]) that have increased 26-fold over the last three decades. Also weak labor force growth and stagnant wages, America's aggregate household income has shifted from middle-income to upper-income households, causing many middle-class workers to leave the workforce altogether. The solution to building a robust middle-class is to accelerate GDP growth, which requires the creation of more productive private sector jobs, which, in turn, can only be generated by a massive expansion of the small business sector.

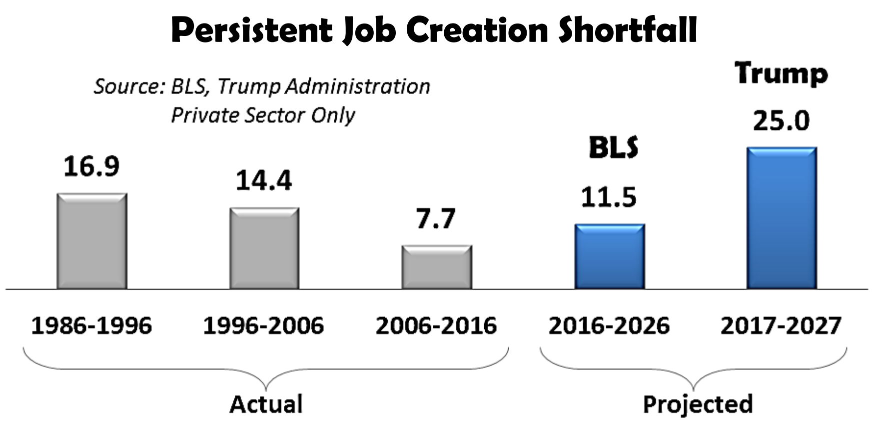
[14] Federal Reserve Bank of Atlanta, GDP Now, https://www.frbatlanta.org/cqer/research/gdpnow.aspx
[15] The World Bank, GNI per capita, Atlas Method, https://data.worldbank.org/indicator/NY.GNP.PCAP.CD?end=2016&locations=CN-US&start=1987

Concluding Thoughts.

President Trump's vision of a "dynamic and booming economy" is one that can produce a GDP growth rate of "4% over the next decade." This vision ultimately depends on mass-producing business, especially small business, in sufficient quantities to create 25 million net new jobs. Sclerotic (0% to 2%) or recessive (negative) GDP rates depreciate a government's legitimacy. Robust GDP growth of over 3% will have the opposite effect. 4% growth will truly "make America great again."

According to the nonpartisan Congressional Budget Office's 2017 to 2027 Budget and Economic Outlook report [16], "over the next five years, the monthly increase in nonfarm payroll employment, which is estimated to average 160,000 jobs in the first half of 2017, is projected to settle down to an average of 64,000 jobs." If this CBO forecast is correct, the next decade is likely to produce only 9 million American jobs, which is far short of President Trump's projection of 25 million new jobs.

U.S. Bureau of Labor Statistics also does not foresee robust labor force growth. The U.S. Bureau of Labor Statistics Employment Projections: 2016-26 Summary[17] published on 24 October 2017—ten months into the Trump Administration—projects that the next decade will produce only 11.5 million new jobs. 11.5 million is a shortfall of 13.5 million jobs when measured against the Trump Administration goal of 25 million jobs. It is also below the gains experienced in the two prior ten year periods covering 1986-1996 (16.9 million) and 1996-2006 (14.4 million).



The BLS Employment Projections Summary projects a loss of 219,000 jobs in Goods-Producing Industries supersector group with gains of 864,700 jobs in Construction and 90,800 in Mining and Logging (including oil and gas extraction, and exploration and support services) supersectors, and a massive loss of 736,400 jobs in the Manufacturing supersector.

Per the BLS, the Service-Providing Industries supersector group is projected to gain 10,526,500 jobs with the most substantial growth in employment occurring in Health Care and Social Assistance (3,998,300), Professional and Business Services (2,159,700) and Leisure and Hospitality (1,319,000) supersectors. The vast majority of employment gains in the service-providing supersector will be lower wage jobs in the contingent workforce.

[16] Congressional Budget Office, 2017 to 2027 Budget and Economic Outlook, https://www.cbo.gov/publication/52370
[17] U.S. Bureau of Labor Statistics, Employment Projections 2016-26 Summary, http://www.bls.gov/news.release/ecopro.toc.htm

For Agriculture/forestry/fishing industries, the BLS Employment Projections Summary expects a net loss of 6,100 jobs. Small self-employed farmers will suffer a loss of 23,000 while larger corporate farms will increase by 17,000 wage earners. According to the Department of Agriculture[18], the number of American farms decreased by two-thirds (6.8 million to 2.1 million) since its peak in 1935, while the size of farms tripled (440 acres verse 155 acres). With the possible exception of indoor controlled agriculture (e.g., hydroponics, aquaponics, vertical farming, and cannabis), the era of small American farms is at its nadir.

The Federal government is expected to downsize by 55,800 while State and Local governments should increase by 788,700 workers, per the BLS Employment Projections 2016-26 Summary.

Jobenomics tends to agree with these rather gloomy CBO and BLS forecasts for the reasons discussed in the Jobenomics 20-part series entitled President Trumps New Economy Challenge. However, the Trump Plan can be amended to change CBO and BLS labor force projections from negative to positive.

With proper leadership, the Administration can lift tens of millions of Americans out of poverty by making the following four structural changes to President Trump's economic and job creation plan:

- Balancing the traditional standard industrial economy with the newly emerging nonstandard digital economy,
- Mitigating the mass-exodus of capable workers who are voluntarily departing the U.S. labor force for lives of dependency and alternative (often illicit) lifestyles,
- Addressing the challenge of the ever-growing contingency workforce that will soon be the dominant form of labor in the United States, and
- Mass-producing small and self-employed businesses—the engine of the U.S. economy—and the employer of the vast majority of Americans.

If the Trump Administration can achieve 4% GDP growth in a stable global economy, the U.S. economy will boom, and Americans will be euphoric. This feat will not be easy. The last time that the United States reached 4% in a single year was 2001. The last time that the United States achieved 4% in ten consecutive years over the previous 5-decades was never (3.5% was the highest from 1976 to 1985). Notwithstanding, if the Trump Administration can tie the 3.5% record over the next decade, they will be vindicated and worthy of much praise.

About Jobenomics: *Jobenomics deals with the economics of business and job creation. The non-partisan Jobenomics National Grassroots Movement's goal is to facilitate an environment that will create 20 million net new middle-class U.S. jobs within a decade. The Movement has an estimated audience of 30 million people. The Jobenomics website contains numerous books and material on how to mass-produce small business and jobs as well as valuable content on economic and industry trends. For more information see https://jobenomicsblog.com/.*

[18] U.S. Department of Agriculture, Farming and Farm Income, https://www.ers.usda.gov/data-products/ag-and-food-statistics-charting-the-essentials/farming-and-farm-income/