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JULY REPORT ON STATE NONFARM PAYROLLS INDICATES CONTINUING ECONOMIC PROBLEMS

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Last month Mayo Research Institute warned that the drop in the national rate of unemployment from 9.5 percent in June to 9.4 percent in July was misleading, that it swept aside double-digit rates of joblessness for important segments of the American labor force and other serious problems. Based on data drawn directly from the Bureau of Labor Statistics, we reported the following in August.

The U.S. economy has been shedding jobs for 19 consecutive months. Unemployment is 10.5 percent for men 16 years of age and older and 15.3 percent for men and women 20-24 years of age. The typical jobless person has been out of work for more than six months. An estimated 2.8 million of the unemployed in June were not counted as unemployed in July not because they found work but because they dropped out of the labor force. More than 6 million persons classified as not in the labor force in July want a job now. Nearly 2 million were working part time because they could find part time work only. Not counted as unemployed were nearly 800,000 discouraged workers. Perhaps most worrisome of all is the 10.1 percent jobless rate for full-time workers.

Preliminary payroll data for states and metropolitan areas released in September 1 by the BLS overwhelmingly confirm the warnings we expressed last month. In every state except Alaska and the District of Columbia, nonfarm payrolls were lower in July than in June. This loss of payroll employment applies even in North and South Dakota where the jobless rate in July was 3.9 percent and 4.7 percent respectively. Even with the improvement in payroll jobs in the nation's capitol, the July unemployment rate there stood at 10.4 percent. "The Last Frontier," however, has fared much better than DC – July joblessness in Alaska was 7.5 percent.

These data can be looked at in three ways. First, the jobs picture would have been even worse without the various interventions of the federal government in recent months including notably the $787 billion American Recovery and Reinvestment Act. However, there is no way to know for sure if government intervention actually saved any jobs. Second, it takes time for the stimulus funds to be put to work in the economy and therefore the full effect of the Act will not be felt until sometime later. Third, the stimulus package just isn't working. It is simply too early to tell if the ARRA has had any job-creation impact.

Data released on August 27 by the Bureau of Economic Analysis indicated that in April-May-June real gross domestic product -- the output of goods and services produced in the United States – declined at an annual rate of 1.0 percent which was much better than the decline of 6.4 percent in the first three months of 2009. However, the second quarter figure is misleading for three reasons.

First, whereas personal consumption expenditures, especially for durable and nondurable goods, increased by 0.6 percent in the first quarter, those expenditures actually decreased in the second quarter by 1.0 percent. Second, by far the most important boost in GDP in the second quarter came from national defense expenditures which increased at an annual rate of 13.3 percent -- twice the rate of increase reported for federal nondefense expenditures and for peace advocates certainly no positive indicator of economic performance. Third, quarter-to-quarter change in spending by U.S. producers on items such as capital plant and equipment, and residential construction has been negative in every one of the last seven quarters. In addition, businesses across the country have been drawing down their inventories of finished goods for the last 14 quarters.

Other disturbing information comes from the FDIC which reports that bank failures have risen from one bank in January-February 2008 to 39 in July-August 2009.

Economists measure economic performance in terms of real GDP and to some extent dismiss employment and unemployment as lagging indicators. Mayo Research Institute, on the other hand, measures performance first and foremost in terms of the needs of working Americans, with attention to detail so as not to be misled by wishful thinking linked to a single global number such as a drop in the national unemployment rate from 9.5 percent to 9.4 percent. The current data on employment and unemployment, disaggregated by demographic group and by state, indicate unambiguously that the United States still is deeply mired in recession. The recession will come to an end when Americans are back at work.

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