THE ECONOMY OF THE UNITED STATES: BELIEVE ONLY TEN PERCENT OF WHAT YOU HEAR AND NOT MORE THAN FIFTY PERCENT OF WHAT YOU READ

One should be sympathetic with the plight of the President of the **U**nited **S**tates (US) when he stumbles or stutters, during a radio address, or when he makes statements that are, patently, materially or completely, incorrect.

Because, really, he is completely out of his depth when it comes to trying to issue a discourse on most subjects.

While President George W. Bush is, still, trying to learn such things as Africa is a continent and not a country, he, nevertheless, has to rely on his minders and helpers to advise him on what to say and when to say it.

Last Saturday, for instance, President George W. Bush, in his weekly radio announcement to the world, said:

> *'Good morning. This week, we received some encouraging news on the economy. The nation's economy grew faster than expected in the second quarter. Manufacturers are receiving more orders and their inventories need to be replenished, home builders are busy meeting near-record demand, and retailers report that consumers are buying more goods. Many economists expect that growth will accelerate in the coming months.*
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> *'Yet this week's employment report also shows that many Americans who want to work are still having trouble finding a job. My Administration is acting to promote faster growth to encourage the creation of new jobs. The key to job growth is higher demand for goods and services. With higher demand, businesses are more likely to hire new employees.*
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> *'The best way to promote growth and job creation is to leave more money in the pockets of households and small businesses, instead of taxing it away. So we lowered income tax rates, cut taxes on dividends and capital gains, reduced the marriage penalty and increased the child tax credit. This week, the checks for up to $*(US)*400 per child started arriving in the mail boxes of American families. That money will help American families move the economy forward.*
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> *'We have, also, taken action to help small businesses, who are the job creators of America. We increased tax incentives for equipment purchases, giving small businesses an additional reason to invest. More orders for machinery and equipment means more jobs. And more business investment can lead to greater worker productivity, which helps raise worker wages …'.*

TARGET does not question President George W. Bush's good Christian intentions and/or dedication to his office, but he, really, ought to do something about his speech-writers by employing people, who have a better understanding of the English language, as well as having people on his staff, who know about statistics and of the pitfalls in employing them, willy-nilly, without full reference to their implications, explicit and by interpolation.

Aside from the fact that last Saturday's radio announcement regurgitated a great deal of the same, old material, used over and over again in many of his previous speeches, it was, also, a lesson in how a person can obfuscate a situation by bombarding his audience with facts and figures in an attempt to prove the logical fallacy: Numbers Prove.

<u>Looking At The Unvarnished Facts</u>

The US Government's **B**ureau of **E**conomic **A**nalysis (BEA) announced, just last Thursday night, that the Real **G**ross **D**omestic **P**roduct (GDP) – the output of goods and services, produced by labour and property, located in the United States – increased at an annual rate of 2.40 percent in the second quarter. (The first paragraph of the President's announcement)

But one of the main contributors to the growth in the real GDP in the second quarter was US Government spending on defence.

The BEA said, inter alia:

> *'The major contributors to the increase in real GDP in the second quarter were personal consumption expenditures (PCE), Federal defense spending, nonresidential fixed investment, and residential fixed investment. The contributions of these components were partly offset by negative contributions from private inventory investment and from exports …'.*

Then, later on in the BEA's release of July 31:

> *'The price index for Gross Domestic Purchases, which measures prices, paid by US residents, increased 0.30 percent in the second quarter, compared with an increase of 3.40 percent in the first* (quarter). *Excluding food and energy prices, the price index for Gross Domestic Purchases increased 0.70 percent in the second quarter, compared with an increase of 1.80 percent in the first* (quarter)...
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> *'Real exports of goods and services decreased 3.10 percent in the second quarter, compared with a decrease of 1.30 percent in the first* (quarter). *Real imports of goods and services increased 9.20 percent, in contrast to a decrease of 6.20 percent.*
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> *'Real Federal Government consumption expenditures and gross investment increased 25.10 percent in the second quarter, compared with an increase of 0.70 percent in the first* (quarter). *National defense increase 44.10 percent, in contrast to a decrease of 3.30 percent. Nondefense decreased 4.10 percent, in contrast an increase of 8.40 percent …'.*

The BEA's report puts a slightly different complexion on the same statistics that were spouted just 2 days later by the President of the United States.

What is very apparent is that, without the massive amounts of US Government defence spending, things would have looked a lot difference in the US economy.

Perhaps, the people of the US should thank Saddam Hussein for being that which he was when he ruled Iraq with an iron fist and had an arsenal of tons of weapons of mass destruction – which appeared to have vanished.

Turning, now, to the matter of employment and unemployment in the US, what is clear is that, contrary to the US President's suggestion that things are on the mend in the economy of the world's only superpower, the number of people in the country, who are without employment, goes from one high level to an even higher one.

Put another way: The so-called economic recovery, as suggested by President George W. Bush, is devoid of putting men or women, back on the assembly lines.

The US employment situation for the month, ended July 3, 2003, indicated a decline of 44,000 jobs.

The US Bureau of Census said that, for the 2 months of May and June, net employment fell by about 72,000 jobs, putting the unemployment rate at about 6.20 percent.

While, on paper, that statistic looks promising, one has to bear in mind that that statistic is the second-highest since December 2002.

Further, that figure of 6.20 percent, as the unemployment rate in The Land of The Free and The Home of The Brave, came about, to a very great extent, due to the number of disheartened workers, who determined not to register with their local Labour Department office.

Between June 3, 2003 and July 3, 2003, the change in the number of people, having registered for replacement jobs with the Department of Labour, fell by about 556,000 workers.

The unemployment *'pool'* , therefore, so to speak, shrank by about 6 percent, Month-on-Month, to about 9.06 million people.

In truth, however, the unemployment rate in the US, adding back those 556,000 workers, who have given up their attempts to find replacement jobs, must be somewhere in the region of 9.62 million people.

Which must be something of a decade-high level.

Such statistics, as the unemployment rate, depend, entirely, on the compilation of statistical information, gathered from the unemployed, who register as such.

If workers do not register as being out of work, then, the statistics belie the true situation – which is, probably, what has happened in this case.

(It is a pity, really, that somebody in the White House did not point this out to the President)

As **TARGET** reported, last week, the number of mass layoffs, during the week of July 28 to August 1, could not have been less than 4,000 workers. (Please see TARGET Intelligence Report, Volume V, Number 145)

And **TARGET**'s statistics are only those that are the most visible, as publicised by major corporate entities that are statutorily forced to make declaration of material changes in their respective Establishment levels.

If **TARGET** can pick up such statistics with absolute ease, then, it is likely that this medium's figures are deficient by a wide margin … say, 80 percent or more?

The Bureau of Census made it clear, in its most-recent report, that losses of jobs occurred frequently in the manufacturing sector of the economy, brought about by the closure of plants, for one reason or another, including, but not limited to retooling, which takes place, annually in the motor-vehicle industry.

While layoffs, due to retooling, may be of a temporary nature, when a company, such as Pep Boys – the largest motor vehicle parts supplier in the US – which laid off some 700 workers, closing down some 33 of its stores, such layoffs are of the permanent variety.

The Bureau of Census figures, relating to about 556,000 workers, who dropped out of the labour force in the US, means, also, that these workers are, still, without work, but have not registered, obviously thinking that it is pretty much a waste of their time, so to do.

Without the labour force defection, the unemployment rate, according to **TARGET**'s calculations, would have been at least 6.50 percent.

Which must be another decade-high level, Mr President!

Manufacturers in the US are not hiring more workers simply because they do not see a corresponding improvement in sales, either today or tomorrow, to justify employing more staff.

While the housing market in the US continues to add fuel to the economy, it is not translated down the line to the non-residential market.

Again, turning to the Bureau of Census for information, it appears that, in the month of June, construction spending, seasonally adjusted, was about $US217.30 billion.

That figure was unchanged from the Bureau's statistic for the month of May.

Private residential construction spending, however, rose from the May figure of about $US38.50 billion to the June 3 figure of about $US40.60 billion.

Low interest rates are the reason for the increase in private residential construction, as **TARGET** has stated, many times in the past.

Looking at the Bureau's statistics, as a whole, there were precious little changes between May and June, this year.

Turning to the matter of motor-vehicle sales in the US, it would appear, clearly, that despite all of the cash incentives and the zero-financing packages, being offered by the Big Three – Ford, General Motors and DaimlerChrysler – US consumers are not rising to the bait.

Japanese producers of motor vehicles, specifically, Honda and Toyota, are *'stealing'* sales from Ford and DaimlerChrysler, according to anecdotal information, obtained from publicised releases from motor-vehicle sales offices and public relations companies, employed by the Big Three.

Ford's sales of all types of its vehicles, for the month, ended July 3, were about 3.30 million units, seasonally adjusted.

That would appear to be unchanged from the May and June sales, but is down from the December 2002 figure of about 3.70 million unit sales.

DaimlerChrysler sales for the same period, however, were abysmal, at about 2 million units, which is close to the lowest level since January 2003, when the figure for that month's sales were about 1.90 million units.

Compared with June's figures, DaimlerChryler's sales of motor vehicles dropped by about 200,000 units, or 9.09 percent, with the month.

On the other hand, sales of Honda motor vehicles hit their highest level since at least December, last year, at about 1.50 million units.

The July figure was an improvement of about 300,000 units, compared with the June figure.

Toyota vehicle sales in the US improved, Month-on-Month, by about 100,000 units, to 1.90 million units.

That figure was equal to the number of Toyota motor vehicles, sold in the US in March and May, which were the highest figures since last December.

Of the Big Three, only General Motors made any headway in the very competitive market in the US, with sales of about 5.30 million units in July, up from 4.70 million units in June.

US-produced vehicles accounted for about 62 percent of all motor vehicles, sold in Continental US in the month, ended July 3.

<u>Conclusion</u>: If the US economy is pulling ahead, it is doing so at a snail's pace.

The US Federal Reserve Board appears to concur with **TARGET**'s prognostications – and said so, just last week in its Beige Book.

The Fed said that (a) prices of manufactured goods were *'soft'* and (b) consumer spending had been *'lacklustre'*.

As for the release of some $US200 million into the economy, that money, being cheques for US families with kiddies and tax incentives, etc, it is doubtful that such a small amount of money will have much impact on anything except to pay off some families' debts and buy some new shoes for the children. (Paragraph 3 of the President's radio address)

TARGET, still, cannot see the reason for any suggestion that the US economy is on the mend in any material way.

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