The State of the US Economy is a Sham Prosperity that Could Still Serve Trump Well

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The economic indicators that are reflecting the appearance of a steady prosperity in the US Economy are quite misleading as the US Economy in virtual reality is steadily underperforming. However, appearance of a steadily prospering economy could very well serve the incumbent US President in his bid for re-election on November, 2020. This is also true in view of the ongoing Democratic Presidential hopefuls of all kinds and brands jumping on the bandwagon undermining the seriousness of the bid of Democratic party to garner the conditions to wrestle the US Presidency come November, 2020.

Since the economic recovery in the US carried on steadily, uninterrupted, for nearly a whole decade after the 2008 Financial Meltdown, foremost during the past two and a half years of the reign of President Donald Trump - as much reflected by the statistics of low rate of unemployment; generally outperforming stock and bond markets; low interest rates and reported low inflation – the truth of the matter remains that the US Economy in virtual reality has been significantly underperforming in real terms, and the US is steadily losing its economic competitive edge in the world.

Ever since the Federal Reserve money printing machine went on a free run swamping the financial markets with liquidity under the rubric of Quantitative Easing and the US Government’s bailout of major US business enterprises in the immediate aftermath of the 2008 Financial Meltdown, the FED Money Machine continued ever since non-stop to compromise the true real performance of the US Economy.

In a recent article entitled “The State of the Economy,” June 6, 2019, by one of the US’ most prominent conservative political economists, Paul Craig Roberts* of the Institute of Political Economics, Dr. Roberts dissected the filtering statistics of the economic indicators proving them as being grossly falsely misleading. Below are

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Dr. Roberts’s conclusions on the real rate of unemployment that is far much higher than the 3.5% reported by the Government, as equally true of the rate of inflation that has long been systematically deflated to show misleading figures of income and economic growth.

**Failure of the FED to Stimulate the Economy**

Since a whole decade, since the 2008 Financial Meltdown, the FED’s free money printing under the rubric of Quantitative Easing to keep interest rates down in order to stimulate the economy by encouraging consumer spending and business investment that would result in more output and employment, failed to achieve its intended objectives.

- For a decade, the FED policies consistently lowering the interest rates *did not result in stimulating business investment*.

- Rather than borrowing at low interest rates in order to invest more, *corporations borrowed in order to buy back their stock*.

- Some corporations after using all their profits to buy back their own stock went into debt in order to further reduce their market capitalization (Leverage Loan Crisis could be pending threatening a new financial crisis similar to the Subprime crisis that triggered the 2008 Financial Meltdown).

- Instead of stimulating business investment, the liquidity supplied by the FED drove up stock and bond prices and spelled over to Real Estate.

- Consumers, devoid of income growth, maintained their living standards by going deeper into debt.

- Many households in America live on Credit Cards by paying the minimal amount, with the result that their indebtedness grows by the month.
Tampering with Inflation Measures distorts the Economic Growth Rate

It is difficult to know the real growth rate of the economy because the measures of inflation have been tampered with to avoid cost-of-living adjustments for Social Security Recipients and the Payment of the COLA adjustments in Contracts.

- Changes were made to the weight of the items in the Consumer Price Index in order to reduce the inflation that the Consumer Price Index measures.

- Something similar was done to the Producer Price Index which is used to deflate nominal GDP in order to measure real economic growth.

- GDP is measured in terms of money, and some of the growth in the measure is due to price increases rather than to more output of goods and services.

- In order to have a good estimate of how much real output has increased, it is necessary to deflate the nominal measure of GDP.

- If inflation is underestimated, then the real GDP measure will be overestimated.

- When economists adjust the real GDP measure for the understatement of annual inflation, there has been very little economic growth since 2009. The economy remains far below its pre-recession level in 2008.

- The belief that the US had a decade long economic recovery is likely to be an illusion produced by underestimating inflation.

- Every day experience with the prices of food, clothing, household goods, and services indicates a higher rate of inflation than is officially reported.
The Actual Unemployment Rate is Much Higher than the 3.5% Officially Reported

The lower unemployment rate that is reported is also an illusion.

- The Government achieves the low rate by not counting the unemployed. The government treats discouraged workers who cannot find jobs as no longer being in the work force and omits them from the measure of unemployment.

- John William of Shadowcasts estimated that the real rate of US unemployment is 20%, not 3.5%.

- The decline in the labor force participation rate supports William’s conclusion. Normally, a booming economy, which is what 3.5% unemployment represents, would have a rising labor force participation rate as people enter the work force to take advantage of the employment opportunities. However, during the alleged ten year boom, the participation rate has fallen, an indication of poor job opportunities.

- What emerges from the survey that new jobs reported are for the most part low productivity, low value-added, lowly paid jobs.

- Another conclusion is that the number of full-time jobs are declining and number of part-time jobs are rising (I like to inject here a thought; I am wondering if this is the result of the encroachment of Artificial Technology that according to some estimates – read Kaifu Lee’s book “AI Supowepowers” – would eliminate in the next 15 years nearly 40% of existing jobs in the US as is also true of the rest of the Industrialized nations of the world…Rajai).

- Statistics and surveys show that the US living standards have declined since the 1950s when one income was sufficient to support a family. Today, most households require two earners to make ends meet and then barely. Saving is a declining option.
• A FRD Report a couple of years ago concluded that about half of American households could not produce $400 cash unless personal possessions were sold.

The Story of the Stock Markets Including manipulations by the “plunge protection team.”

As the FED low interest rate policy has not served ordinary Americans or spurred in investment in new plant and equipment, who has it served?

• The answer is Corporate Executives and Shareholders as the liquidity supplied by the FED has gone mainly into the prices of financial assets, it is the owners of these assets who have benefited from the FED’s policy.

• The few economists capable of thought wonder about the high price/earnings ratios of US stocks and the 26,000 Dow Jones when stock buy-backs indicate that US corporations see no investment opportunities. How can stock prices be so high when corporations see no growth in US consumer income that would justify investment in the US?

• When President Reagan’s supply-side economic policy got the Dow Jones up to 1,000 the US still had a real economy. How can it be that today with America’s economy hollowed out the Dow Jones is 25 or 26 times higher? Manipulation plays a role in the answer.

• In Reagan’s last year in office, the George H.W. Bush forces created the Working Group on Financial Markets, otherwise known as the “plunge protection team,” the purpose of which was to prevent a stock market fall that would deny Bush the Republican nomination and the presidency as Reagan’s successor. The Bush people did not want any replay of October 1987.

• The plunge protection team brought together the Federal Reserve, Treasury, and Securities and Exchange Commission in a format that could intervene in the stock market to prevent a fall. The easiest way to do this is, when faced
with falling stock prices, to step in and purchase S&P futures. Hedge funds follow the leader and the market decline is arrested.

- The Federal Reserve now has the ability to intervene in any financial market. Dave Kranzler and Paul Craig Roberts have shown repeatedly how the Federal Reserve or its proxies intervene in the gold market to support the value of the excessively-supplied US dollar by printing naked gold contracts to drop on the gold futures market in order to knock down the price of gold. A rising gold price would show that the dollar support arrangements that the Federal Reserve has with other central banks to maintain the illusion of a strong dollar is a contrived arrangement rejected by the gold market.

*Paul Craig Roberts* is an American economist and author. He formerly held a sub-cabinet office in the United States federal government as well as teaching positions at several U.S. universities. He is a promoter of supply-side economics.

Roberts taught at Stanford University and the University of New Mexico before going to work as an analyst and adviser at the United States Congress where he was credited as the primary author of the original draft of the Economic Recovery Tax Act of 1981. He was the United States Assistant Secretary of the Treasury for Economic Policy under President Ronald Reagan and – after leaving government – held the William E. Simon chair in economics at the Center for Strategic and International Studies for ten years and served on several corporate boards. A former associate editor at *The Wall Street Journal*, his articles have also appeared in *The New York Times* and *Harper's*, and he is the author of more than a dozen books and a number of peer-reviewed papers.

In 1987 Roberts was invested into the Legion of Honor (*Légion d'honneur*) at the rank of *chevalier* (knight) by President of France François Mitterrand. He is also recipient of the United States' Treasury Meritorious Service Award and the International Journalism Award for Political Analysis from the Mexican Press Club.