Tomorrow's Affairs
Analysis of today
Assessment of tomorrow

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The United States Jobs Report Shows True Economic Weakness

The November jobs report showed an apparently robust 227,000 addition to payroll employment. The market reaction was quite strong considering stocks had reached an all-time high after the Trump victory.

However, a closer examination of the jobs report reveals why Americans remain frustrated and unhappy, even in the face of an allegedly tight labor market.

The unemployment rate in November, at 4.2%, is higher than in December 2021, 3.9%, and the pre-pandemic low of 3.5%.

The labor force participation rate has been declining since November 2023 and, at 62.5%, remains below the pre-pandemic level of 63.3%. The employment-to-population ratio is also below the pre-pandemic level of 61.1%.

In fact, the employment-to-population ratio has slumped since May 2023 and closes November 2024 at a three-year low of 59.8%.

The number of unemployed citizens in November rose to 7.1 million, which is 800,000 more than a year ago. The number of unemployed citizens is 1.4 million higher than the pre-pandemic low of February 2020.

Given that government jobs increased by 33,000 in November and have been rising by an average of 40,000 per month for years, it is important to put these already disappointing figures in context.

Excessive government spending

In 2023, almost 25% of all jobs created were government jobs, and in the past four years almost 40% of all jobs created came from the public sector.

These figures are uninspiring, especially in light of the Biden administration's implementation of the most aggressive fiscal stimulus in peacetime history. The trillions of dollars of deficit spending did nothing to improve the trend of job growth.

In fact, excessive government spending and printing have created elevated inflation, which has acted as a deterrent to productive growth, investment, and private sector jobs.

> The government's actions have resulted in a significant surge in spending and debt

Another piece of evidence of the poor development in the labor market in the past four years is that median real wages of full-time employees remain below the first quarter of 2021 level.

If you're looking for proof of the ineffectiveness of the government's so-called stimulus plans, all you need to do is look at the previously mentioned figures.

The government's actions have resulted in a significant surge in spending and debt, heightened inflation, stagnant real wages, and the most unfavorable employment statistics, especially when we subtract government jobs and keep in mind the substantial rise in government spending.

Biden worsened the trend of private sector employment

We can conclude that Biden worsened the trend of private sector employment, eroded the purchasing power of wages, and, ultimately, made American workers poorer by implementing an aggressive neo-Keynesian policy focused on government spending and public sector jobs, adding more than $7 trillion to the national debt in the process.

Examine the egregious return on capital that these policies employ. The policies have led to an additional debt of $7 trillion, resulting in an increase in the number of unemployed citizens by 1.4 million compared to February 2020.

The primary effect of the stimulus plans was to increase debt and government employment, which in turn exacerbated the decline in private sector job growth. We must also remember that the Biden administration arrived when the economy was already bouncing back strongly in January 2021.

> If the government penalizes the private sector with more taxes and bureaucratic burdens, the economy stagnates

The lessons of this disaster are clear.

There is no multiplier effect associated with government spending. Economists should stop calling these government programs "stimulus," because the only thing that they stimulate is debt and bureaucracy. We should collectively refer to these programs as a waste of taxpayer funds.

Another important lesson is to understand that if the government penalizes the private sector with more taxes and bureaucratic burdens, the economy stagnates, and workers are the first to suffer the consequences.

Unions should be the first to fear when the government announces a Build Back Better-style plan or the Inflation Reduction Act. The latter became the Inflation Perpetuation Act, and the former became the Build Debt Faster plan.

A warning sign

The United States government must act quickly to recover the real strength of the economy and create excellent jobs with higher real wages.

To stop the cumulative impact of inflation on citizens, the administration must act quickly to cut government spending meaningfully and reduce the deficit. Additionally, the government must cut taxes to businesses and families. Those two measures would immediately support a strong improvement in real wages and private sector job creation. The result will be a stronger currency, a solid and efficient administration, and a more productive private sector.

The administration must act quickly to cut government spending meaningfully and reduce the deficit - Daniel Lacalle

The worst thing the United States could do is copy France. The nation known for having the highest taxes in the OECD, the largest government and administration, and the highest public spending to GDP is currently in a state of disarray.

The country's deficit has spiraled out of control, hindering growth and suffocating taxpayers. Meanwhile, dissatisfaction among all citizens, including those receiving entitlements relegated to a dependent subclass, is on the rise.

The latest jobs report in the United States is a warning sign. Things need to change fast to recover tax competitiveness, investment, and real productive job growth with strong real wages.

The final lesson is that replicating the policies of the eurozone leads to stagnation and high unemployment.