# THE GINN ECONOMIC BRIEF

U.S. ECONOMIC SITUATION APRIL 2022 | VANCE GINN, Ph.D., CHIEF ECONOMIST

**80%**

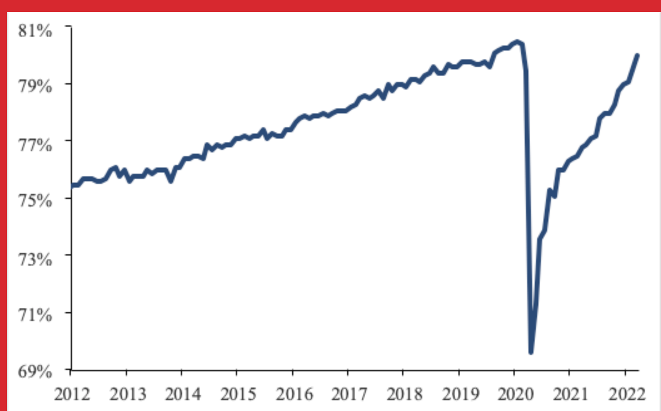
**PRIME-AGE EMPLOYMENT-POPULATION RATIO IN MARCH 2022**

**Total nonfarm employment down 1.6 million jobs since February 2020**

*Click here for details.*

**OVERVIEW:** The shutdown recession from February to April 2020 was devastating, and the costly effects of the policy errors since then have been large and long-lasting. There must be a return to the dignity and permanent value of work instead of dependency on government from Washington's big-government agenda and mandates related to COVID-19. The U.S. labor market is better, but improvements are needed. This is in spite of Congress adding $6 trillion in deficit-spending since January 2020 to reach the new high of $30 trillion national debt. And the Federal Reserve has monetized the vast majority of the new debt, leading to a 40-year high inflation rate. Given high inflation and a stagnating economy, stagflation is here for the first time since the 1970s. Congress and the Fed should stop overspending and overprinting money, respectively, and instead provide pro-growth policies so that Americans can improve their livelihoods.

**EMPLOYMENT-POPULATION RATIO (25–54 YEARS OLD)**




**LABOR MARKET:** The U.S. Bureau of Labor Statistics released a mixed U.S. jobs report for March 2022. Although there were indicators of strength from the increase in monthly nonfarm jobs—431,000 (with 426,000 in the private sector)—and the typically reported U3 unemployment rate improving to 3.6%, weaknesses remain. These include inflation-adjusted wages down by 2.3% over the last year, a depressed prime-age (25–54 years old) employment-population ratio by 0.5 percentage point since February 2020, and a broader U6 underemployment rate of 6.9%. Moreover, since the shutdown recession ended in April 2020, total nonfarm jobs are up 20.4 million but are down 1.6 million from February 2020. About 61% of these total jobs gained were during the Trump administration from April 2020 to January 2021 and 39% of them during the Biden administration thereafter. Private nonfarm jobs have increased by 20.1 million but are down 869,000 from the peak. Similarly, about 63% of these private jobs gained were during the Trump administration and 37% during the Biden administration. Adding to the concern in the labor market is a reported near record high of 5 million more unfilled jobs than unemployed people.

| | JUNE 2009 | FEBRUARY 2020 | APRIL 2020 | MARCH 2022 |
|---|---|---|---|---|
| Employment-population ratio (25–54 years old) | 75.9% | 80.5% | 69.6% | 80.0% |
| Unemployment rate (U6) | 16.5% | 7.0% | 22.9% | 6.9% |
| Private sector employment | 108.4M | 129.6M | 108.6M | 128.8M |

Data compare the following: 1) June 2009—Dated trough of the 2007-09 U.S. recession, 2) February 2020—Dated peak of the last expansion, 3) April 2020 is dated trough of the 2021 recession, and 4) March 2022 is the latest period.

**ECONOMIC GROWTH:** The U.S. Bureau of Economic Analysis reports the data below showing a comparison of real gross domestic product (GDP), measured in chained 2012 dollars, and real private GDP, which excludes government consumption expenditures and gross investment.

| | Q3:2009-Q4:2016 | Q1:2017-Q4:2019 | Q1:2021 | Q2:2021 | Q3:2021 | Q4:2021 |
|---|---|---|---|---|---|---|
| **Real GDP** (end of period) | $17.8T | $19.2T | $19.1T | $19.4T | $19.5T | $19.8T |
| **Annualized Growth** (avg for period) | +2.2% | +2.5% | +6.3% | +6.7% | +2.3% | +6.9% |
| **Real Private GDP** (end of period) | $14.7T | $15.9T | $15.7T | $16.0T | $16.1T | $16.5T |
| **Annualized Growth** (avg for period) | +2.9% | +2.7% | +6.7% | +8.7% | +2.6% | +9.0% |

The shutdown recession had historically large economic contractions of 31.2% in real GDP and 37.4% in real private GDP in Q2:2020 because of individual responses and government lockdowns related to the COVID-19 pandemic. The economy rebounded sharply in Q3:2020, as some states started reopening, but slowed down again in Q4:2020, as many states reimposed pandemic-related restrictions during the first winter wave. The recovery picked up again in Q1:2021 and sped up in Q2:2021, as many Americans returned to work and states appropriately reopened. But it slowed again in Q3:2021, as states restricted activity again during the second summer wave, then improved in Q4:2021 when more states lifted restrictions and ended the enhanced unemployment benefits. The growth in nominal GDP, measured in current dollars, in 2021 has been dominated by inflation, which distorts economic activity and represented half of the 13.4% increase in Q2, three fourths of the 8.4% increase in Q3, and about half of the 14.5% increase in Q4. The latest Atlanta Fed GDPNow projection on April 1, 2022, for real GDP growth in Q1:2022 was just 1.5%.

For historical comparison, the last expansion from June 2009 to February 2020 had average annualized growth of 2.3% in real GDP and 2.8% in real private GDP. The earlier part of the expansion had slower overall real GDP growth but had faster real private GDP growth. A reason for this discrepancy was that government spending in the latter period grew at a much faster rate, contributing to crowding out of private sector resources. With this excessive spending causing bloated national debt thereafter and especially since the shutdown recession, the Federal Reserve chose to monetize the new debt instead of allowing many interest rates to rise to a market-determined rate, resulting in higher inflation. Specifically, inflation has been increasing by a concerning 40-year high annual rate of about 8% per the consumer price index (CPI). After adjusting total earnings in the private sector for CPI inflation, real total earnings are up only 1.1% since February 2020. Elevated inflation will continue even as the Fed has been tapering its debt purchases.

High deficits and taxes are always and everywhere a spending problem. As the federal debt far exceeds U.S. GDP, and Biden has proposed an irresponsible FY23 budget, the time is now to employ a fiscal rule like the Foundation's Responsible American Budget (RAB) with a maximum spending limit based on population growth plus inflation. This would support an improved fiscal path and fewer policy distortions. If Congress had followed this approach from 2002 to 2021, the $19.8 trillion national debt increase would instead have been a $2.8 trillion decrease (surplus).

**BOTTOM LINE:** The U.S. economy and labor market are better, but more improvements are needed. The path forward should include pro-growth policies that look more like the policies that supported historic prosperity from 2017 to 2019, rather than the anti-growth, big-government policies of the more than $12 trillion in spending either authorized or proposed by Congress since the pandemic started and the massive tax hikes by Democrats in Congress and the Biden administration. It is time to make work great again and impose fiscal and monetary sanity before this perceived boom results in an inevitable bust.

# RECOMMENDATIONS

- Set a pro-growth path by lowering spending, deregulating, and cutting taxes at all levels of government.
- Reject new spending packages that would result in much economic destruction; pass the RAB instead.
- Champion return-to-work policies, impose strict fiscal and monetary rules, and end mandates.

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