GDP AND EMPLOYMENT

HUGE EMPLOYMENT GAP
CONSUMPTION SHARE OF GDP & CONSUMER SAVING

"EXCESS" DEBT: PAYING FOR THE "PARTY"
“EXCESS” DEBT: PAYING FOR THE “PARTY”

RETURN TO NORMAL?

TRADE DEFICIT

Source: BEA
SMALL BUSINESS FACTS

- 90% OF ALL EMPLOYERS HAVE FEWER THAN 20 EMPLOYEES
- 99% HAVE FEWER THAN 500
- PRODUCE HALF OF THE PRIVATE SECTOR GROSS DOMESTIC PRODUCT
- EMPLOY 50%+ OF PRIVATE SECTOR EMPLOYEES
- PRODUCE 2/3RDS OF THE NEW JOBS

SMALL BUSINESS OPTIMISM INDEX

(QUARTERLY, 1986 = 100)

FIRST MONTH IN EACH QUARTER
EXPECTATIONS FOR GENERAL BUSINESS CONDITIONS IN 6 MONTHS
(PCT “BETTER” - PCT “WORSE”)

EMPLOYMENT

CONSTRUCTION
MANUFACTURING
RETAIL
PROF/BUS SERVICES
GOVERNMENT

Employment

28000
23000
18000
13000
8000
3000

75 80 85 90 95 '00 '05 '10
AVERAGE CHANGE IN EMPLOYMENT PER FIRM

NUMBER OF WORKERS

QUARTERLY: FIRST MONTH IN EACH QUARTER

PERCENT OF OWNERS INCREASING OR REDUCING EMPLOYMENT

FIRST MONTH IN EACH QUARTER
JOB CREATION PLANS
% PLAN INCREASE - % PLAN DECREASE

JOB CREATION PLANS
(NET PERCENT PLANNING TO INCREASE EMPLOYMENT)
(RECOVERY FROM NBER TROUGH)
TEEN JOBS AND GDP GROWTH
(BEFORE AND AFTER MINIMUM WAGE HIKE IN 2009)

MINIMUM WAGE RISES OVER 10%

BLS, BEA

JOB CREATION

- NO JOB GROWTH WITHOUT POPULATION GROWTH, JUST JOB CHANGE
- JOBS CHANGE WITH TECHNOLOGY
- MOST NEW JOBS ARE “SERVICE”, LABOR INTENSIVE, DELIVERED IN LOCAL MARKETS, BEST DELIVERED BY SMALL FIRMS
- PRIMORDIAL STEW FROM WHICH A FEW LARGE FIRMS EMERGE, R&D OF ECONOMY
- HUGE TURNOVER, LOTS OF JOBS, TRAINING, EXPERIMENTATION, “MARKET TEST”
- DISTINGUISH BETWEEN BUSINESS CYCLE JOB LOSS AND NEW JOB CREATION
PERCENT PLANNING CAPITAL OUTLAYS
(NEXT THREE MONTHS)
(RECOVERY FROM NBER TROUGH)

OUTLOOK FOR BUSINESS EXPANSION
(PCT “NOW IS A GOOD TIME”)

"NO" for 15 quarters
INVENTORY SATISFACTION
(% “TOO LOW” - % “TOO HIGH”)

QUARTERLY

SEASONALLY ADJUSTED

ACTUAL PRICE INCREASES
SEASONALLY ADJUSTED

RAISED (NET)

FIRST MONTH IN EACH QUARTER
SMALL BUSINESS CREDIT PROBLEMS
(% HARDER TO GET - % EASIER)

REGULAR BORROWING ACTIVITY
(AT LEAST ONCE A QUARTER)
ALL CREDIT NEEDS NOT SATISFIED

LOAN DEMANDS WEAKEN THROUGH THE RECESSION
AVERAGE RATE PAID ON SHORT TERM LOANS

- RATE PAID
- 1 YR TREASURY
- SPREAD

Percent of Firms

SINGLE MOST IMPORTANT PROBLEM FACING OWNERS

- INFLATION
- CREDIT

FIRST MONTH IN EACH QUARTER: AUG, SEPT

CREDIT: NO PROBLEM
CURRENT SITUATION

- GOVERNMENT IS MAJOR SOURCE OF UNCERTAINTY – AT A MAX
- DISSATISFACTION RECORD HIGH - UofM
- MORE CONCERN WITH DEBT THAN UNE.
- FED OUT OF BULLETS FOR THE REAL ECONOMY
- MORE “STIMULUS”= DEBT =FEAR=LESS SPENDING AND LESS INVESTMENT
- LESS IS MORE IF MORE GOVERNMENT IS WHAT WE FEAR
CURRENT SITUATION

- All trying to live beyond means
- Need to declare winners & losers
  – Who wins, Greeks or Germans?
- Housing takes time
- Deleveraging = saving
- Jobs bill
- Operation Twist (in the wind)
- Grow pie or redistribute – Getty
- Anything we tax we get less of

THANK YOU!

- www.smallbus.org
- www.nfib.org/research
- CNBC.com, type “Dunkelberg” in the search box