

# The Truth about Economic Data

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I've been wanting to write this blog for a long time. It concerns our incorrect understanding of popular economic data. These are the GDP, the Dow, the unemployment rate... and the truth behind environmentalism.

I'm not trying to brag, but I do know what I'm talking about. I earned a 4.0 GPA in economics from NYU and won their best thesis award. So, I'm not a schmuck. Okay, I might be a shmuck, but I'm schmuck with an economics background.

## GDP

Let's begin talking about the GDP. What does it really mean? It's a simple formula...  $GDP = C + I + G - NE$ . It's supposed to represent economic activity. It does not. It measures spending. Spending is certainly useful to know, but it does not portray the state of our economy. Does the following conversation make sense to you?

You: "Hey neighbor! How's your financial position?"  
Barry: "Great! I spent twice as much money than I did last year!"  
You: "But I thought you were broke?"  
Barry: "That's right, but I took out a 2<sup>nd</sup> mortgage."  
You: "Don't you worry about paying it back?"  
You: "Why? My kids will pay it back."

The only reason why economic activity is good, is because we're spending money that we don't have! The fastest growing segment of the GDP equation is Government Spending (G), Consumption (C) and investments (I). When we increase the debt, we increase GDP. The whole political system is incentivized to spend money that we don't have. (This is why we are taxed on savings and get tax deductions for borrowing.)

- Savings does not add to GDP.
- Getting healthy does not add to GDP.
- Conserving energy does not add to GDP.
- Peace does not increase GDP.

Get the point?

Also, spending less does not create campaign contributions. Congress is incentivized to spend money to repay the special interests who fund their campaigns. And, they would rather get reelected than make tough decisions which may not be politically popular.

Economic activity follows changes in policy by six months to two years. Changes in the money supply, interest rates, and taxes take time to ripple through the economy. Some types of fiscal and monetary policy are quicker and, naturally, some are slower. The debt is something that we can ignore for a while - maybe even for a decade. But, as soon as it's clear that we can't sell more debt without interest rates rising, then the ramifications will be catastrophic. In the past, the debt was expected to rise when times are tough, but, when the economy is growing, they are expected to pay down the debt. This is not happening.

## The Dow Jones Industrial Average

The Dow Jones Industrial Average is a collection of the 40 largest and most successful companies in the US. It does not represent the economy as a whole.

What's more, the same companies don't stay on the list. Weaker companies are constantly replaced with stronger, faster growing companies. As a matter of fact, there are no companies on the list today that were on the original list. In fact, there's only one company from the original list that's still in business at all (US Steel.)

Imagine, if there was another economic collapse and all the companies in the US went bankrupt - but these 40 companies happened to still remain. The Dow would be at record highs.

Furthermore, what this does not reflect is the status of small businesses in the US. Small business has always been the lifeblood of our economy. 80% of employees used to work for a company with less than 10 employees. But this is changing. Now, for the first time in history, these numbers are decreasing. Just as the rich getting richer and the middle class is shrinking, so our today's small businesses.

## The Unemployment Rate

What's the last term we'll bury? My favorite, the Unemployment Rate.

How complicated can this be? It's the unemployment rate. It represents the number of people unemployed. What's wrong with that?

We know the typical problems with this statistic. For example, this number does not reflect people working part-time looking for full-time work or people who are under employed. But let's put these issues aside for a moment.

First, the unemployment rate does not measure unemployment. It's hard to find the exact formula, because politicians change the formula over time to reflect a lower rate. (Politicians are always changing the formulas that make-up these statistics for political purposes. In fact, if I use the same accounting practices that congress uses, then I'd be in jail for life, right next to Bernie Madoff.

Nevertheless, the largest component in the formula (by far) are people who are collecting unemployment benefits. Once the benefits run out, they are no longer considered unemployed. As crazy as this sounds, it's true. Hypothetically, if everyone lost their jobs today. Then, in nine months, when everyone's unemployment insurance expires, the unemployment rate would be zero.

Second, we live in a freelance economy. More people than ever are classified as freelance workers. Just consider Google. Out of their 120,000 workers, half (a full 60,000) are hired as freelance workers. Even if all of these people were laid off, none of these people will ever be recorded as being unemployed.

Here's an interesting fact. What percent of Americans do you think are employed? 90%? 75%? The answer is under 50%. That's right, less than half the people living in America actually work. So, when I hear that there's a 4% unemployment rate, I just shake my head.

Why is this covered up... because both parties conspire in many ways to stay in power that are not visible to the public. Some of these illegal and unethical practices are described in my video, "Kiss Freedom Goodbye". (It was named Best Political Video for 2006.)

## Global Warming

This issue does not deal with data, but it is a topic that is purposely distorted for financial and political gain.

The people in power love the status quo. It's why they created the status quo in the first place. So, when it comes to change, they have the most to lose. The energy companies (mostly oil and coal) are terrified of change. It disrupts their process and cuts their profits.

Their biggest argument is that this is a tax and it will be bad for the economy. Nothing could be more false. By developing a whole new industry, we will create a vast number of new businesses.

When cars were first introduced, the horse and buggy industries were terrified – just as terrified as today's energy companies. At that time, the horse industry was a huge sector of the economy. And, converting to powered automobiles would be a disaster. Needless to say, that didn't happen. The car industry grew to over 25% of total GDP. (That has since come down.)

- Why do the energy companies spread this lie?... because they would need to compete with an entire new industry.
- Why do politicians spread this lie?... because the energy companies have tremendously more political influence than the environmental companies that are just starting up.

Let me put it this way...

If the environmental industry had the same influence in government as the oil companies, then politicians would support that industry instead.

- If Peace had a more powerful lobby than War, we would have Peace.
- If Getting Healthy donated more to political campaigns than Pharma, we'd be Healthier.

If you believe that building a new environmental industry is bad, then you are letting the business and political establishment influence your opinions by using very clever marketing. Don't be brainwashed. Personally, I don't know what all the fuss is about. My annuals don't die in the winter and my daffodils come out in December!

I welcome your thoughts and comments. For now, you can reach me on Facebook or my email address below.

Thank you for reading.

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