

# DIVIDENDCAFE | PODCAST TRANSCRIPTION

FRIDAY, SEPTEMBER 26, 2025

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Well, hello and welcome to this week's Dividend Cafe. I am your host, David Bahnsen, coming to you from New York City, and very excited for the third quarter to come to an end next week. I will spend next week with my partner, Brian Szytel, our director. Of investment solutions. Kenny Molina the three of us will once again this is actually the 20th anniversary of an annual money manager week that I've done in New York City, and we will spend next week in about 20 plus meetings with various money management partners will devote next week's Dividend Cafe to me, sharing some of the key insights from the week what we anticipate to be very candid and very.

Shall we say a deep dive conversations with managers across all sorts of asset classes and categories of the economy. We think that it's gonna be very informative to our own process. It always is. And I think that sharing some of these things in the Dividend Cafe next week will be useful to you.

Today's Dividend Cafe, speaking of useful to you. Is a little bit different than what we often do, and it's even different than its own title and category would suggest when you say, I'm gonna talk today in the Dividend Cafe about jobs, about the labor market, there is a very understandable connotation about the current state of the labor market.

And what it means to our economy, and that is in fact, how I have approached it in very recent dividend cafes, some of the more recent vulnerability in the BLS monthly jobs data, the A DP monthly jobs data, the weekly initial jobs was claims. Those things in tandem with questions about the impact of tariffs have all led to this sort of curiosity about cyclical.

Economic features are we cyclically facing some downturns with labor market vulnerability. We largely judge. An economy like the United States with 330 million people and tens of trillions of dollars of annual output in the connotation of

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employability, how many jobs we're able to create and what kind of job growth and wage growth we're generating.

And by doing it that way. Which is a very fair and appropriate cyclical measurement. We get to see how structurally healthy the United States economy has mostly been. I've written a couple dividend cafes recently. Suggesting why we're so structurally healthy. Our marriage to a free enterprise system and a free enterprise ethos with robust capital markets and a celebration of the things that make a free enterprise system work has served us well culturally and of course economically for 250 years.

But when we talk about economic challenges in America, we generally almost always have been talking about cyclical challenges because when we face rising unemployment, it corrects soon. Now that doesn't help the people going through it. Soon can be a relative term. Some recessions have been longer than others.

But the very diverse and dynamic nature of our economy is different than many other countries where when we have a cyclical downturn in certain aspects of labor, it doesn't torpedo the entire economy in a structural, permanent way. We have the ability to recreate, to reinvent, to replenish, and there's plenty of debates that can be had.

About how to treat recessions, what to do during recessions. The predominant school of thought for a little over 75 years now has been keynesianism that believes you treat recessions with government interventions to provide a fiscal counter punch to cyclical downturns. There are people, and I'm one of them, who vehemently disagree with that and believe that trying to treat a recession with intervention often exacerbates a problem or creates a new one.

That's a, perhaps another Dividend Cafe. I've most certainly spoken about it and written about it in other venues many, many times, and I will the rest of my life. But for our purposes today, that's not really my point. Regardless of how you think a recession should be treated, we're blessed in the dynamic robustness of the American economy that most of our recessionary issues are transitory, cyclical and that we have the ability in periods of rising unemployment.

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To get our people employed again, purging out mal investment, WW working through some of the excesses that a recession is trying to purge out. Those things have to happen at times when it's a full blown credit crisis. Like the great financial crisis of 2008 when it was the Great Depression we're not totally immune from the possibility of deflationary spirals, but my point being that we.

Generally look to the unemployment data, not because we wonder if it's about to ruin America, but because we wonder if it's speaking to a cyclical challenge. And we right now are living in a period of about 4% unemployment. It's been between three and a half and 4% since the years after the financial crisis.

That's historically very, very low. We've averaged about 5.7, maybe 5.8% unemployment. For 50 plus years, and we've been well below that for quite some time. That is all a good thing. Now, whether or not we are facing the cyclical challenge that I talked about at the beginning and I did a Dividend Cafe on about a month ago, whether or not the tariff issues combined with BLS revisions, are we facing some job market vulnerability as the current hiring freeze?

What appears to be in tandem with a firing freeze, where that tips, I don't know the answer, but I would suggest that this whole discussion speaks to the fact that we are very used to, in our country, referring to labor issues as a demand problem. Do we have enough demand from employers, from companies, from businesses, from economic opportunities for workers, and I think that we are ignoring to our own peril, the supply problem, the supply of workers to meet.

Job needs, opportunity needs, employer needs. This reversal is extremely important where we sit right now in history and whereas most demand oriented issues are short-lived and cyclical, as I've spoken about, we appear to be entering a structural issue of supply, shortage of workers, or a supply contraction.

That is not necessarily proving to be transitory or short-lived. So there's a chart we're gonna put up right now in the video showing the annual employment rate in the United States, and you can see here in the last several years. That 3.5 to 4% range. Now, obviously there's some spikes in other parts of the chart that are particularly higher, and those generally refer to periods of a bad recession.

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You see the COVID spike for a minute. You see the more prolonged financial crisis, but know that in the financial crisis, we stayed elevated between six and 10%. For several years from 2009 all the way to about 2015 and where it has settled, it not only settled lower, but it than that it settled lower than what it had been basically since my childhood.

That even in periods of really good economic growth in the eighties and nineties, nobody talks about the eighties or nineties as bad economic periods. Once you got past that 1982 recession. But we had basically unemployment that was structurally in the five to 6% range, not three to 4%. This seems like it's a good issue, but what I think we have to address now and we'll put a new chart up here indicating the inactivity rate.

The inactivity rate is working age population that is not in the labor force at all. They, it essentially refers to people who are working age. That either don't have a job or are not looking for one, and here you see a very steady increase in this number. Over the last 15 to 20 years. We won't put it up on the monitor now, but in Dividend Cafe there's also a chart of the labor participation fork, which is essentially kind of an inverse.

One is measuring those who are becoming active. One is measuring those who are active, and that is with a job or looking. But what I really wanted to do is get noise out of the data to test the hypothesis that we might be facing a new structural challenge. When we had a lot of time in the past where there were less women in the workforce and there's a lot more women in the workforce now, we wanna avoid apples to oranges comparisons when we just isolate the data to women only past child rearing years.

You have the highest. Activity, the lowest inactivity we've ever seen. When you isolate the data to prime working years 25 to 54, then there is the highest activity and labor participation for women we've ever had. Now those numbers. On an absolute basis are lower because the, in the twenties and thirties are where there are oftentimes women leaving to have children or staying outta the workforce for a period of time or whatever it may be.

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But the point being, there's enough anecdotal numbers around it that verify. We're not facing an issue of total aggregate decline in activity in labor participation with women. It's the opposite. Likewise, I could put charts up that reflect people under 25, which I think is important. I think the metrics around teenage employment, part-time employment, college age, students who have part-time jobs, I think all of that matters culturally and economically.

But again, it's measuring a different thing. Just like a lot of the post prime working age years measures a lot. Now, what is that quote unquote time in which a lot of people are retiring. We've historically referred to it as age 65, and certainly the inactivity rate goes higher at people over 65, but the inactivity rate for prime working age of men.

Has gone from essentially 3% 60 years ago to 11% now. And when you look at these metrics divided by or excuse me applied to 65 million men that are between the ages of 25 and 54, you're getting 7 million men that are not in the workforce or that are not looking for work. Okay? That to me captures this entire increase in total inactivity and decrease in labor participation.

When people say, well, it might be related to retirees. But those numbers are isolated to 25 54. The numbers above 65 are, have been at that level, and we have had plenty of baby boomers that are retiring and then now there's, you know, more mortality at later senior ages. But then there's more people entering the workforce that cyclically is accounted for in the data.

Isolating to 25 to 54 allows me to do a pure apples to apples comparison. And when we see an explosion of inactivity, it behooves us to ask the question why I'll put a chart up here now doing just that, an inactivity rate at a stunningly high, 11%. And I would say that this to me allows us to ask some questions.

By the way, we do have data isolated for people from 55 to 64 that's older than prime working age, younger than what we historically think of as retired. And even that sees a huge spike amongst men in activity, I believe 27.5%. Now, maybe a lot more people are retiring earlier. There are, but there's a lot of other statistical evidence suggesting, again, a sort of voluntary inactivity.

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And other kind of coincident indicators that we're facing something different structurally than we faced in the past. So at the end of the day, the hypothesis that many have had is that we might be facing something cultural. There's a link in Dividend Cafe to a 75 page white paper. I read every word of when it first came out, studied the data immensely before I wrote a book called Full-Time a number of years ago about my own theology of work, and revisited a lot of that data this week at the absolute stunning increase in disability claims.

In a period of much better health, much improved mortality from a age demographic that is not increasingly exposed to infirmity or disability, that the lion's share of the increase is not exclusive, but very close to a hundred percent in the mental and emotional category, not physical.

It speaks to a heavy coincidence with the disability reform Act, excuse me. Disability Benefits Reform Act vastly loosening conditions for eligibility, big increase in public disability payout, big increase in private disability payout, and. The idea that we do have an increasing number of men who do not want to work.

We have 58% of men between the ages of 25 and 54 who are married. 37% of the inactivity in that bracket are from unmarried men. So you essentially have a very disproportionate correlation. Of unmarried men that are choosing to be out of the workforce with a increasingly generous social safety net. The very hard part for an economist to get into these macro data points is that we are totally aware of the fact.

There are micro cases that do not require any justification or rationalization or apology. They're legitimate tough situations of disability, of medical of any number of circumstances that keep people outta the workforce. But with macro, you're not looking at those individual cases. You're trying to question why something to the tune of millions of people.

Would've changed and absent a better solution. I believe we've gotten to this totally devoid of a chicken or egg need a negative feedback loop whereby there is a greater access to social safety net promoting. Greater inactivity and greater inactivity promoting a greater social safety net. There is a greater shall we say, a

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declining appetite for strong families feeding an appetite for labor, inactivity, and a labor activity that.

It creates a self fun prophecy of lack of robust families. I'm identifying both a policy negative feedback loop and a cultural negative feedback loop. That is, to me, the lowest hanging fruit of what plagues the soul of our society. There are plenty of things people could get to and within various particular demographic groups and whatnot, but the data on this subject does not suggest, and in fact is counter suggestive of it being geographical.

Or race or even educational attainment oriented, there's an incredible proportionality in movement amongst the various groups that help exclude other explanations. I did a Dividend Cafe, I think it was almost two months ago now, about the quite of manufacturing in America. Pointed out the big disconnect between available manufacturing jobs and manufacturing workers.

I don't believe. Most of the things people propose as explanations for these things I'm highlighting make any sense. But what really doesn't make sense and matters to us as investors and matters to the way we do economic analysis is this. We are still approaching almost all discussion of the American jobs market as a demand problem.

Even when people talk about ai, they talk about a problem we don't yet have. What if AI eliminates the demand for workers? We talk about universal basic income as a solution to a problem. We do not have. Which is that there's all these workers that are unable to find work. These are demand oriented discussions and we are not having supply oriented discussions.

How do we increase the supply of workers? And much like, I would not recommend Europe approach, its declining spirituality by building more church buildings when they don't have people going into the church buildings. I do not believe America solves its worker problem by building more factories. If I am right that we have a supply problem, not a demand problem, we ought to look at the source of the supply problem and see what solutions may exist, and some of them may be in the policy sphere.



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I do very much believe that on a totally nonpartisan basis, we ought to be looking at some form of social safety, net reform, and particularly disability reform. Then when you get outside of the sort of policy realm and look at the cultural dynamic, I believe that promotion of strong families is highly coincident with greater activity and declining inactivity in the jobs market.

Those areas strike me as far more economically potent. Approaching our labor issue structurally around a supply issue as opposed to the demand side cyclically. There's always questions about up and down movements and unemployment that are indeed demand related, but the bigger issue, if we're not talking about next month or next quarter, which very candidly, most people aren't even looking at that for economic reasons.

They're looking at it for political reasons. If we wanna look at a structural economic issue that matters to the soul of America, as well as our own national economic pocketbook, I suggest we start thinking long and hard about structural solutions to a supply problem. The supply here being workers, particularly men of prime working age.

This, to me, is a very important issue in the Dividend Cafe. Thank you as always for listening, watching and reading the Dividend Cafe. I welcome your feedback. Encourage you to look at the other charts that didn't make the screen today that are at Dividend Cafe dot com. Looking forward to a very busy and provocative and intellectually stimulating week next week here in New York.

Thanks again for being a part of Dividend Cafe.