About one in five members of the American Chamber of Commerce in Shanghai say they have been pressured to transfer technology. The tactics include pressuring U.S. partners into joint ventures to relinquish technology, using local courts to invalidate patents and licensing agreements, dispatching antitrust and other investigators, and filling regulatory panels with experts who pass along trade secrets of competitors.

Interviews with dozens of corporate and government officials on both sides of the Pacific, and a review of regulatory and other documents, reveal how systemic and methodical Beijing's extraction of technology has become - and how unfair Chinese officials consider the complaints.

Wei/Davis – WSJ 9/26/18

It is estimated that coerced technology transfers cost U.S. companies $50 billion annually. These concerns are escalating, as China becomes more competitive in industries such as chemicals and computer chips … and they most certainly are a central issue in the U.S. – China trade conflict.

According to Northwestern Mutual, millennials between the ages of 25 and 34 have an average of $42,000 in debt each. Surprisingly, the biggest source is not student loan debt … it is credit card debt.

Despite recognizing that debt is dangerous waters, Americans are jumping in with both feet and struggling to stay afloat. People's purse strings are clearly caught in a tug of war between enjoying the present and saving for the future.

Emily Holbrook, Northwestern Mutual – Money 8/16/18

According to the Wharton School of Business, the share of retirees who depended on Social Security for more than 90% of their income increased from 43.7% in 1991 to 46.6% by 2012. The share of retirees depending on Social Security benefits for 50% or more of their income increased from 69% to 71% over this same period.

Since major reforms passed in 1983, the Social Security trustees have continually reduced their projected Social Security trust fund exhaustion date from 2058 to 2034 in its most recent 2018 report. The 2018 report also projected that when the trust fund runs dry in 2034, payroll taxes will be able to cover only 79% of promised benefits.

In a separate report by the Wharton School, they project the trust fund will be depleted in 2032 … or two years earlier than projected by the Social Security trustees.

You've heard of good news/bad news stories. This one is a bad news/worse news version. The sooner Congress tackles the issue of Social Security solvency, the better.

Mary Beth Franklin – InvestmentNews 8/9/18

Pensions for government workers, widespread in the early decades of the 20th century, offered strong guaranteed retirement benefits as a reward for accepting more modest salary arrangements. During good times, politicians made very generous promises. Longer life expectancies and soaring medical costs have made these promises unsustainable. State and local pension plans in the U.S. now have less than 75% of funds needed to cover estimated benefits. The total current shortfall is estimated to be at or around $4 trillion.

> **The prospects of lower benefits is particularly daunting for pensioners in their 60s. Those older are likely to die before a large reckoning, while those younger have years left in their careers to make new plans. But many in their 60s have spent four decades assuming a financial promise that is no longer guaranteed.**
>
> **Sarah Krouse - WSJ 7/30/18**

The $4 trillion in unfunded pension obligations is significant when compared to the $500 billion in housing debt that triggered the 2008 great financial crisis.

> **A hit to risk assets (stocks primarily) would only deepen the pension hole, and could necessitate a bailout that could make QE (quantitative easing) look like a rounding error.**
>
> **Stephanie Pomboy, MacroMavens - Barron's 9/7/18**

The Illinois-based policy outfit Wirepoints compared the growth of state pension liabilities relative to state GDP and fund assets. According to the study, pension costs grew more than 50% faster than the economies of 28 states during the period between 2003 and 2016. In 12 states, pension costs actually grew more than twice as fast as overall economic growth. For example, New Jersey's pension liability exploded by more than 176% over this same period.

> **The solution … is always to raise taxes. But no tax hike is ever enough because benefits keep growing faster than revenues. The only salve to state pension woes, as the Wirepoints study notes, is to rein in current worker benefits.**
>
> **The Editorial Board - WSJ 7/19/18**

The U.S. had 11.7 million construction workers in 2005, and that fell to 10.8 million in 2010 during the housing crisis. In 2016, even as the housing market recovered, the number of workers continued to drop to 10.2 million. Home construction per household remains near the lowest level in 60 years of record-keeping, according to the Federal Reserve Bank of Kansas City.

According to U.S. Census data, the share of workers in the construction business who are 24 years old or younger has declined in 48 states since 2005. It is estimated that the share of young construction workers has declined by 30% from 2005 through 2016.

> **While there is no single reason why younger folks are losing interest in a job that is generally well-paid and doesn't require a college education, their indifference is exacerbating a labor shortage that has meant fewer homes being built and rising prices, possibly for years to come.**
>
> **Laura Kusisto – WSJ 7/31/18**

While there is enormous demand for trained construction workers, the inability to attract young workers may be because high schools have cut vocational training programs … or it may be the emphasis on gaining a college degree, or the appeal of technology jobs. The declining numbers of immigrant construction workers is making the problem even worse.

The use, sale or possession of marijuana is illegal under federal law, but 30 states permit medical use and 9 states allow recreational use. Investors and entrepreneurs are rushing into the industry … somewhat reminiscent of the technology craze of the late 90s or the recent bitcoin mania. Optimism has far outpaced reality, with one company (Tilray) reaching a market value of $11 billion after posting revenue of less than $20 million for the first half of this year.

> **Big companies, wealthy families and amateurs alike are taking stakes in speculative companies, many of which have scant revenue or history.**
>
> **McNish/Monga – WSJ 9/23/18**

According to a National Association of Realtors survey, a record 77% of respondents thought now is a good time to sell a home, while only 24% of those surveyed by Fannie Mae thought now is a good time to buy. These findings seem unusual during a time of strong economic growth, low unemployment, and relatively low mortgage rates.

We're calling it: Existing home sales have peaked.

Meyer/Lin, Bank of American Merrill Lynch - Barron's 9/28/18

In the second quarter, stocks surpassed real estate as the largest component of household wealth for the first time since the dot-com bubble. Corporations have significantly increased their debt levels during this run-up … mostly the result of share buy-back programs and dividends.

Fed Chairman Powell recently noted that the last two recessions were caused by asset bubbles. While real estate will probably not be the source of the next debacle, highly leveraged corporations could be the catalyst.

Corporations have built leverage back to prerecession highs. Supporting the leverage, in the eyes of the lenders at least, is the low level of debt relative to equity, thanks to high share prices. All of which makes households and non-financial corporations more vulnerable to an equity-market correction than in prior cycles.

Steve Blitz, T.S. Lombard - Barron's 9/28/18

In the fiscal year ended September 30, 2017, the United States had a $665 billion budget deficit … $4 trillion was spent against revenues of $3.3 trillion. (The Office of Management and Budget just announced that the budget deficit widened to $779 billion for fiscal 2018.) Annual deficits are projected to reach $1 trillion by 2019. Remember that deficits are the amounts that increase our overall debt. The total *recorded* debt is over $20 trillion.

> **Budget reform isn't a job for narcissists or glory seekers, because the public outrage forms immediately, and the benefits don't become clear until much later, by which time others will have arrived to help collect the high-fives. The economists' take is that it's too early to worry about a U.S. sovereign debt crisis, but also that we should not ignore lessons from history on the fragility created by debt.**
>
> **Jack Hough, Barron's 9/14/18**

The government does not record debt in the same manner as corporations. As such, the U.S. government does not record liabilities for unfunded entitlement programs. This amount is conservatively estimated to be at or around $60 trillion. If they were recorded, total debt would currently exceed $80 trillion!

> **It is the most predictable crisis we've ever faced. Spotting the tipping point will be difficult, because much depends on other countries, and their appetite for our debt. We can borrow a lot more if we're still the best-looking horse in the glue factory.**
>
> **Maya MacGuineas, Committee for a Responsible Federal Budget**