Robert Wiedemer: There Are Lies, Damn Lies, and Statistics

Government statistics seems to fall somewhere between the last two. Why? Partly because of the statistics we focus on. When the unemployment rate comes out, we always focus on U3: the proportion of the civilian labor force that is unemployed but actively seeking a job, which now shows unemployment at around 10 percent. But U6, which the Bureau of Labor Statistics (BLS) publishes at the same time, shows unemployment nearing 18 percent.

The reason for the difference is that U6 includes underemployed, marginally attached workers, and discouraged workers. That’s the number that people feel, not U3. In Michigan, that number is nearing 25 percent.

Job gains or losses are affected in a similar way.

In December, we “lost” 85,000 jobs, but more than 600,000 people left the workforce, according to the BLS. That’s why it feels so much worse on the street than the statistics show. And, by the way, the unemployment rate actually went down when all those people lost their jobs or left the workforce.

In fact, the statistics on the number of long-term unemployed continue to go down because people are losing their unemployment benefits — NOT because they are no longer unemployed and have found jobs.

Also, government statistics focus very little on hiring, and that’s where the big problems are now. We may be losing fewer jobs than at the beginning of 2009, but hiring is still very slow, and that’s what people see when they are job hunting or worried they might lose their jobs.

In addition, monthly government statistics are subject to enormous revisions. These revisions often have little effect on the stock market but have a big effect on how people on the street feel.

In housing the annual revisions are huge. Even the government says its monthly statistics have a margin of error of 15 percent. The annual revisions that can be performed are massive. In addition, statistics like home sales aren’t adjusted for sale cancellations. When almost 35 percent of home sales were being cancelled, that was a big number. That number has since fallen into the 10 percent to 15 percent range, but it’s another example of how government statistics are misleading.

So, is the government trying to mislead us?

It certainly isn’t trying as hard as it could to emphasize statistics that show the real situation. It’s also not clear it is trying hard to be more accurate.

Is there outright manipulation?

I don’t know for sure, but certainly anyone who works in the production of government economic statistics knows which way to swing bias if there are any judgment calls or efforts to improve the statistical methodology.

The old saying may apply — figures never lie, but liars always figure.
Current rating: 5 (2 ratings)

Bookmark this page to:

Comments

Robert
I got my copy of the book yesterday. Just started reading it. Why dont I ever hear about this U6 number?
2/11/2010 6:05:34 PM

larryhicks51@att.net
Ditto Robert's comment. The U6 numberis occasionally mentioned on Fox News, but never from "official" sources.
2/11/2010 7:35:48 PM

BJNARCY@SBCGLOBAL.NET
The government always hides the real figures just to make Obama look good but i don't think too many people fall for that, at least not since we have good programs like fox and all the other conservatives broadcasting. We are in a lot of financial trouble and it is just amazing that Obama continues to spend us further into debt, proving once more what a progressive he really is.
2/11/2010 7:42:28 PM

Popa
The mainstream media seldom present this number. However the BLS (Bureau of Labor Statistics) does put it on their site. In addition, you can see this number adjusted with more accurate statistics at the Shadow Government Statistics site.
2/11/2010 9:35:48 PM

ADG
Having been in the military and worked in various branches of government, they waste, lie, and are not accountable for anything. That is a truth we must accept and somehow decide how we will adapt around them. It has only gotten worse.
2/11/2010 9:53:33 PM

Idaho employer
My state cannot run a deficit. Unemployment increase means an immediate increase of unemployment insurance fees to all employers. I'm already having trouble paying for the FIRST extension of benefits Obama passed, as every hour my people work costs so much more. We cannot raise prices. I've worked 7 days a week for 30 years to eliminate debt service and protect this small workforce of 25. We were nimble and competitive until we were asked to support so MANY folks for so LONG who do not work here. It is unsustainable.
2/12/2010 9:04:47 AM

anonymous
Everyone is focused on saving their investments and their profits as they should well be but no one should forget that we are in the process of losing our political freedom and when you lose that, you also lose your economic freedom and your wealth.
2/12/2010 12:28:55 PM
Rey
For as long as voters allow elected official ot inflate the bureaucracy and entitlement recepients, the electorate will continue to help the bureaucracy elect those who will endlessly support the bureaucracy. It is a vicious cycle!
2/12/2010 4:36:00 PM

anonymous
As a senior citizen, still working, and having lost so much in the last economic meldown I am wondering if I will ever be able to retire. I have paid into social security for almost 50 years and now they call it an entitlement fund? They gave away everyone's savings to people who never worked a day in this country and now they want to give away more of it to ILLEGAL aliens. Your right, welfare begets welfare.
2/12/2010 8:25:32 PM

Dave
There are even conservatives who say the stimulus was necessary to "bring us from the brink". Is that so, and is there a clear-cut way to demonstrate that?
2/13/2010 11:38:49 AM

you bet,
ditto to all here. Yes..where can one ferret out the stats since most put out by govt. indicators.
2/13/2010 11:44:24 AM

CT
Mario, perhaps you should be learning history along with the rest of us by watching the Glenn Beck show. "Progressive" does not mean "Progress". I, too, thought that a "Progressive" was a positive term. Boy, have I learned a lot from Glenn Beck in the last 6 months.
2/13/2010 12:55:50 PM

Charles
Mario,
Study what "progressive" really is. The name itself is a lie perpetuated by those who hold to a socialist/communist agenda. Obama in his own words describes himself as a "progressive."
2/13/2010 1:22:55 PM

Ken
I can't see Obama changing soon, He will keep on lying and breaking the law.I feel one of the best things to do is VOTE OUT all incumbent Senators and congress and maybe we can get rid of th "Obamanation" we have. Take back our country!
2/13/2010 2:49:01 PM

Lawrence
I got Aftershock today and anoticed nothing is mentioned about Canada and mexico in these coming times.
2/13/2010 10:53:59 PM

David
Just something else to keep in mind, 1.2 million are going to lose their unemployment benefits in March, another 5 million in July. This will bring the unemployment figure down and make it appear things are improving but in reality, it will be 6.2 million unemployed people that won't be counted. It's almost as if they planned it this way to help them with

the upcoming midterm elections. Just my 2 cents... Good luck everyone!

2/17/2010 9:34:16 AM

wonthark@yahoo.com

I think Mr. Ruddy believes that we will be able to network together to create the framework for a new, libertarian society. Towards that end I offer the following: I am a 73 year old mechanical engineer and I am starting a new business, selling modified electrical generators for homes and businesses. The modification?? A hydrogen injection system to greatly increase the efficiency of a gasoline or diesel powered generator or vehicle. It may be trite but it's true...when times get tough the tough get going.

2/18/2010 1:24:12 PM

anonymous

I have put money into Social Security but getting meager check. People who never put any dime are getting more thru SSI plus Medicare and Medicaid. Now, illegal aliens will be next to receive, where is going on with our government? Wake up America!!!

2/22/2010 9:58:00 PM

Leave comment

Name:

Comments:

Add