OP-ED COLUMNIST

Spin the Payrolls

By PAUL KRUGMAN

Published: August 10, 2004

When Friday's dismal job report was released, traders in the Chicago pit began chanting, "Kerry, Kerry." But apologists for President Bush's economic policies are frantically spinning the bad news. Here's a guide to their techniques.

First, they talk about recent increases in the number of jobs, not the fact that payroll employment is still far below its previous peak, and even further below anything one could call full employment. Because job growth has finally turned positive, some economists (who probably know better) claim that prosperity has returned - and some partisans have even claimed that we have the best economy in 20 years.

But job growth, by itself, says nothing about prosperity: growth can be higher in a bad year than a good year, if the bad year follows a terrible year while the good year follows another good year. I've drawn a chart of job growth for the 1930's; there was rapid nonfarm job growth (8.1 percent) in 1934, a year of mass unemployment and widespread misery - but that year was slightly less terrible than 1933.

So have we returned to prosperity? No: jobs are harder to find, by any measure, than they were at any point during Bill Clinton's second term. The job situation might have improved somewhat in the past year, but it's still not good.

Second, the apologists give numbers without context. President Bush boasts about 1.5 million new jobs over the past 11 months. Yet this was barely enough to keep up with population growth, and it's worse than any 11-month stretch during the Clinton years.

Third, they cherry-pick any good numbers they can find.

The shocking news that the economy added only 32,000 jobs in July comes from payroll data. Experts say what Alan Greenspan said in February: "Everything we've looked at suggests that it's the payroll data which are the series which you have to follow." Another measure of employment, from the household survey, fluctuates erratically; for example, it fell by 265,000 in February, a result nobody believes. Yet because July's household number was good, suddenly administration officials were telling reporters to look at that number, not the more reliable payroll data.

By the way, over the longer term all the available data tell the same story: the job situation deteriorated drastically between early 2001 and the summer of 2003, and has, at best, improved modestly since then.

Fourth, apologists try to shift the blame. Officials often claim, falsely, that the 2001 recession began under Bill Clinton, or at least that it was somehow his fault. But even if you attribute the eight-month recession that began in March 2001 to Mr. Clinton - a very dubious proposition - job loss during the recession wasn't exceptionally severe. The reason the employment picture looks so bad now is the unprecedented weakness of job growth in the subsequent recovery.

Nor is it plausible to continue attributing poor economic performance to terrorism, three years after 9/11. Bear in mind that in the 2002 Economic Report of the President, the administration's own economists predicted full recovery by 2004, with payroll employment rising to 138 million, 7 million more than the actual number.

Finally, many apologists have returned to that old standby: the claim that presidents don't control the economy. But that's not what the administration said when selling its tax policies. Last year's tax cut was officially named the Jobs and Growth Tax Relief Reconciliation Act of 2003 - and administration economists provided a glowing projection of the job growth that would follow the bill's passage. That projection has, needless to say, proved to be wildly overoptimistic.

What we've just seen is as clear a test of trickledown economics as we're ever likely to get. Twice, in 2001 and in 2003, the administration insisted that a tax cut heavily tilted toward the affluent was just what the economy needed. Officials brushed aside pleas to give relief instead to lower- and middle-income families, who would be more likely to spend the money, and to cash-strapped state and local governments. Given the actual results - huge deficits, but minimal job growth - don't you wish the administration had listened to that advice?

Oh, and on a nonpolitical note: even before Friday's grim report on jobs, I was puzzled by Mr. Greenspan's eagerness to start raising interest rates. Now I don't understand his policy at all.

RELATED ARTICLES

- In Blow to Bush, Only 32,000 Jobs Created in July (August 7, 2004)
- Job Picture Looks Good Now, but Recession Left Fears That Endure (August 6, 2004)
- Initial Jobless Claims Are Mixed; Analysts Await Report for July (August 6, 2004)
- Claims for Jobless Benefits Rise Slightly, to 345,000 (July 30, 2004) $

Find more results for Labor and Unemployment

TOP OPINION ARTICLES

- Making Votes Count: The Shame of New York
- Plan B for Illinois
- Banning Bad News in Iraq
- Job Numbers in an Election Year (5 Letters)

Go to Opinion