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## How Big Media Hides the Real Economic News



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By [Charles McMillion](#)

February 7th, 2008 - 2:29pm ET

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[Read this AP story](#) on productivity growth and labor costs, then read the note below (written Wednesday) about the same [Bureau of Labor Statistics report](#) on employment, wages, output and productivity. This is a very clear example of how the media spin the news every day to hide economic troubles and mislead those who believe they are following economic conditions. All the major media spun this story in almost exactly in the same way as the AP.

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After years of denial and spin about the financial condition of U.S. households and consumers, you might think the newswires and salesmen on cable would be buzzing with the key findings in Wednesday's Bureau of Labor Statistics report on U.S. hours worked, real compensation, output and productivity. You would be wrong; the debt industry's misleading confidence game prevails with the key findings either not mentioned at all or they are relegated to an afterthought as space permits.

The key finding in that report is that the total number of hours worked (and paid) in non-farm businesses during the fourth quarter of 2007 *fell* at an annual rate of 1.5 percent. Indeed, *the total number of hours worked in the fourth quarter was less than in the fourth quarter of 2006*. The report shows total non-farm jobs also falling at a 0.5 percent annualized rate in Q4 and rising by only 0.4 percent year over year.

Furthermore, after adjusting for the increased costs of gasoline, health care, etc., real average (not median) salary and benefit compensation for all U.S. workers *fell* at an annualized rate of 0.3 percent in the fourth quarter and by 0.3 percent year over year. Since total hours worked fell even with meager year over year job growth, this means that average real weekly and monthly hours paid per job were reduced along with the decline in real compensation per hour. With lavish soak-the-customers-and-shareholders bonuses on Wall Street lifting average compensation, the median decline in compensation was surely far worse.

Non-farm business output grew at only an annualized rate of less than 0.4 percent in the fourth quarter. But since total hours worked declined 1.5 percent, output per hour of work – productivity – grew at a rate of 1.8 percent. The vital distinction between virtually stagnant production growth and 1.8 percent productivity growth is lost in the confidence spin and fairy-tale assumptions.

An even better example is manufacturing. The report shows productivity in manufacturing rising at a seemingly reasonable rate of 2.9 percent in the fourth quarter. Appearances can be deceptive; manufacturing production fell 1.9 percent and the number of hours worked in manufacturing plunged 4.3 percent in the fourth quarter. That is, since employment plunged even faster than output, manufacturing output per hour worked – productivity – appears healthy.

With total hours worked over the past year falling slightly for all nonfarm business and by 0.8 percent in manufacturing, weak output growth of just 2.6 percent for all nonfarm business and just 1.8 percent in manufacturing translates into the same, misleadingly reassuring 2.6 percent productivity growth.

([See pages one and two of my attached graphics](#) for the elements of productivity growth in the fourth quarter of 2007 and over the past year.)

Indeed, this record weak output growth and virtually stagnant gain in hours worked has been the unique characteristic of the past six years of cyclical economic recovery from the recession that ended in November 2001. ([See page three of my attached graphics.](#))

Today's report and the general ignorance of its key findings are again helping Wall Street attract new money after Tuesday's steep sell-off. As with the debt fraud and recession, the time for "everyone" to be surprised will come later.

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