Election 'Job-Growth' Fraud Turning To Plunge

by Paul Gallagher

The post-election, ending months of 2006 are seeing a plunge in the housing bubble, auto and construction industries, and the U.S. economy as a whole; they may also see an end to the jobs-growth frauds which the White House hyped in the pre-election period, to claim falling unemployment and "economic success." The election results and the exit polls demonstrated again that these 2006 employment claims were too opposed to economic reality to be credible, and Americans do not believe them. The last few months' announcements of dramatic "upward revisions" in job growth have been challenged by economists and international financial press, and this fakery could be abandoned as the economy manifestly falls.

Sharp analysts of Federal government statistics, such as the New York firm Shadowstats.com, have noted that the U.S. Bureau of Labor Statistics (BLS), over the past ten months, has been repeatedly altering the "seasonal adjustment factors" it uses on the payroll jobs survey, enabling it to "publish just about any apparent result desired" in the monthly jobs and unemployment-rate report.

The obvious giveaways to this fraud are several. First, is that the evident consideration that over a full year, from any month to the same month ("season") one year later, the growth or decline in jobs should be the same with seasonal adjustments, as without them. And historically, they have been. But no longer. In 2006, the BLS, by constantly changing its seasonal adjustment factors, has spiked the figures for new jobs over the year October 2005-October 2006 by about 6%—about 120,000 "extra jobs"—and has loaded most of these faked jobs into the final three jobs reports—August, September, and October—released and revised before the election.

The BLS has added additional fakery via the corporate death/birth or "virtual jobs" adjustment factor. This is the practice by which the agency makes an assumption about how many new start-up companies formed and hired in different economic sectors during the month, based on a ratio to how many firms went bust and liquidated in those sectors. It knows the latter figure; it is just hypothetically assuming the former, about new companies that it did not survey, but "should be out there." This statistical hokus-pocus is manipulated in the short term: Take a look at the October 2006 report, in which 73,000 of the total 92,000 reported new payroll jobs were simply assumed by this hypothetical "corporate death/birth" computer program; only a 19,000 growth in jobs was actually counted in the BLS Establishment Survey. Compare to November 2005, when only 57,000 out of 334,000 reported job growth was "virtual."

If the same seasonal adjustment factors had been used in recent months, as were used one year ago, the job growth figures would have been 146,000 in the August report, 126,000 in September, and 60,000 in October. Instead, they have been reported as 231,000 new jobs in August, 148,000 in September, and 92,000 in October. This is 130,000 "extra" jobs in three months, created at will by statistical manipulation, and added to the manipulation of the "death/birth" or "assumed new jobs" computer program.

Manipulation May Reverse Itself

These mere indications of what the real new jobs figures are, point to an employment plunge—as do all other serious reports, such as those showing plunging home sales and prices, falling auto production and sales (11% lower in each of September and October), drops in total consumer credit in September and October, low wholesale and retail sales and industrial production. Even in the manipulated BLS reports, a total of 60,000 manufacturing jobs disappeared in September and October.

But there has also been a pattern to the manipulation itself, which threatens to reverse and thereby show the ugly truth even more clearly. In each of the four months' jobs reports leading up to Election Day, the new month's job growth was a low figure, around 100,000; this apparent "low-to-moderate growth" each month allowed the Federal Reserve to stop raising interest rates since the Summer. But at the same time, in each month's report, the *previous* two months' jobs growth figures were revised dramatically upward, and then revised upward again, packing the cumulative job-creation figures and backing up the President's and the GOP's hyping of a lowering unemployment rate. The August jobs figure was nearly doubled by revisions, from 128,000 first reported, to 231,000 at latest. The September figure has been nearly tripled in its first revision, from 51,000 to 148,000.

These are "highly unusual" revisions, and when challenged on them, BLS chief economist John Goodman had to point back to April 1999 for any comparison—and that month's revisions totalled only 40% of the original reported figure. Also highly unusual, is the huge upward revision for 2005 as a whole—830,000 jobs—which the BLS loudly reported in early October.

Now the election is past; the "highly unusual" statistical revisions did not impress the voters as "economic success" for the Cheney-Bush White House; and the BLS is in an exposed position because of these very large upward revisions and because its seasonally adjusted jobs figures are inflated up above the unadjusted reports. As it compensates, we could see the real dimensions of the economic collapse under way, being reflected in the next months' jobs reports. The Federal Reserve would use such reports to justify keeping interest rates flat or starting to lower them, despite a falling U.S. dollar.