

Unemployment puzzle

Has the U.S. economy lost or gained jobs under President Bush?

It depends on which formula you use.

By TAMARA LYTLE
WASHINGTON BUREAU CHIEF

WASHINGTON
In the latest Washington math, 508,000 is equal to negative 1.84 million. Both numbers represent an official government estimate of how many jobs have been gained or lost since President George W. Bush took office in January 2001.

The argument about which measure is correct has leapt from a backstage academic dispute between economists onto center stage of this year's presidential campaign.

Democrats — with presidential contender Sen. John Kerry leading the charge — have accused Bush of presiding over the biggest job loss since Herbert Hoover's depression-addled presidency. And they have the numbers to prove it.

Republicans say the country has actually gained jobs, and the president's tax cuts should get some of the credit. They have the numbers to prove it, too.

With jobs turning into one of the most influential factors in this year's presidential campaign — after the war in Iraq and the fight against terrorism — the disagreement has become heated.

A recent AP/Ipsos poll showed that 37 percent of those surveyed thought jobs and the economy are a key issue.

"This president has presided over the worst jobs economy in the history of our nation," Kerry said this month. Democrats point out that Bush could end his term as the

first president since Herbert Hoover to preside over a net loss of American jobs.

But Bush, in a radio address the day after new figures showed the country had added back 308,000 jobs in March, said the employment level was rising along with economic growth. And that number comes from the survey the Democrats favor.

"Our economy's momentum is building," Bush said. "People are finding jobs, and the nation's future is bright. America's families and workers have reason to be optimistic."

Other measures of the economy have looked rosier for months.

The recession lasted from March until November

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of 2001. But now personal wealth is growing, retail sales are up, the gross domestic product is rising and inflation has remained low.

Only the job numbers told a different story. And now those numbers have become a political football.

The Bureau of Labor Statistics keeps two sets of numbers that show employment levels.

The Current Employment Statistics is based on records at 400,000 business establishments. That figure, called the payroll survey, shows that 1.84 million jobs have disappeared since Bush was sworn in.

The Current Population Survey is based on interviews with people in 60,000 households. That household survey shows that 508,000 jobs have been added to the economy since Bush took office.

"It's a fascinating economic puzzle," said Timothy Kane of the conservative Heritage Foundation. "The economy for the last year and a half has been much healthier than the figures showed."

The two job surveys are never precisely the same because they're measured in such different ways. But Kane said the gap between them — 2.4 million jobs now — is much higher than usual.

He and some Republicans like the much rosier household survey, while Democrats say the payroll survey is long established as a more reliable figure.

Alan Krueger, professor of economics at Princeton University, prefers the payroll survey.

"Most serious analysts draw the same conclusions from both data sets: This has been a jobless recovery and unusually so," Krueger said. Even the total of 508,000 net jobs created under the household survey doesn't keep up with population growth, he said.

According to the Federal Reserve, the economy needs 150,000 new jobs per month just to keep up with immigration and new workers.

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UNIVERSITY OF CENTRAL FLORIDA ECONOMIST

The two job surveys each have their own disadvantages. The payroll survey double-counts people who have two part-time jobs and those who are changing jobs that month. It doesn't include farm workers. And it misses many start-up companies and self-employed people.

The household survey is based on phone interviews, which are less accurate than the payroll records of companies. It gets its information from a smaller sample of people. The payroll survey's 400,000 establishments represent about 40 million jobs, compared with the 70,000 individuals in 60,000 households in the other measure, according to Elise Gould of the union-backed Economic Policy Institute. That means the sample size for the payroll survey is nearly 600 times larger.

Economists say that neither statistical measure will affect the presidential campaign as much as the gut feeling voters have. "What's more important is: Is the labor market in my house doing well?" said David F. Scott, finance professor at the University of Central Florida.

Bush argues that his tax cuts are starting to lift the economy.

Kerry argues that the answer to that question depends on whether you are a wealthy investor or a struggling hourly worker.

Some special interests want the jobless numbers to look bad so they can argue against free trade and for pork projects to funnel money into their industries, Kane said.

"It's used to justify every pernicious big government thing you can think of," he said. "We wouldn't have an outsourcing debate if the flames from this jobless debate weren't so high."

But economist Scott doesn't think the noise will get Kerry anywhere because the job picture has begun improving, with six months to go before voters must decide.

"It's like shooting machine-gun bullets into cotton candy at the fair," he said. "It's too late to criticize the health of the U.S. labor market. We've begun to have job growth, and the unemployment rate's not that bad."

But even if hiring picks up, Krueger doesn't think the lost jobs will all be made up by fall. The public, he said, will want to know why those jobs were lost.

The Bush team is quick to point out that a 5.7 percent unemployment rate isn't bad by historical standards. And, they point out that the traditional "misery index" — the combination of unemployment and inflation — is at tame levels.