



Drudge, Tyler Durden and Economic Ignorance

We have pushed back hard in recent years against the bearish conventional wisdom. Many analysts have argued that the US economy is on the verge of collapse, a double-dip or some other kind of calamity, like hyperinflation.

We have disagreed. In most of these debates we are crossing swords with articulate analysts who are knowledgeable about economics, mathematics and data. They have the best of intentions.

However, there is a group of influential people (meaning that they get lots of hits on their blogs or websites) who may be articulate and have an ax to grind, but at the same time know little about economics, mathematics and data. A classic example is the Drudge Report link today to a headline and blog post by Tyler Durden that says, *“Record, 1.2 million people fall out of labor force in one month...”*

Nothing about this headline is true, and it starts with the byline. Tyler Durden is a made up name, an alias. Tyler was a character in the movie “Fight Club,” played by Brad Pitt. The character is a figment of the protagonist’s imagination, an alter ego. Maybe Tyler is Drudge himself? Second of all, the labor force actually increased in January from its December level. To say anything else is to ignore the truth.

The reason Tyler and Drudge are confused about this is because they are looking at a statistic that measures the number of people of working age who are “not in the labor force.” This number did jump by 1.2 million in January. However, any analyst should look deeper into the data before making outrageous claims. After all, the jobs report was very good and the labor market has been getting better for almost two years. A huge and massive drop in the labor force would be weird.

It turns out that something weird did happen, just not what Tyler Durden reports.

Every once in a while the Bureau of Labor Statistics (BLS) makes catch-up adjustments to its underlying data. Often, but not always, this happens in January. This time the BLS added 1.7 million people to its estimate of the working age population. To get a sense of how huge this is, the average monthly increase in population estimates over the past two years (2010-11), was 159,000. In other words, the January population estimate adjustment was normal; it was catch-up for the past.

But this change has add-on effects. When the BLS estimates a new level of the population, it then estimates how many of those people are in the labor force. For the month of January, the BLS said that of the 1.7 million new people it counted, 500,000 were in the labor force and 1.2 million were not. To say, as Drudge and Tyler Durden did, that the labor force fell by 1.2 million is a basic and frightening misuse of statistics. It’s simply not true and it is leading many people astray.

For the record, the employment-population ratio was 58.5% in January, the same as it was in December and November and up from its level of 58.2% in September. In other words, even though the government estimated a big jump in the working-age population, the share of the population that has a job is actually flat to higher.

Private sector jobs have increased for 23 consecutive months, total cash earnings are up 4.6% in the past year and previous months’ data are being revised upwardly, not downwardly. The bottom-line is that the economy is getting better, even as politically motivated Internet traffic is getting so desperate that it has to resort to a misuse of statistics to make its point.