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Welch Conspiracy Theory on Jobs Data Not Tied to Reality

By Hans Nichols and Lorraine Woellert - Oct 8, 2012

As conspiracy theories go, Jack Welch's had all the elements. There were two opposing sides who rarely believe each other about anything. There is almost no way to prove it isn't true, either.

His assertion that the U.S. unemployment numbers might have been cooked to help President Barack Obama's re-election effort, though, collapses under its own weight.

The claim, echoed by some supporters of Republican Mitt Romney, that Obama's Chicago-based campaign adjusted September's jobless figures was rejected by members of both parties who have served in the government's economic-data system.

Welch, the former chief executive officer of General Electric Co. (GE), touched off an Internet-based frenzy on Oct. 5 when he suggested on Twitter that Obama's team lowered the rate to 7.8 percent to give the president a boost. "Unbelievable jobs numbers. . . these Chicago guys will do anything. . . can't debate so change numbers," he wrote.

The charge was picked up by South Carolina Senator Lindsey Graham and Florida Representative Allen West, among other Republicans.

Welch's message was re-sent via Twitter 5,000 times, meaning each of those people re-broadcasted it to their groups of followers, in the first 10 hours.

'Rings True'

His comments were dissected on yesterday's political talk shows. Republican former U.S. House Speaker Newt Gingrich rose to the former CEO's defense on NBC's "Meet the Press."

What Welch said "rings true on a deeper level," Gingrich said, arguing that business leaders don't trust Obama.

"So the president of the United States is so deeply distrusted by people like Jack Welch -- who is hardly a right-winger, I mean Welch is one of the most successful businessmen in America -- but Welch instantaneously assumes this is the Chicago machine," Gingrich said.

He later said Americans are "losing respect for Washington" and simply don't believe the economy is improving, no matter what a jobs report says.

On the same show, Robert Gibbs, an Obama campaign adviser, dismissed Welch's remarks as "crazy."

“I assume, David, there’s a number of people that believe the real unemployment report is somewhere in a safe in Nairobi with the president’s Kenyan birth certificate,” Gibbs said to moderator David Gregory. “This stuff is absolutely crazy.”

‘Time-Out Corner’

Douglas Holtz-Eakin, an economic adviser to Senator John McCain during the Arizona lawmaker’s 2008 presidential campaign, said Republicans promoting a jobs report conspiracy theory and Democratic glee over the number were both cause for concern.

“You should take both the conspiracy theory and the celebration and send them to the time-out corner,” he said on CNN’s “State of the Union.” “This could very well unwind next month at least in part.”

Romney talked about unemployment Saturday night at an outdoor rally before 6,000 people in Apopka, Florida. He said the true unemployment picture is much worse than 7.8 percent.

“If we calculated, by the way, our unemployment rate in a way that was consistent with the way it was calculated when he came into office, it would be a different number,” he said. “If the number of people -- if the percentage of the American population who were in the workforce were the same today as the day he was elected, our unemployment rate would be above 11 percent. This is inexcusable.”

Tempering Words

Romney appeared to be referring to the workforce- participation rate, which was 63.6 percent last month, compared with 65.7 percent in January 2009. That figure isn't incorporated into the monthly unemployment number released by the government, and wasn't before Obama took office.

Welch tempered his words during a television interview on Oct. 5, when CNBC host Larry Kudlow said it was unrealistic to allege the White House adjusted the data.

“Let's hope that's totally correct, Larry,” Welch, 76, said. Still, he said, “This election is too important for one number that might be corrected next month to determine the election. I want to see a real debate about this number.”

Five minutes after the U.S. Labor Department reported at 8:30 a.m. that day that the unemployment rate fell to 7.8 percent last month, Welch pushed the button on his Twitter message. He took aim at the figures that may matter most before Election Day on Nov. 6; the October report due on Nov. 2 may be too late to change voters' perceptions about the economy.

‘Irresponsible’

The Obama administration called the allegation baseless and defended BLS, which computes the figures. Alan Krueger, chairman of the White House Council of Economic Advisers, told Bloomberg Television that Welch's remark was “irresponsible.”

“No serious person would question the integrity of the Bureau of Labor Statistics,” Krueger said in the interview. “These numbers are put together by career employees.”

Romney campaign aides said they weren’t disputing the data, keeping their focus on criticism of Obama’s record.

“We’re going to address the numbers as they’ve been released,” Romney’s policy director, Lanhee Chen, said on Fox Business Network. “What you see, as you’ve said on the show, is an anemic trend. This is not a real recovery.”

Each month, federal agencies, staffed by career civil servants, compile the raw data that eventually become two jobs- day numbers: the unemployment rate and the total number of jobs added to the economy.

20 Days

It begins on the Sunday of the week that has the 19th in it, with 2,000 Census Bureau workers knocking on 60,000 doors, asking residents if they were employed, or if they were seeking employment, in the last week, said Nancy Potok, the bureau’s associate director, in an interview on July 30.

The bureau has 20 days to complete the survey and send it to the BLS, which then has two or three days to provide the numbers to the Council of Economic Advisers, said Gary Steinberg, a BLS spokesman, in an Aug. 1 interview. Before transmitting the numbers to the CEA, the Census Bureau weights the data to

adjust for non-answers and unresponsive households.

At the same time, the BLS is conducting the so-called establishment survey, by sending and receiving questionnaires to 486,000 work sites. The main question that separate survey seeks to answer: how many jobs the work sites had on their payrolls on the 12th of the month.

On the Thursday afternoon before Labor Department's Friday release of the numbers, the BLS transmits both data sets to the Council of Economic Advisers, over a secure system. It then becomes the CEA chairman's responsibility to provide the president with the numbers. All the data is transmitted over secure systems and it is often walked to the West Wing by the CEA chairman, Austan Goolsbee, Obama's previous CEA chairman said in a Sept. 5 interview.

'Absurd' Charge

Nobel Prize-winning economist Joseph Stiglitz dismissed the conspiracy theory as "absurd."

"No president, maybe except Nixon, would actually try to change what the Bureau of Labor Statistics does or what the BEA does," Stiglitz said Oct. 6 on MSNBC, referring to the Bureau of Economic Analysis. "These are really independent agencies and the idea that they would do that is literally absurd."

Decades ago, few guidelines applied to the release of U.S. economic reports. In 1972, during President Richard Nixon's

term, Senator William Proxmire, a Democrat from Wisconsin and chairman of Congress' Joint Economic Committee, called the U.S. data unreliable. He decried "misleading economic indicators," according to press reports at the time.

Gold Standard

After an investigation, the committee concluded that the Nixon administration had manipulated the packaging and release of economic data, said **Bernard Baumohl, chief global economist at Economic Outlook Group LLC in Princeton, New Jersey.**

Since then, "controls have been increasingly made stricter," he said.

"There's no politics that goes into these numbers at all," he said. "The way the U.S. collects economic statistics is viewed around the world as the gold standard."

"For sure, some conspiracy theorist will contend that the BLS is cooking the data for political reasons. Such theories are absolutely garbage," said Ray Stone, managing director of Stone & McCarthy Research Associates in Princeton, New Jersey, in a note to clients. "The BLS never lets politics enter the data."

"I don't think they could manipulate" the data," said Keith Hennessey, Bush's last director of the National Economic Council. Hennessey received the jobs reports on Thursday nights before their release when he was in government. "Too many

people would have to be involved and they couldn't coordinate that many people lying about the data.”

“It would be very difficult,” to manipulate numbers at the BLS, said Elaine Chao, U.S. Labor secretary from 2001 to 2009.

Senator Graham went so far as to suggest the Obama administration might do it again, given the chance.

“Not that I'm skeptical about today's unemployment report, but I bet they'd figure a way to hit 6.0 if we extended the election by 30 days,” he said on Twitter on Oct. 5.

McCain, discussing Welch's assertion on CNBC, as well as the White House's explanations for the assassination of the U.S. ambassador to Libya and defense industry layoffs, said he “wouldn't put anything past this administration.”

He then added that he was “not enough of an economist” to interpret the jobs data.

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