

“Unemployment”: misinformation in public discourse and its contribution to Trump’s populist appeal

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Piketty et al.

It seems generally agreed that populism tends to rise up after a prolonged period in which governing elites have blocked from public discussion the declining economic welfare of a significant proportion of the population. These declines take two forms, usually simultaneously and interdependently:

1. A decline of income and wealth in absolute terms and/or relative to the elites and their agents.
2. A decline in key characteristics of employment through time (quality, security, real and relative wage levels) creating persistent high level of unemployment.

Though the latter is interdependent with the former, the real level of unemployment can be hidden. Elected elites and their patrons have a strategic interest in holding back public awareness and discussion of both declines for fear of losing elections and for fear that the upward redistributions of income and wealth will be stopped or even reversed.

Until three years ago the ruling elites in the United States were extremely successful at keeping the severe upward income and wealth redistribution that had been “progressing” since the early 1970s out of public view. GINI coefficients and graphs showing from 1970 onwards median income levels and relative shares of the bottom 90% and bottom 50% were never part of public discussion and but rarely of economics. Instead income discussion focused tightly on GDP and GDP per capita, which with rare exceptions increased year by year.

True, from the early 2000s the *Real-World Economics Review* featured numerous papers calling attention to the long-term upward redistributions taking place in the United States,¹ and

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¹ James K. Galbraith, “The American Economic Problem”, *post-autistic economics review*, issue no. 25, 18 May 2004, pp. 23-26, <http://www.paecon.net/PAERReview/wholeissues/issue25.pdf>
John Schmitt and Ben Zipperer, “Is the U.S. a Good Model for Reducing Social Exclusion in Europe?”, *post-autistic economics review*, issue no. 40, 1 December 2006, article 1, pp. 2-17, <http://www.paecon.net/PAERReview/issue40/SchmittZipper40.pdf>
Dean Baker, “Increasing Inequality in the United States”, *post-autistic economics review*, issue no. 40, 1 December 2006, article 2, pp. 18-22, <http://www.paecon.net/PAERReview/issue40/Baker40.pdf>
Thomas I. Palley, “America’s Exhausted Paradigm”, *real-world economics review*, issue no. 50, 8 September 2009, pp. 52-74, <http://www.paecon.net/PAERReview/issue50/Palley50.pdf>

in other venues Saez and Piketty did the same. But it was not until the publication of Piketty's empirical blockbuster that a substantial hole was opened in the public wall of silence regarding the 40-year relative income and wealth decline of a large proportion of the American population in particular.² This cultural breakthrough has made it marginally acceptable for the declining fortunes of the majority of citizens to be mentioned in corporate media and even in some neoclassical journals. Without Piketty's book the rise of Trumpism would have been for our era's overriding neoliberal narrative even more of an unexpected and inexplicable historical phenomenon.

“Unemployment”

The systematic distortion and non-reporting by both journalists and economists of changes in income and wealth levels is not the only way in which the reporting and discussion of the economy has been fundamentally distorted so as to keep hidden the decline in the economic welfare of a large proportion of America's population. “Unemployment” is a poignant everyday word, but the media and the economics profession have come to give a meaning to “unemployment” radically different from the meaning that people following the news and voting give it. For them, to be “unemployed” means to want but to be without full-time work.

Led by the Bureau of Labor Statistics (BLS), the economics profession has defined sub-categories of “unemployment” in the real-life meaning of the word and then cunningly reintroduced the same symbol to designate one of those sub-categories – the one which is usually the smallest – of “unemployment” in the real-life sense. Let us look at how this is done.

The BLS's website <https://www.bls.gov/cps/> says:

“There is only one official definition of unemployment – people who are jobless, actively seeking work [in the last 4 weeks], and available to take a job, ...”

There are three idiosyncrasies in this definition.

One idiosyncrasy is immediately apparent. The definition says in effect that if an unemployed person becomes too discouraged to look regularly for a job, then they are no longer “unemployed”. It is only those who retain some immediate optimism regarding overcoming their employment situation that will be counted as “unemployed”. In other words, under the BLS definition the people who are most psychologically affected by their unemployment are disqualified from being counted as “unemployed”. The medical equivalent would be to say that someone who is chronically ill and who has been discouraged from finding a cure for their illness is no longer “ill”.

John Schmitt, “Inequality as Policy: The United States Since 1979”, *real-world economics review*, issue no. 51, 1 December 2009, pp. 2-9, <http://www.paecon.net/PAERReview/issue51/Schmitt51.pdf>

Edward Fullbrook, “The Political Economy of Bubbles”, *real-world economics review*, issue no. 59, 12 March 2012, pp. 138-154, <http://www.paecon.net/PAERReview/issue59/Fullbrook59.pdf>

Emmanuel Saez, “Striking it richer: the evolution of top incomes in the United States”, *real-world economics review*, issue no. 65, 27 September 2013, pp. 120-129, <http://www.paecon.net/PAERReview/issue65/Saez65.pdf>

² Thomas Piketty, *Capital in the Twenty-First Century*, Harvard University Press, 2017.

The other two idiosyncrasies of the BLS's use of the symbol "unemployment" are, at least partially, hidden by the meanings it assigns to words in its definition.

It defines "jobless" to mean without any kind of a job whatsoever:

"People are considered employed if they did any work at all for pay or profit during the survey reference week. This includes all part-time and temporary work, ..."

So, for example, if an unemployed machinist or supervisor finds eight hours of work in a week as a dishwasher they are by the BLS definition *not* "unemployed". But in the real lives of the machinist and the supervisor and in the minds of their family and friends and the social milieu in which they live, they are unemployed.

The meaning which the BLS assigns to "actively seeking work" is no less unworldly. This phrase is interpreted so as to exclude many unemployed people who *are* looking for work. It makes a distinction between what it terms "active methods of job search" and "passive methods of job search". Examples of "active methods" include: contacting "an employer directly or having a job interview", and "[S]ubmitting resumes or filling out applications". "Examples of passive methods" include looking for "job openings that are posted in newspapers or on the Internet". This means that if in the last four weeks a real-life unemployed person searches every week or even every day the advertisements for job openings in newspapers and on the Internet and in the windows and on the walls of employment agencies and finds no jobs advertised for which they might reasonably apply or inquire about, then all that effort does not qualify that unemployed person as "looking for work" and therefore in the official statistics they are *not counted* as "unemployed". And of course the more serious the unemployment situation in an economy or sector thereof, the more likely it is that there are no jobs for which an unemployed person might reasonably contact an employer or fill out forms.

"Labor underutilization"

To avoid referring to the unemployed in general and calling attention to their numbers and their plight, the Bureau of Labor Statistics has invented the term "labor underutilization". It gathers and publishes statistics for 6 categories of "underutilization" expressed as percent and calls them: U-1, U-2, U-3, U-4, U-5 and U-6, the first five being "underutilization" subcategories of U-6. U-3, which is labelled the "official unemployment rate", is based on what, as above, the BLS calls "unemployed". U-5 includes U-3's "unemployed" plus what it calls all "persons marginally attached to the labor force" which it defines as the unemployed "who currently are neither working nor looking for work (remember what this "looking for work" means) but indicate that they want and are available for a job and have looked for work sometime in the past 12 months."³ U-6, in addition to "persons marginally attached", includes "people employed part time for economic reasons", meaning those who cannot find full time employment, like the machinist who washed dishes last Friday night. According to the BLS figures, in January 2017 the number of unemployed people who fall into its U-6 category comprised 9.4% of the civilian labour force, nearly twice its U-3 rate. But U-6 still covers only a subcategory of the real-life unemployed. In does not include people who are unemployed

³ U-4 is based on U-3's "unemployed" plus "a subset of the marginally attached".

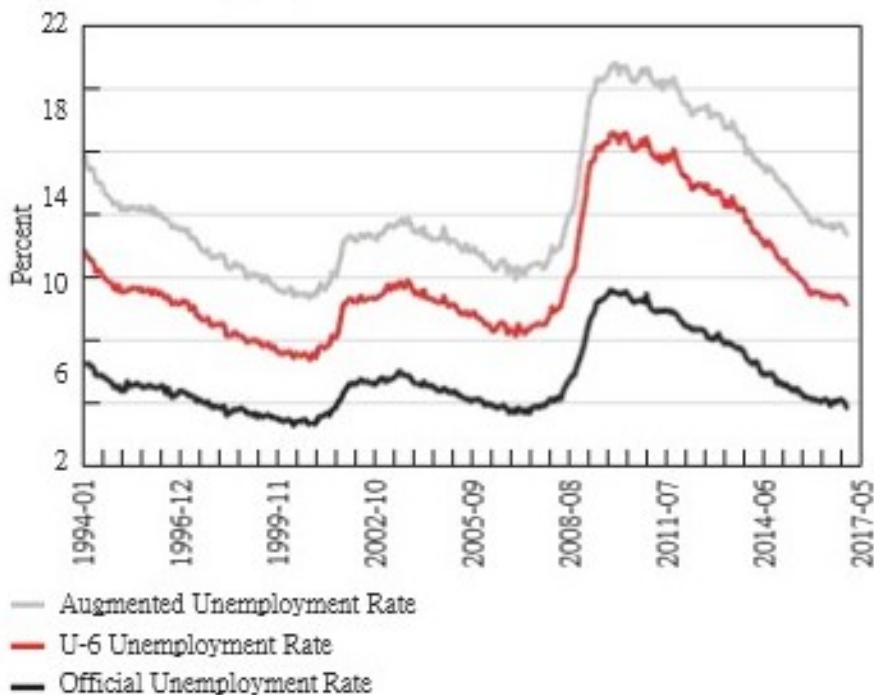
and who “want and are available for a job” but have not “looked for work” in the past 12 months. These workers might be called *very discouraged*, but the fact that they are very discouraged *does not make them any less unemployed*.

Total unemployment

Although the Bureau of Labor Statistics does not compute “U-7” or “U-8” rates, it does count and publish the number of people wanting work but who have not “looked for work” in the past 12 months.

In their 2017 paper, Flavia Dantas and L. Randall Wray note, and their Figure 4 below shows, that when this category of the unemployed is also counted it “boosts the unemployment rate to 12 percent”.⁴ This means, as Jan Kregel says in his introduction to their paper, that when it comes to reaching full employment “we are still roughly 20 million jobs short of the mark”.

Figure 4 Unemployment Rates, 1994–2016

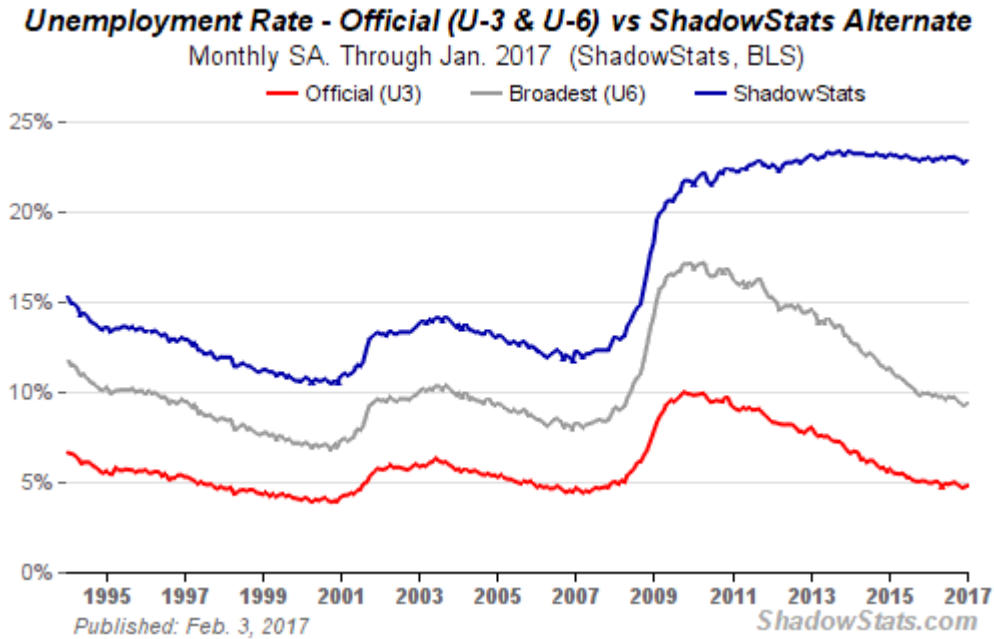


Sources: BLS; author's calculations

But even 12 percent may be a serious understatement of the real-life unemployment rate in the United States at the time of Trump's election, given that the very discouraged unemployed tend to have no contact, direct or indirect, with the BLS's system of counting. Because no official statistics are collected for this category of unemployment, we are here very much in the realm of the statistically semi-unknown. Nonetheless there exist various estimates of what

⁴ Flavia Dantas and Wray, L. Randall, “Full Employment: Are We There Yet?”, Levy Economics Institute, Public Policy Brief No. 142, 2017.

the total unemployment rate might be, one of which, from [Shadow Government Statistics](#) is shown in the following graph.



Conclusion

Just as failing to acknowledge the upward redistribution of income and wealth does not make its consequences go away, so also defining the majority of the unemployed out of official existence does not eliminate them from real-life existence. But it does humiliate and alienate them by making them feel that their unemployment is a personal failure rather than a failure of the system, of the economy, to provide enough jobs for the number of people wanting and needing them. And when high unemployment persists over a period of years and the flow of public misinformation about it also persists, the probability becomes high that the long-term unemployed and their social milieu will cease to believe the misinformation *and* cease to support the political system that generates it.

Statistics, like everything else, can be used or misused, kept clean or subverted. When public attention is focused on GDP and income per capita and never on relative shares and median income and when, unknown to the many, “unemployment” in public discourse is defined to exclude most unemployment, then statistics instead of serving as means of enlightenment, serve as means of screening ourselves off from reality. In the end, however, reality breaks through. And that is where we are today and why you are reading about Trumponomics.

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