

Breadline, What Breadline?, *The New York Times*, June 24, 2001, by David Leonhardt

THIS month, the Bureau of Labor Statistics reported that the nation's unemployment rate had fallen slightly in May, to 4.4 percent. The decline was the first in nine months, and with many stocks rising again, it suggested that the economic slowdown of 2001 might be near its end. But that measure was almost the only labor-market gauge to improve in May. Fewer people held jobs than in April. More people applied for unemployment insurance. A greater percentage of those without jobs had been fired or laid off rather than had quit. And a larger number of people who wanted full-time work could find only part-time work. "Fewer people are working, but it looks like good news," said Alexander Keyssar, a historian at Duke. "It really doesn't make sense."

The unemployment rate is the single most widely followed measure of the American people's economic health. The government publishes it on the first Friday of each month, and it immediately assumes a status of unassailable truth. But the history of this sacrosanct number is as much about politics as about statistics, and at a time when joblessness is rising, the history has a new relevance. In the 1870's, an economic downturn was throwing people out of work. According to one estimate, three million workers were unemployed.

Carroll D. Wright, the head of the Massachusetts Bureau of Statistics of Labor in 1878, did not believe it. The three-million figure was "reckless," he said, a "wild guess." Partly to disprove it, Wright undertook the first recorded study of unemployment in the United States. He found that fewer than 30,000 people were unemployed in Massachusetts, about one-tenth of what the doomsayers -- or "croakers," as he called them -- were claiming. "We have given the croaker the benefit of every doubt," Wright wrote, according to "Out of Work," a history of joblessness by Mr. Keyssar. An "intelligent canvass," based on the facts, had shown the croakers to be wrong, claimed Wright. The canvass may have been intelligent, but it also defined unemployment in the narrowest way possible. People whom the police judged to be uninterested in work were excluded, according to Mr. Keyssar. The result, as even Wright acknowledged, was that a "large percentage" of people without jobs were not counted.

Almost 125 years later, the methods and views of Wright, who became the first chief of the federal Bureau of Labor Statistics, still determine how unemployment in America is measured. Today, only people who are without a job and have actively looked for work in the last four weeks are considered unemployed. Those who have stopped looking -- because they have given up, for example -- fall into the same category as children or retirees. They are not part of the labor force. The result is that, in a typical month, about five million Americans who are without a job and say they want one are not counted as unemployed. Were they included, the unemployment rate would double.

The government once used a more inclusive measure. About a century ago the Census Bureau began tallying the number of Americans who had been out of work at some point in the previous six months or year. But after a few decades, policy makers opted for a system that produced a smaller number. This preference for rosier data sums up the conflicted attitude that the United States, and virtually all free-market societies, hold toward joblessness. On the one hand, governments habitually say they're on the side of the worker. On the other hand, the presence of a pool of unemployed labor has long been considered a necessary part of an efficient market economy. It is the natural result of some companies failing while others succeed.

Economic circumstances have usually determined which attitude dominates. During the Depression, the United States spent huge sums on public works to keep people employed. Then, at the close of World War II, concern that a wave of returning soldiers would flood the labor market led Congress to pass the Full Employment Act. (They later dropped the "Full.") The bill declared that creating "useful employment opportunities" was "the continuing policy and responsibility of the federal government," according to "Unemployment in History," by John A. Garraty, an emeritus professor of history at Columbia.

BUT after the “stagflation” of the 1970’s, when unemployment and inflation rose simultaneously, economists and politicians began to rethink the idea that government should help find people work or underwrite their joblessness. The free-market policies of a century earlier returned. State governments paid benefits to a smaller portion of the unemployed than before; labor unions lost key court cases; and eventually, a Democratic president and a Republican Congress limited the amount of time in which those without jobs could receive welfare payments.

In recent months, unemployment has fallen to its lowest level in three decades. Alan Greenspan, the Federal Reserve chairman, frets about the inflationary effect, should it fall further, and yet few complain that he is indifferent to the average worker, noted Gary Gerstle, a professor of American history at the University of Maryland. “The United States has been enormously successful in lowering the unemployment rate through efforts to strengthen the market, rather than regulate it,” he said. As a result, “concerns about unemployment are secondary to concerns about the stock market.”

This victory over widespread joblessness would seem more assured, however, if it did not rest in part on the government’s incomplete statistics. In May, 6.2 million Americans were counted as unemployed, according to the Bureau of Labor Statistics’ seasonally adjusted numbers. Another 5.2 million wanted work but had not actively searched for it in the four weeks before the survey. And 3.4 million people held part-time jobs because they could not find full-time work. If the government were to include all these groups, the current jobless rate would be 9.9 percent, instead of the official 4.4 percent.

Most economists expect unemployment -- both the rate and the real thing -- to increase in the coming months. That is precisely the time, Mr. Keyssar said, that people may want more information about the job market than government’s definition of unemployment provides.