

## **Essay 6      Unemployment: The Jack Welch Tweet & Fake Jobs Numbers**

Please open, read, and refer to the following articles:

### **Jack Welch**

[https://twitter.com/jack\\_welch/status/254198154260525057](https://twitter.com/jack_welch/status/254198154260525057)

October 5, 2012

Jack Welch sets Twitter Ablaze with Obama Job Jab

<https://www.reuters.com/article/us-usa-economy-jackwelch/jack-welch-sets-twitter-ablaze-with-obama-job-jab-idUSBRE8941CR20121005>

<https://unemploymentdata.com/employment/jack-welch-unemployment-twitter/>

October 10, 2012

Jack Welch defends his jobs report comments (again)

<http://www.cnn.com/id/49358414>

Was Jack Welch right on Twitter?

<https://unemploymentdata.com/employment/jack-welch-unemployment-twitter/>

### **Donald Trump**

March 10, 2017

19 Times Trump called jobs numbers 'fake' before they made him look good

<https://www.washingtonpost.com/news/wonk/wp/2017/03/10/19-times-trump-called-the-jobs-numbers-fake-before-they-made-him-look-good/>

### **Sean Spicer, Former White House Press Secretary**

March 10, 2017

<https://www.cnn.com/2017/03/10/white-house-spicer-trump-says-jobs-report-may-have-been-phony-in-the-past-but-its-very-real-now.html>

Management of individual companies and of the broad economy requires data upon which to base decisions and plan a course of action. It is vitally important, then, that this data is consistent, reliable, and unbiased.

One of the more closely watched and most relevant sets of data is that regarding the labor market.

The Congress is interested in this data because it is responsible for the fiscal policy that can help or hinder the labor force in finding or keeping a job and in receiving rising or stagnant wages.

The Federal Reserve is interested in this data because it has been charged by Congress with a “Dual Mandate” that requires it to take actions and set policy to encourage full employment.

Corporations are interested in this data because it helps them to anticipate how difficult it will be to find available workers and how much they will have to pay for workers’ services.

Individuals are interested in this data because it helps them to anticipate how difficult it will be to find a job, how much leverage they may have in trying to get a raise, or how much success they may have at finding a better job if they voluntarily leave the one they currently have.

As you might imagine, if this data were inconsistent, unreliable, biased, or worse, manipulated for political gain, then decision makers and ordinary individuals could find themselves making incorrect, or even financially ruinous choices.

In 2012, as the economy entered the fifth year of its slow recovery from the financial crisis, and as a significant presidential election loomed, many Americans were carefully watching economic indicators, specifically, the unemployment rate. On Friday, October 5, 2012, the last jobs report before the election was released. The results shocked many experts, as the unemployment rate, which had been slowly declining over the past year, unexpectedly fell to 7.8% from 8.1% the previous month. A few minutes after the report was released, former General Electric CEO Jack Welch Tweeted “Unbelievable jobs numbers...these Chicago guys will do anything...can’t debate so change numbers.”

This Tweet quickly gained national attention, with conspiracy theorists and dismissers weighing in on the accusation. On one hand, the data was indeed surprising and unexpected. Further, with an election looming, a strong jobs report would certainly be beneficial to President Obama’s re-election

prospects. On the other hand, such a statement undermines the credibility and integrity of the data and those government employees charged with collecting it.

In hindsight, a drop of 0.3% month-over-month had not been realized to that point in the recovery, but that phenomenon would occur 6 more times over the next 4 years. Continued analysis suggests that there may have been issues with the data collection, and that workforce participation, part-time employment, and the counting of discouraged workers continually contributes to confusion over the “real” level of unemployment, but evidence does not necessarily support the hypothesis that anyone in the Obama Administration willfully, negligently, or carelessly collected or reported fraudulent data in the months leading up to the 2012 election. Additionally, no significant modifications have been made to the collection or measurement process in the wake of this episode.

Coincidentally, beginning in 2012, future-candidate and future-President Trump also hurled allegations that unemployment data were “fake,” “false,” “phony,” “fraudulent,” and “totally fiction” almost two dozen times during the second term of the Obama Administration, including several weeks before and after Jack Welch’s Tweet (Repeated use of “f-words” presumably unintentional).

Additionally, his estimates of the “real” unemployment rate rose from 15% (October 19, 2012) to 18 to 20 percent (June 16, 2015) to “probably 40 percent” (August 11, 2015) to 42 percent (August 30, 2015, reiterated September 29, 2015) down to 32% (October 9, 2015), back to 35 or 42 percent (February 9, 2016) and his repeated accusations of wrongdoing seem to suggest that the unemployment reports are, for lack of a better term, “rigged.” (Washington Post, March 10, 2017)

While it is possible that Mr. Trump was confusing the U-3 report (Total unemployed, as a percent of the civilian labor force) with U-6, which includes “part time for economic reasons,” which is consistently significantly higher, the data at no time in U.S. history (except possibly the Great Depression, where unofficial estimates were 25% in 1933) indicate support for such an assertion.

Further, White House Press Secretary Sean Spicer, at his daily briefing on January 23, 2017, dodged a direct question from NPR’s Mara Liasson by refusing to offer the precise unemployment rate number. Spicer further brought humor to the press briefing on March 10, 2017, when, in response to CNBC’s Eamon Javers’ question regarding the validity of the numbers, stated “I talked to the President prior to this, and he said to quote him for this, ‘[The jobs reports] may have been phony in the past, but it’s very real now.’”

Do you believe that the unemployment data are generally consistent, reliable, and unbiased?

Why or why not?

Do you consider the survey methodology of data collection to be appropriate?

Do you believe that revisions make the data more reliable or more unreliable?

Do you understand the difference between U-3 and U-6 unemployment rate?

Do you understand how the results may offer conflicting interpretations of the health of the labor market?

Do you believe that Jack Welch's assertions were valid?

Is it ok for a public figure to make an accusation with, admittedly, no evidence to support his claim?

Do you find the sharp drop in the unemployment rate that month perplexing?

Do you find the sharp drop in the unemployment rate that month coincidentally politically convenient for President Obama? If so, does that raise doubts in your mind as to whether the data was accurate?

Do you believe that citizen Donald Trump was also making these assertions as a way to boost his political stature in advance of a Presidential campaign?

Is it ok to accuse the government of releasing "phony" data for political purposes?

Is it difficult to give credibility to his assertions when his own unemployment estimates were seemingly unscientific, highly erratic, and significantly higher than the United States has experienced in its history?

Upon becoming President, and confirming that the data were "very real now," should the President take credit for fixing the measurement problem?

If nothing about the measurement methodology or the data collection was actually significantly incorrect, does the President owe an explanation to the voters as to how his interpretation of the data changed so quickly?

If it was really just his own misunderstanding of the methodology, should he express that to the public, so as to reassure them about the validity of the data?

Do you believe, as the Press Secretary said, that the numbers are "very real now?"

Will it be ok if a Democratic challenger for President in 2020 makes equally unsubstantiated allegations and accusations about unemployment or other government agency data?

Feel free to opine on other issues related to this topic.