

Insight



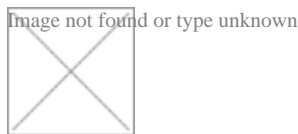
White House: Just 14 Months Away from the Lowest Unemployment Rate in Recorded History!

GORDON GRAY | JANUARY 10, 2014

On Friday, the White House Council of Economic Advisers (CEA) issued an [analysis](#) of what the *Washington Post*'s Ezra Klein described as a "horrible jobs report." The administration's analysis took a different view, and despite the *Post*'s [admonition](#), appeared to celebrate the report's 6.7 percent unemployment rate. The CEA analysis noted that the 6.7 percent rate is "the lowest since October 2008" and has fallen "1.2 percentage points from December 2012 to December 2013."

This analysis is sunny to say the least. Nowhere in the report is there mention that most of the decline in the unemployment rate is due to the 347,000 workers that left the labor force in December – people who just gave up looking for a job. The analysis also fails to mention that over the December 2012-December 2013 period, the labor force lost over half a million workers. Factoring these individuals back into the equation alone would take away 0.3 percentage points in the unemployment rate 'improvement,' a quarter of the celebrated gains.

The result is a labor force participation rate that has been in steady decline; with the December rate matching the lowest rate since March of 1978 (October's rate also matched this rate). But the celebratory tone of the CEA report appears blithely ignorant of this trend, and rather seems to embrace its persistence as long as the unemployment rate keeps falling. Such a trend would take the participation rate down further still, to levels not seen since the early 70's:



The CEA's report is divorced from reality, and suggests a type of analysis that revels in convenient math underpinned by lousy economic trends. If today's report is so great, why not take a step further? In fact, why isn't the White House forecasting record low unemployment in the coming year? Indeed, extrapolating today's jobs report would result in 2.3 percent unemployment in the month of February 2015, the lowest in recorded history (really just BLS's dataset). Granted, an additional 8 million workers would have left the labor force, but still, 2.3 has a nice ring to it. Perhaps the White House knows better than to rely on this type of analysis, except perhaps when there's nothing else to say.