

Bureau of Labor Statistics Fraud Excludes Reality

by Richard Freeman

The U.S. Department of Labor's Bureau of Labor Statistics steadfastly assures Americans, and people in all nations, that the average U.S. standard of living is rising. Although the BLS was founded to gather information and conduct "objective" studies, it instead releases monthly and annual reports fit to convince even the hard-boiled skeptic that the average household is doing modestly well. The reports purport to show that in most years for the last several decades, average income has risen; and that even in those years when income fell, the average American household had enough income to acquire the goods it needed to live. By implication, only a small minority of households seriously suffer.

An *EIR* study, published May 16, demonstrated graphically and in detail that since 1963, the purchasing power of an American worker's average weekly paycheck—measured in physical terms, against a household "market basket" of those goods essential for human existence in today's economy—has fallen, by 50%.

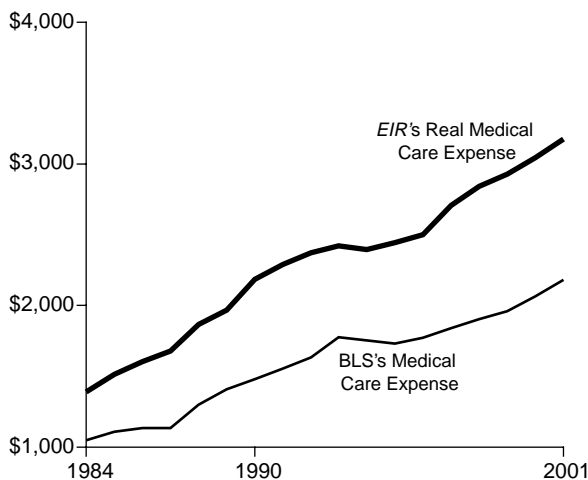
The worrisome feature about the BLS practice of fraud, is the fact that this is the government agency responsible for publishing the nation's official reports on inflation, unemployment, and income levels. *EIR* has previously exposed the hocus-pocus behind the BLS invention called the Quality Adjustment Factor, by which it vastly understates the inflation shown in the Consumer Price Index.

Consumer Expenditure Survey

In the process of assembling the May 16 study, *EIR* discovered a new BLS fraud.

The Bureau carries out an annual Consumer Expenditure Survey, to determine the goods and services that a household consumes during the course of a year. The concept of implementing such a survey annually is sound, but the manner in which the BLS does it, shows why it might be able to represent as rising, income levels that are actually falling. The BLS describes the CSE as collecting "information from the nation's households and families on their buying habits (expenditures), income, and characteristics." The Bureau conducts the survey in two phases: a diary survey, and an interview survey.

FIGURE 1
Bureau of Labor Statistics Misreports Real Annual Household Medical Care Expenses



Sources: U.S. Department of Health and Human Services, Center for Medicare and Medicaid Services; U.S. Department of Commerce; U.S. Department of Labor, Bureau of Labor Statistics; *EIR*.

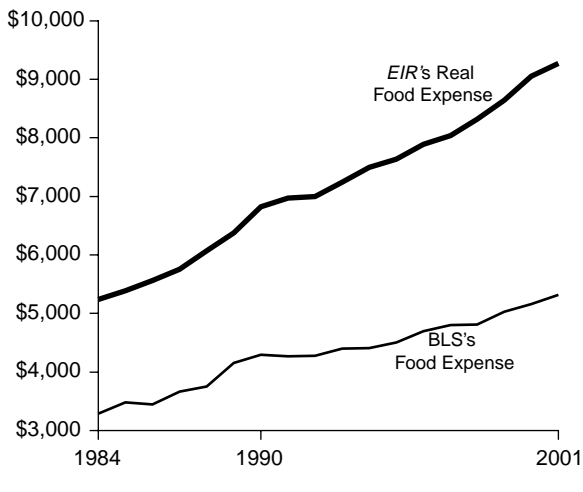
In the "diary" survey, the Bureau samples 7,500 households over the course of a year. It asks each member to keep a diary of all their expenditures for two weeks. However, one person may forget to record a late-night run to the store to buy milk and eggs; another member may forget to record eating a restaurant meal. The BLS collects all the diaries, and sifts through them for information.

In the interview survey, the Bureau surveys a few tens of thousands of households, which are different from those which participated in the diary survey. A BLS analyst will ask the reference person in a household what the household's expenditures were, over the preceding few weeks, for a given array of goods and services. The households participating in this survey do not log their spending; there inevitably are expenditures that they forget to include in the interview. The BLS also sifts through this survey.

According to BLS analysts with whom *EIR* spoke, the agency will use both surveys, but will put greater reliance on either one survey or the other, in determining how much of a particular commodity or service a household buys.

But the surveys miss the true level of expenditures that a household makes. Take the case of a household's expense for out-of-pocket medical care. The BLS says that it includes the entire expenses that a household makes, from its own funds, for medical care during the course of a year; in health-care, this includes health insurance premiums, whether it is paying for all or part of the premium; excluded is that portion paid by an employer or government agency. Likewise, what

FIGURE 2
BLS Misreports Real Annual Household Medical Care Expense



Sources: U.S. Department of Commerce; U.S. Department of Labor, Bureau of Labor Statistics; *EIR*.

a household pays for medications is included, and what is paid for by a health insurer is excluded.

Real Expenditures 40-50% Higher

The BLS claims that in 1984—the first year for which it had data—the average household out-of-pocket spending for medical care was \$1,049 per year; by 2001, the average out-of-pocket expenditure had grown to \$2,182.

However, *EIR* obtained information from the Center of Medicare and Medicaid Services, the source for a great deal of medical data, that was sufficient to determine the total out-of-pocket medical expenditures of all U.S. households, for the relevant years. *EIR* then divided that total by the number of households, to arrive at the average annual household out-of-pocket expenditure for medical care. **Figure 1** shows that by 2001, the average American household spent \$3,174 on medical care annually, *50% more* than the BLS reported.

Similarly, the Bureau claims that in 1984, the average household spending for food was \$3,290, per year; the BLS reports that by 2001, the average household food bill had grown to \$5,321.

Meanwhile, *EIR* secured from the Commerce Department itself, the total expenditures of all U.S. households for food, for the relevant years. Using the same method as above, *EIR* determined the average household food bill. **Figure 2** shows that by 2001, the average U.S. household spent \$9,275 on food each year, *40% more than the BLS reported*. When one considers that the Bureau statistic for an average annual food expenditure is \$5,321—only a little more than \$100 per week,

hardly enough to feed a household—it becomes much more evident how far BLS figures are from reality.

While there exist some differences in what is surveyed, between the BLS and other government agencies, the Bureau statistics are too far from reality, to be accounted for by differences in surveys.

Wherefore the Understatement?

But why would the BLS so greatly understate what households spend for medical care and food? What benefit would it get from that?

In 2001, states the BLS, its Consumer Expenditure Survey reports that the average household earned \$47,507; this includes the upper 5% of households who earn millions of dollars per year, skewing upward the average. Now, were the BLS claims actually true, that in 2001, households spent on average \$2,182 for out-of-pocket medical care, and \$5,321 for food, then the sum of those two, \$7,403, neatly fits within the BLS reported household income of \$47,507, leaving enough for other vital expenses. The household budget was not stretched, nor did the household have to borrow any money to survive.

However, taking reality as a starting point, in 2001, the actual cost of out-of-pocket medical spending was \$3,290, and food was \$9,275. At \$12,565, their sum exceeds the fraudulent BLS figure by \$5,000. This real sum of \$12,565 does not fit neatly within the Bureau's reported household income of \$47,507—whose remainder, according to the BLS, is already accounted for in expenditures for housing, transportation, and so forth. This creates a real problem: The real expenses for food and medical care exceed the capacity of the household income to pay for them, by \$5,000.

For a household to tackle a \$5,000 shortfall in its income, it has to borrow, simultaneously cutting its consumption of not only food and medical care, but also other vital household expenditures. Using real cost figures for food and medical spending disrupts entirely the fiction that U.S. households are covering their costs. In fact, there are other real costs whose expenditure the CSE survey leaves out, as well.

The Bureau of Labor Statistics is in combat with reality. Were it to admit the truth, then its oft-purveyed myth that American households are doing well, would be shattered.

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