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Economic Commentary

"Hidden Figures"

I have shamelessly appropriated the title of my piece, "Hidden Figures," from a 2015 movie about the contributions of a group of African American women to John Glenn's flight orbiting the earth in 1961. These women were functioning as human calculators supporting the mathematics of space flight, and their contributions to NASA were almost completely unknown until this movie was screened more than 50 years later.

In another, but vastly different example of "hidden figures," some of the numbers being generated by the Bureau of Labor Statistics and the Treasury Department are going unanalyzed because they are buried within the huge volume of data each Agency produces on a monthly basis.

When I read news summaries of the data releases, I see that the format is essentially unchanged from month-to-month with only the numbers changing. However, after reading these reports, I became curious as to why the standard descriptions are at variance with my sense of what the data is showing.

Consequently, I embarked on an on-line quest into the statistics produced by the Bureau of Labor Statistics and the Treasury Department. What I found was a more positive outlook for the fiscal position of the Federal Government with regard to future deficits, than was being reported by the Congressional Budget Office.

I noticed that monthly data for non-farm payrolls, which includes both government and private sector employment, was consistently matching the employment levels for private sector employment on its own. With the two data series moving in lock step, I decided to check government employment to see if there had in fact been very little net hiring in that sector during the 12 month period ending March 31, 2018. What I found was for the year ending March 31, 2018, Federal Employment was down by 7,000 jobs, State Employment was down by 53,000 jobs and Local Government Employment was up by 63,000 jobs. In the aggregate, government employment grew by only 3,000 jobs in the 12 month period ending March 31, 2018. The total number of U.S. government jobs at all levels is now approximately 8 million.

The Bureau of Labor Statistics reported that 2.5 million new jobs were created during the one year period ending March 31, 2018, which means virtually all new jobs were in the private sector. I believe this is an important fact because it highlights the strength of the private sector.

I next went to the Treasury Department to see how the income generated from new employment was affecting tax receipts. Since income tax receipts have been affected by the 2017 Tax Act, I decided to check Social Security receipts since that program was unchanged throughout the time period I was examining. For the six month period ending March 31, 2018, Social Security receipts were up by $50 billion, another indication of a robust economy.

I then drilled down more deeply into Social Security, which is divided between "regular" Social Security from which personal benefits are paid, and "Disability" Social Security for those unable to work. I combined the two "Trust" funds and noted that their combined assets were $2.89 trillion. Social Security actuaries have calculated that both "Trust" funds will be out of money by 2032. I converted their estimate into a straight line projection and calculated that every six months outlays from these two "Trust" funds would exceed receipts by $87.5 billion. I then noted that for the six month period ending March 31, 2018, Social Security outlays were actually equal to receipts. This is more good news for the Federal Government as it positively impacts fiscal deficits and could lead to the "Trust" funds remaining solvent for a longer time than forecast by Social Security actuaries.

In April 2018, the Treasury Department reported the largest monthly surplus ever, over $250 billion. With the unemployment rate down to 3.8% in May 2018, it seems that the fiscal deficit for 2018 is going to come in below consensus estimates. I believe the economy will continue to expand and the Federal fiscal deficit for 2019 will be well under the $1 trillion currently estimated by the Congressional Budget Office.

I understand that young reporters at periodicals like *The Wall Street Journal* are assigned to the reporting of monthly government statistics. It may seem like drudgery to some, but to those who take the time to seek out the "hidden figures" in those data releases, the reward is to gain insight into how the economy is really doing.

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