

Can Truth Prevail in America? The Rise of Real GDP is an Illusion

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According to official US economic data, the US Gross Domestic Product (GDP) has expanded for 22 quarters, raising real GDP 12.1% above its high prior to the 2008-09 economic contraction. Yet, US manufacturing output and US industrial production have not recovered to their pre-contraction high.

So what is driving the real GDP growth? In my opinion, the rise in real GDP is an illusion produced by the under-measurement of inflation.

As I have reported on many occasions, John Williams of shadowstats.com has concluded that changes in the way that the government approaches the measurement of inflation has, in effect, defined inflation away.

Formerly, if a price of an item in an inflation measure rose, the inflation rate would rise by the price times the weight of the item in the index. Today, if a price of an item in an inflation measure rises, that item is removed from the index, and a lower cost item substituted in its place.

A second way that government has contrived in order to undermeasure inflation is to declare price rises “quality improvements” and not count the higher price as inflation.

Using these methods, an 8% rate of inflation can, for example, be reduced to a 2% inflation rate.

The low inflation rate is what produces the appearance of real GDP growth. As GDP is measured in prevailing prices, in order to know whether the GDP number is the result of an increase in the output of goods and services or merely the result of higher prices or inflation, the nominal GDP figure is deflated by the inflation measure.

For example, if nominal GDP rises 5% this year over last year, and the inflation rate is measured at 2%, real GDP has grown by 3%. However, if the 2% inflation rate is the contrived result described above, and inflation is really 5% or 8%, GDP growth was zero or declined by 3%.

The main reason that the government revamped its measurement of inflation is to save money by denying Social Security recipients cost-of-living-adjustments. During the many years that retirees have had no interest income on their retirement savings due to the Federal Reserve’s low interest rate policy in support of the balance sheets of the “banks too big to fail,” retirees have also been denied cost-of-living adjustments to their Social Security pensions.

In his latest report John Williams states:

“Decades of massaged reporting methodologies have distanced headline economic activity from common experience and underlying reality. When I started the Shadow Government Statistics newsletter in 2004, it reflected my formal experiences of assessing the quality and nature of headline economic reporting since the early 1980s, and of a broad recognition that Main Street U.S.A. had a good sense of underlying economic reality.

By 2004, underlying economic reality clearly was not reflected in the headline numbers issued by most statistical agencies of the federal government. Headline business conditions broadly were overstated, while inflation was understated. A heavily-positive public response accompanied the ShadowStats.com introduction, broadly confirming that common experience was not reflected meaningfully in the government’s headline data. Reporting quality and related circumstances have deteriorated since.

To speak frankly, the picture of the economy that is presented to the public is a virtual reality contrived to take the place of the real reality. The economic recovery, the low inflation and unemployment rates are no more real than Saddam Hussein’s weapons of mass destruction, Assad’s use of chemical weapons, Iranian nukes, and Russian invasion of Ukraine. As in the movie, the Matrix in which Americans live is the product of government’s ability to control the explanations.

As John Williams says, the government’s “GDP reporting is not close to being credible.” The Federal Reserve’s Industrial Production Index represents 61% of GDP and remains below its peak prior to the 2008-09 economic contraction. Yet the government says real GDP is 12.1% higher.

Try finding any discussion of this inconsistency in the financial media.

There have always been biases in the media, but the 21st century has seen the rise of fake news in order to advance agendas. For example, the neoconservative agenda of overthrowing seven countries in the Middle East in five years was served by the fake news about Saddam Hussein, Gadaffi, Assad, and Iran. The military/security complex’s agenda of a New Cold War was served by the fake news of Russian invasion and threat to Europe. President Trump’s intention of restoring normal relations with Russia was defeated by fake news of Russian interference in the presidential election and Trump’s alleged connections to Russian intelligence.

Practically the entire US population belived the obvious, transparent lies about Iraq, Libya, Syria, and Iran and perhaps most still do. Various polls show that a majority of Americans believe the obvious lies about the Russians, and many Amerians want Trump impeached for his non-existent “Russian connections.”

The print and TV media and much of the Internet media create the virtual reality that supports the agendas of the ruling elites, depriving the people of comprehension of factual reality. Websites, such as this one, which endeavor to provide truthful explanations, are dismissed as Russian dupes/agents, conspiracy theorists, kooks, and so forth.

Democracy cannot function when lies crowd out truth in the service of hidden agendas. Neither can life on earth. As terrible as the two 20th century World Wars were in the

expenditure of life and destruction of cities, the weapons were puny compared to the thermo-nuclear weapons of today.

According to reports, just one Russian Satan II nuclear missile has sufficient destructive force to obliterate France or the state of Texas.

Russia, surrounded by 28 hostile NATO countries egged on by insane neoconservatives and crazed US generals, relies on nuclear weapons to protect its homeland. In recent years, various Russian officials have said that Russia will never again fight a war on its own territory. This should tell us something, but it hasn't.

If you have a brain, ask yourself what this orchestrated conflict with Russia is about. Putin has said that he wants no conflict, that Russia threatens no one. But the Western pressites declare that Russia is a threat, and the generals who Trump has appointed to the highest positions in his new government say that "Russia is the principal threat to the US." If you believe Putin, you are a Russian dupe or even a traitor. If you believe the New York Times, Washington Post, CNN, MSNBC, NPR, you have signed up for Armageddon.

People without valid information cannot make valid decisions. No where in the West other than my website and a few others is there any valid information.

My readership with all the reposts and foreign translations is very large compared to, for example, the Washington Post or New York Times, but it is small compared to the totality of the Western media, all of which repeat the same lies. If my readers were organized, and believed Margaret Mead, they would suffice, but they are not organized. They are scattered all over the world.

The neoconservatives are organized. The military/security complex also is organized, and so are the bankers, Wall Street, and global corporations. For the military/security complex, the world is something to put at risk for their enormous "security" budget. For the bankers, Wall Street, and global corporations, the world is there to be plundered. The plunder has been exposed over and over. See for example, John Perkins, Confessions of an Economic Hit Man, but the plunder continues via world organizations such as the IMF and World Bank, allegedly goody-goody Western institutions to "help the needy countries."

Seldom in history have the people had a voice. Those who try to give people a voice are portrayed negatively by the ruling elites. Thomas Paine's Common Sense is the founding document of the American Revolution. His book, Rights of Man, sold 500,000 copies, making it the best-selling book of the 18th century. In Britain his reward was to be charged with sedition by the government and declared an outlaw. In the US, Federalist newspapers in Boston portrayed him as a drunkard and infidel. There is no monument to him in Washington, D.C. As Lewis Lapham has written, "Paine's plain and forthright speaking is out of tune with our own contemporary political discourse, which for the most part is the gift for saying nothing." Or for flumuxing you with false news.

The voice here at this website, my voice, provides perspectives that permit escape from the Matrix, but it depends on your support. As March is upon us, so is my quarterly request for your support. So far, we have both kept our word. You have supported the site, and I have continued to ruin my reputation in Washington by writing explanations that are unpopular in the ruling circles.

I am prepared to fight for our lives, but I cannot do it without you.

Dr. Paul Craig Roberts was Assistant Secretary of the Treasury for Economic Policy and associate editor of the Wall Street Journal. He was columnist for Business Week, Scripps Howard News Service, and Creators Syndicate. He has had many university appointments. His internet columns have attracted a worldwide following. Roberts' latest books are [The Failure of Laissez Faire Capitalism and Economic Dissolution of the West](#), [How America Was Lost](#), and [The Neoconservative Threat to World Order](#).

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