The Mismeasurement of America: An Interview with Gene Ludwig

Introduction

America needs a robust, reliable system of national data to meet the country's challenges. The nonprofit Center for Open Data Enterprise (CODE), in partnership with USAFacts, has recently published a white paper to envision a better national data ecosystem for the future. In July 2026, CODE president Joel Gurin interviewed one of the foremost advocates for more accurate national data: Gene Ludwig, former U.S. Comptroller, business and civic leader, and author of the 2025 book *The Mismeasurement of America: How Outdated Government Statistics Mask the Economic Struggle of Everyday Americans*

Gene Ludwig is an internationally recognized leader on matters relating to banking, including financial technology, regulation, risk management, and fiscal policy. He is the founder and CEO of Cari Network, managing partner of Canapi Ventures, the founder and CEO of Ludwig Advisors, and chair of the Ludwig Institute for Shared Economic Prosperity (LISEP), which he founded in 2019. LISEP is dedicated to improving the economic well-being of middle- and lower-income Americans. Its research includes the creation of more meaningful economic indicators for unemployment, earnings, and cost of living. LISEP's statistics aim to provide policymakers and the public with a more realistic view into the economic situation of all Americans as compared with traditionally relied-upon metrics.

As U.S. Comptroller of the Currency from 1993 to 1998, Gene served as the Clinton administration's point person on the policy response to the credit crunch of the early 1990s. He fashioned an 11-point plan that was instrumental in helping banks begin to lend again and fulfill their role of supporting the economy. Under his purview, lending to low- and moderate-income Americans increased tenfold, as did national bank investments in community development corporations. In addition to *The Mismeasurement of America*, Gene is the author of *The Vanishing American Dream: A Frank Look at the Economic Realities Facing Middle- and Lower-Income Americans.*

The following is a transcript of Joel and Gene's conversation, which has been lightly edited for clarity and flow.

Joel Gurin: My organization has been working a lot on all the issues swirling around federal and national data right now. Your book is a breath of fresh air: it's very clear and compelling, and very much part of the conversation everybody's having right now.

To begin, please talk a bit about your background, your work in government and in business and how that all has led to your current work and your current view of the state of the data we use.

Gene Ludwig: Sure. I grew up in central Pennsylvania, on the edge of Amish country, in a middle-American community. I was very sensitive to the challenges facing middle- and lower-income people because that was a community I grew up in. When I joined the administration, I focused some attention in my job on those issues. I was very active in bringing lending discrimination cases. We brought 27 cases such cases, reformed the Community Reinvestment Act to make it a more effective tool for expanding access to credit, and produced hundreds of billions of dollars in loans and other economic benefits for low-income communities. And then I worked with the president to develop and introduce to the Congress the legislation that has spawned hundreds of community development financial institutions in the United State, making financial services available to communities that have long been underserved.

Later, in running a big bank in New York and observing what happened to the towns I knew back in Pennsylvania, I came to realize that the struggles I had witnessed first hand were part of a much broader, longer-term trend. For more than 25 years, the economic well-being of middle- and lower-income Americans has steadily declined. Understanding why that happened got me interested in this whole area and ultimately led to my current work.

Gurin: And now you've been working to understand why our economic measures are not accurate and what can be done to improve them. It's striking to me that when you look at what you've termed "headline statistics" — weekly wages, inflation, and unemployment — they all skew in a way that underrepresents the challenges that are being faced by low-income Americans. I'm curious if you have a perspective on whether that consistent bias across all these measures Is simply an artifact of measurement that happens to skew in that direction, or whether there have been any kinds of political influences on how we gather this kind of data.

Ludwig: I think it's important to start by saying that the headline statistics aren't necessarily inaccurate — they're measuring what they were designed to measure. The problem is they were designed for a very different time. Many of the concepts date back to the 1890s and the definitions to the 1930s, when the economy and workforce looked very different from today. Now, the fact that they have a rose-colored glasses bias towards how middle- and low-income Americans are doing — I don't know whether there's a fault in that, or if it's just an accident, or if it's our natural tendency to want to see things better than they are. But there is a bias.

That's how my interest in the data came about. As I looked around places like those where I grew up, you could just see a decline, you could feel it, but the data kept looking better: unemployment coming down, inflation under control, GDP going up, wages going up. That seemed to be incongruous. So, we held a seminar at Yale Law School that included governors, secretaries of the Treasury, business leaders, activists, scholars, et cetera, to ask: “Is there a problem with our statistics, and if so, what can we do to solve it?” It was at a time when there were a number of books — among them Isabel Sawhill's, who participated in our seminar — which were anecdotal in terms of things not going well for middle- and low-income Americans, with a particular focus on the middle class. Researchers like her at Brookings and elsewhere showed that the middle class, remarkably, was headed down, not up, which was historically odd for America.

After the Yale seminar, we published a book called *The Vanishing American Dream* because so much of the discussion centered on the erosion of economic opportunity. What struck me most was that, regardless of political affiliation or professional background, everyone — scholars, politicians, former politicians, activists — agreed that things were on the decline. They shared many anecdotes and personal observations, but there was remarkably little detailed data to explain what was actually happening. I tend to be numbers-oriented, so around that same time I formed the Ludwig Institute for Shared Economic Prosperity. Our goal was to move beyond anecdotes and develop better ways to measure the economic realities Americans were experiencing. We were lucky enough to get a group of very talented young economists who began digging into the headline statistics, asking whether they were truly capturing people's lived experiences. That work ultimately led to our recent book, *The Mismeasurement of America*.

One thing that has been true throughout our lifetime is that shared economic prosperity has never fully reached the lowest decile. Important bipartisan reforms under Presidents Kennedy and Johnson, followed by several initiatives during the Nixon administration, helped tilt the playing field to be more level. There was also an unspoken government and business compact that existed from World War II through roughly the 1970s grounded in the belief that shared economic prosperity made sense. But by the time we held the Yale seminar, it became quite apparent that shared economic prosperity had become a bigger issue for the middle class than it had been before.

Gurin: It seems that it took a while to get past the bias of wanting to believe that things would continue on a track of prosperity. So it's been important to step back and see what the facts say and analyze the data.

I'd like to now get into the three big areas you cover in the book and ask if you could give an overview for each one – describing what the issues have been and what you've been doing at the Institute to create better metrics. Let’s start with the analysis of unemployment. What has been wrong with the way that we look at unemployment and how have you developed better measures?

Ludwig: The unemployment statistics have followed the same trajectory as virtually all the headline statistics. The definition of unemployment dates to the 1930s and has become increasingly out of step with today's economy.

What first made me question it wasn’t a spreadsheet — it was simply walking or riding my bicycle home past the Federal Reserve ever since I came to Washington in 1973.

From then until the book was written — and really, even today — the one thing that changed dramatically was the growth of the homeless population. There were more people living in tents and homeless encampments. Those encampments have largely been dismantled by the current administration, but those people didn't simply disappear.

During that same time, the report from the federal government was that unemployment was under control or even declining. So I found myself asking: How can unemployment be under control if so many people are struggling to survive?

We looked at the data and found, to my surprise, that in one narrow sense, the headline numbers are accurate. They're not perfect, but they count people, they take surveys, they find that people are working as they report. In essence, they measure what they were designed to measure. The Bureau of Labor Statistics' U-3 unemployment rate — which is the figure most often reported — counts only people actively looking for work. It excludes people who have stopped searching altogether. The BLS also publishes the broader U-6 measure, which includes additional categories of underutilized workers but receives far less attention.

Even then, though, the definition of employment remains remarkably broad and somewhat shocking. If you worked for pay as little as one hour during the survey reference week, you're counted as employed. Now, that may be a way to define employment, but it is not how most people would define it. They don't really believe that somebody who wants full-time work but can only find an hour or two of work — and can't earn enough to live above poverty — is meaningfully employed. So at LISEP, we count those individuals as “functionally unemployed.” We've been criticized for not making this distinction clear enough, so maybe we should have used a different term, like “not adequately employed.”

But the broader point is that the headline statistics count people as employed even when they cannot earn enough to support themselves. If someone is working but still can't put food on the table, afford housing, or avoid sleeping under a highway bridge, describing that person as "employed" creates a misleading picture of the labor market. It encourages policymakers to believe people have jobs capable of supporting even a modest standard of living when, in many cases, they do not.

When we broaden the definition to look at the functionally employed — not only the jobless but the involuntarily part-time or those earning a poverty wage — we find a shocking difference. Today, the official U-3 unemployment rate is 4.2 percent. But in fact, what LISEP calls the True Rate of Unemployment, or TRU, is 24.7 percent. And for Black Americans, Hispanic Americans, and women, the number is worse. It’s not a pretty picture, but we believe it’s a more complete one than the one the BLS headlines paint. At a minimum, looking at both measures provides a much better understanding of the economic hardship many Americans continue to face.

Gurin: One of the issues is that the structure of employment in America has changed a lot over the decades, right? You talk about how it used to be a reasonable assumption that somebody would find a job and work full-time at the same company for 30 years but that we're now seeing a huge shift towards temporary work, part-time work, and seasonal work. Is that a major factor or are there other factors as well in why these numbers that we use have become obsolete?

Ludwig: I think that is the critical factor. In the old days, you were either employed or you weren't employed. If you weren't employed, you were either out on strike or you got thrown out of work, in which case you were on bread lines. But the assumption was, if you were employed, you might not be living well, but you did have a roof over your head, and you did have enough money to pay for food.

Gurin: And those assumptions have really changed. Let's talk about earnings, where you see a similar kind of disparity. Please talk about how you've looked at the headline statistics and the alternatives you all have been working on.

Ludwig: The measurement of earnings also reflects some of the same biases you jumped on when we first started this conversation. The BLS calculates its usual weekly earnings using only people who are employed full-time. That’s strange if you juxtapose that to the unemployment numbers, where they count everything but the kitchen sink as employment. Here, they eliminate everybody *except* the full-time employed to find the average wage. It creates some funny anomalies. During a recession, for examples, when lower-earning full-time workers are thrown out of work or forced into part-time jobs, the median earnings calculations actually go up. So in hard times, it looks like wages are rising, even when many workers are worse off.

As important as that is, the inflation gloss on that is just as important. In calculating median wages, the BLS attempts to report the real earnings rather than nominal earnings. To do this, wages are adjusted for inflation using the Consumer Price Index (CPI). The CPI is based on a very broad basket of roughly 80,000 goods and services. But most middle- and lower-income Americans don't use 80,000 goods and services. Their budgets are concentrated in necessities like housing, food, healthcare, transportation to get back and forth to work, and some others.

If you look at that basket of essentials, it has inflated faster over the last 25 years than the CPI As a result, real wage growth for many households has been overstated. When you combine an earnings measure that excludes part-time workers and unemployed jobseekers with an inflation measure that understates the costs many families actually face, the picture ends up looking prettier than it is.

Now, this is one area where you might believe the saying that, “If you think something is a coincidence in Washington, you’re just not paying attention.” Many federal programs adjust benefits based on inflation, and while the underlying statutes don't always specify the CPI, it is commonly used as the proxy for inflation. In my view, that means benefit increases may not always keep pace with the cost pressures that matter most to many Americans. Whether that outcome is intentional or simply a byproduct of relying on the

CPI, the effect is that programs such as Social Security can provide less purchasing power over time than many beneficiaries actually need.

Gurin: So it's not only a question of wanting to have the numbers show a picture that could be politically advantageous for an administration. It's also directly related to the federal budget.

Thank you for that very clear explanation of those key measures and how they're interrelated. I'm curious about what the response has been to the new indicators that you all have put together and that you're proposing.

Ludwig: Surprisingly, we've found interest from people across the political spectrum. Many on both the right and left believe that what we are doing is accurate or at least close enough to warrant further exploration. What has surprised me is that the strongest skepticism has come from people whose careers have been closely tied to the traditional measures. That's understandable. When you've spent years relying on a particular set of statistics, it's natural to be cautious about new ways of looking at the data. But I think it's healthy to ask whether our metrics still capture the economic reality Americans are experiencing today.

Gurin: Putting aside LISEP's indicators specifically, I'm wondering if you feel that we may be in a moment where there's an opportunity for change. I've been struck recently to see Jerome Powell quoted as saying that our employment numbers are overstating employment in this country. And even more recently, Kevin Warsh, who I see endorsed your book, has said that our inflation numbers are off and we need to look at new kinds of approaches. Do you think we're at a point where we might see some bipartisan interest in looking at new kinds of indicators?

Ludwig: Both Powell and Warsh know the substance of the book well, and I don't think it's an accident that they have begun to question the headline statistics. I think it's important that policymakers consider a variety of approaches. One of the great strengths about America is that we are able to have discussions about facts as we see them, irrespective of whether people agree with that or not, and get them published and reviewed. The more we can focus on understanding the facts as accurately as possible, the better positioned we'll be to make good policy decisions, both in assessing conditions on the ground and evaluating the programs we try to adopt now.

At LISEP, we're now exploring new ways to go beyond the headline statistics. One idea we're considering is an index that would bring together a broad range of reliable indicators across many aspects of American life to see what the trend lines have been for the last 50 years. Are more people going to college? Are more people graduating? Are health outcomes improving or worsening? oHow do those trends differ across income groups? I think we'll learn a lot from that.

The last part of our book tells the tale of the Gross Domestic Product (GDP). We question GDP because if it's is going up, how come life in a Pennsylvania town looks like it's going down? When we looked more closely, we found that GDP is a somewhat unusual measure. I had always thought that it reflected what was produced here, our domestic product. But it turns out it's better understood as a number that reflects the amount of wealth that is being created that somehow inures to the benefit of people living in America. So, for example, if electric cars designed in the United States are manufactured overseas but imported and sold here, the markup from those sales is counted in GDP and GDP goes up.

That causes a skewing in what the GDP is used for, or better said, who benefits by tits growth. And in fact, the increase in America's GDP over the last several decades has disproportionately gone to the upper income groups. Now, is that wholly bad? Perhaps not. But it is a fact, and it's an extreme fact in our day and age. It was more muted in earlier times. Good, bad, or ugly, that's just the reality.

Gurin: As you develop these new measures and new indicators, can you go back and look at data from the past and see what the trend lines have been? In the book you have charts that go back 25 years. How far back can you go to not only take a fresh look at what's happening today, but put it in a historical perspective?

Ludwig: I can give you a categorically certain answer: We don't know. Some will go back a number of years. Some will go back only until the underlying definitions changed. Others may not go back very far at all. We simply don't know yet. But I think we'll be able to find enough data to identify meaningful trends.

Here's why that matters. Remember, ours is an Institute for Shared Economic Prosperity. But we don't know what prosperity exactly means. We have a measure called the Minimum Quality of Life index, or MQL. MIT has a different but similar number and so do other organizations around the world. These efforts all try to capture more than whether people are simply getting by — they attempt to measure whether people are able to achieve a decent quality of life. The question is whether that quality of life is improving or declining over time.

We can have that discussion without necessarily being rigid as to what quality of life means. For example, if we find that fewer people are going to college, and particularly that fewer people in strained economic circumstances are going to college, some could say that that doesn't necessarily show that we're not sharing economic prosperity fairly. I don't think we have to get into that fight. We and others just put out the numbers and let people judge for themselves. As long as the numbers are accurate, people will draw their own conclusions as to what America looks like.

Gurin: I have a global question about measurement that doesn't apply only to economic indicators. On many issues, I think people tend to want a single source of truth. But there's also a growing feeling that we may not have single sources of truth everywhere we want them. We might have to look at four or five or ten different sources. For example, in the public health arena, the Yale School of Public Health has a project to combine government data with several other data sources and triangulate the data to get a fuller picture. I'm wondering what your view is in the areas you work on: Whether our goal should be to have new headline statistics where we're looking at one or two or three specific indicators in each area, or whether we may be going in a direction where we want to bring more diverse sources together.

Ludwig: That's a very thoughtful question. In one sense, for those of us who work with data, having a whole bunch of numbers that circle around a concept can give us a richer understanding of an important area. But I fear that too much of that can be as misleading for the public as it is helpful. Not everybody's an economist, and most people may not know how to interpret the data, including members of Congress. So there will be some pressure, I think, to come to some number or couple of numbers that describe not perfectly, but more or less accurately, what we're talking about.

Gurin: I'd like to end with another big-picture question. You make a compelling case that we need new and better indicators and a very strong case for the indicators that you at the Institute have developed. But you've also mentioned that there are people who have spent a lot of time developing the headline indicators we have now, who will be reluctant to give them up. What do you think it will take to see a shift that brings about an openness to looking at these critical economic factors in a new way?

Ludwig: It may take some sort of a catalyst or a moment when policymakers conclude that the existing measures didn't fully capture what was happening. Someone in Congress or a President may look back and say, "I was misled, and this is shocking." Could the BLS refine its measures and report additional statistics? Sure. But it may take a crisis for it to happen.

More broadly, government often struggles not with good intentions, but with implementation. Many thoughtful, well-designed programs fall short because they aren't executed effectively. That's an area where we can do better.At LISEP, our goal is simply to provide accurate, reliable data so policymakers and the public have a better understanding of what's happening. I believe that, whether on the right or left, people by and large in Washington are trying to do the right thing. As one of my former colleagues said, "Washington is made up of three parts: one part buffoonery, one part chicanery, and one part public service." And it is public service where the data matters.

Gurin: Thank you, Gene. It's been an honor to talk with you today.

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