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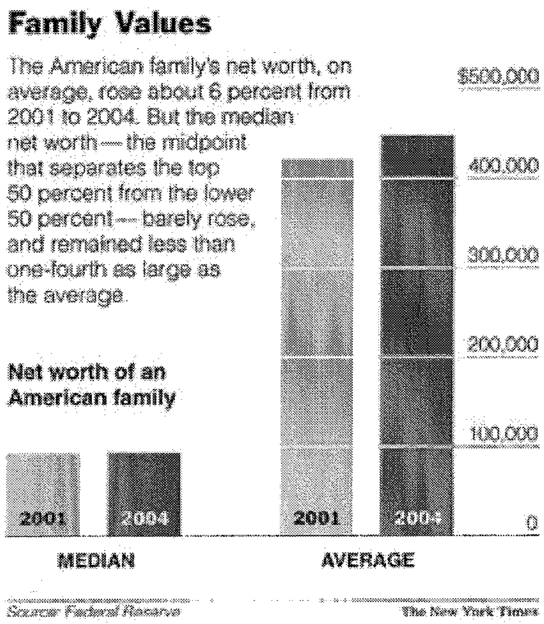

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ECONOMIC VIEW

When Sweet Statistics Clash With a Sour Mood

By DANIEL GROSS

LAST Tuesday, when President Bush introduced Henry M. Paulson Jr. as his choice to replace John W. Snow as Treasury secretary, Mr. Bush rattled off a string of impressive economic statistics.

"In the first quarter of 2006, the U.S. economy grew at an annual rate of 5.3 percent, the fastest growth in two and a half years," he said, as Mr. Paulson, the chief executive of Goldman Sachs, looked on. "We added 5.2 million new jobs since August of 2003. The national unemployment rate is down to 4.7 percent. Productivity is high, and that's leading to higher wages and a higher standard of living for the American people."

Yet in the latest New York Times/CBS News poll, only 28 percent of the respondents said they approved of President Bush's handling of the economy, while 66 percent disapproved — the worst such ratings of his presidency. Only 6 percent rated the economy as very good, while 46 percent said it was fairly bad or very bad. And consumer confidence plummeted last month, according to the Conference Board.

This strange and unlikely combination — strong and healthy aggregate macroeconomic indicators and a grumpy populace — has been a source of befuddlement to the administration and its allies. It's not unreasonable to assume that Mr. Snow is being replaced as Treasury secretary in part because he couldn't make Americans appreciate just how well the economy is performing. And it's possible to detect among Bush partisans an element of frustration at the public for what they see as its failure to do so. In Iowa last month, Rudolph W. Giuliani bluntly dismissed concerns about the economy and higher gas prices by saying, "I don't know what we're all so upset about."

Gas prices and the Iraq war have surely contributed to this disconnect. But a lesser-known factor is also at work: the misleading aggregates.

Aggregates — big-picture figures like the unemployment rate, productivity and growth in the gross domestic product — are highly useful to economists. But to most people, they're abstractions. You can't use a low unemployment rate to pay a mortgage.

As a result, large aggregates "are something that people may hear about in the news, but don't have a direct impact on how people feel," said Lynn Franco, director of the Consumer Research Survey at the Conference Board.

Aside from being abstract, many of the most popular aggregates are simply misleading. Dean Baker, a director of the Center for Economic and Policy Research in Washington,puts the Consumer Price Index — the main gauge of inflation — at the top of the list.