PERSONALLY SPEAKING

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NO TIME TO PANIC

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The statistics released on Friday by the Bureau of Labor Statistics confirm what everyone but those who stubbornly cling to defining a recession as two consecutive quarters with declining gross domestic product already know and admit: the United States is in a recession.

The data for sure are troubling. Unemployment rarely jumps by 0.4 percentage points from one month to the next. It has done just that between July and August (5.7 percent to 6.1 percent) and again between September and October (6.1 percent to 6.5 percent).

Breaking down the jobless data is even more troubling. The October unemployment rate for all men 20 years of age and older was 6.3 percent, higher than at any time since September 1993. Among adult men who were full-time workers, the jobless rate in October was 6.6 percent. It has not been that high since July 1993.

For all women 20 years of age and older the rate of unemployment was 5.3 percent. The last time the rate stood at that level was in September 2003. For adult women working full-time the October jobless rate was 5.8 percent, higher than at any time since May 2002.

Overall, the number of persons working part-time (35 hours or less per week) has risen from 4.8 million in January to 6.7 million in October. Further, for the first time in the last 12 months the percentage of jobless workers out of work for 15 weeks or more topped 40 percent. Thus an estimated 4.2 million Americans are classified as long-term unemployed.

Nevertheless, there are anomalies in the data that call for our attention. The number of multiple jobholders, men and women together, has remained steady since January at 7.6 million. The number of married men and women who were employed dropped by only by 96,000 since January. For all persons 55 years of age and older employment actually increased by 582,000.

Since January much of the hardship of the recession has fallen on men 20-54 years old (-934,000 employed) and women 25-44 years (-501,000 employed). Even with the serious job losses since January, there were 8.9 million more adult men and women at work in October 2008 than in January 2001 when George Bush took office as U.S. president. In the first six years of his administration, employment among adult men climbed by 5.1 million; among adult women 4.0 million more were employed. However, since the Democrats gained

control of both houses of Congress in January 2007, the number of employed adult women rose by 443,000 while the number of adult men with jobs dropped by 771,000.

No one knows for sure how deep the current recession will run and how long it will last. Even so, this is not the time to panic. Cooler heads, much cooler than the screaming heads on the cable business channels, must prevail. Those who want to put together another federal stimulus package at this time should answer these questions. Do we need another massive across-the-board federal intervention which does not target those most in need? Can the federal government afford to borrow the funds necessary for such a stimulus package when so much borrowing has been done of late to rescue financial markets? Does it make sense to rush in with a stimulus package when the effects of the interventions already in the pipeline still unknown?

Four general admonitions come to mind.
► There is no silver bullet that will turn around the U.S. economy. It took years and many failures to exercise due diligence to bring us to this point. It will take time to recover.
► There is no one person including the president, the treasury secretary, the chairman of the Federal Reserve System, who can pull the economy out of this recession. The economy is simply too complex and too decentralized to expect it to respond as if it could turn on a dime.
► There is a need to set aside the rhetoric and promises that were designed to win elections and get down to what is necessary to revitalize the economy and what else the federal government might do to achieve that end.
► When they are able, state and local governments should take a more active role in economic affairs instead of waiting for the federal government to shoulder the entire burden. State economies are in much better shape in Texas than in Michigan, in Louisiana than in California.

Four more specific points suggest themselves.
State and local governments should …
►extend unemployment insurance benefits temporarily beyond the regular 26 weeks and beyond the usual 13-week extension, as statewide economic conditions dictate.
►reduce temporarily the sales tax on big-ticket items or declare a sales tax holiday, as called for by state and local economic conditions.
►accelerate infrastructure programs already underway and put on hold any project for which a contract has not been let.
►keep in mind that, within the limits of their own affirmative-action commitments, it has been 20-54 year-old men and 25-44 year-old women who have suffered most of the job losses since January.

There is no earthly messiah who will make all things right. It will take the best efforts of the American people, acting intelligently, honestly and courageously, to deal with the current economic mess. Mistakes, honest mistakes, are inevitable. However, acting in haste, responding to the IOUs held by the special interest groups which backed the winning presidential candidate, falling back on the welfare/patronage model, will not relieve the fear that so many feel today especially those who have taken major losses in the housing

market and the financial market. More than likely those wrongheaded interventions will make Americans feel misled and even more frightened.

Edward J. O'Boyle is Senior Research Associate with Mayo Research Institute. Since completing his doctorate in economics at Saint Louis University more than 35 years ago, Dr. O'Boyle has specialized in economic research and analysis increasingly from the perspective of the human person engaged in everyday activities both as a unique individual and as a community member. In January 2004 the Association for Social Economics conferred on Dr. O'Boyle its prestigious Thomas Divine Award for lifetime contributions to social economics and the social economy. He taught economics at a state university in Louisiana for 30 years prior to his retirement in 2007.

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