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STUBBORN RECESSION, STALLED RECOVERY

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The August jobs report once more raises questions as to whether the U.S. economy is moving in the right direction. President Obama says that we are headed in the right direction. His critics disagree.

What we know for certain about the current recession is that it is the worst slump since the Great Depression and, based on the unemployment rate, the recession definitely is not V-shaped. There will be no quick recovery. Re-starting the economy is like getting a fully-loaded supertanker weighing more than 500,000 deadweight tons under way. Consider this: in December 2007 when the recession began, unemployment among private-sector workers was 5.2 percent. Today it stands at 10.1 percent.

Data on unemployment over the last year demonstrate why some say we're headed in the right direction and others see things differently. Much depends on the data selected and the data left out. Mayo Research Institute extracted the August 2010 unemployment rate and the one-year change in that rate for 25 demographic/class-of-worker groups as published by the Bureau of Labor Statistics. The case for the economy moving in the right direction is supported in 13 instances, while the opposite case is confirmed in 12 instances (see table below).

Further, there is considerable difficulty in trying to interpret these data. Notice, for example, that the jobless rate for adult men is lower year over year, while the rate for adult women is higher. However, the rate of men is nearly 10 percent at the same time the rate for women stands at 8 percent. The rate for whites is down but the rate for blacks or African Americans is up. Most significant because they represent roughly 85 percent of the labor force, joblessness for private sector workers is down but remains above 10 percent.

What we have learned about economics is not reassuring. It is an imprecise discipline that still cannot tell us whether to intervene in economic affairs when the private economy turns south and if intervention is called for how best to intervene.

What we don't know is if the recession will get worse before it gets better or if the worst is already behind us. Forecasting where the economy is headed is like picking stocks. Sometimes

you get it right; no one gets its right every time. What we can say with some assurance is that we do not know for sure where the economy is headed.

It's as if the engines of the supertanker are not developing enough horsepower to get underway. Perhaps the engineering department will be able to restore full power. Perhaps not. We will know more later.

	<u>Jobless Rate</u> <u>August 10</u>	<u>Change in Jobless Rate</u> <u>Aug 09 to Aug 10</u>
<i>Seasonally adjusted</i>		
Men 20 years of age and older	9.8	- 0.4
Women 20 years of age and older	8.0	+0.3
Married men, spouse present	6.8	- 0.3
Married women, spouse present	6.0	+0.5
Full-time workers	10.3	- 0.2
Part-time workers	6.7	+0.4
Teenagers	26.3	+0.6
Whites	8.7	- 0.2
Blacks or African Americans	16.3	+1.1
Hispanics or Latinos	12.0	- 1.0
25 years of age and older	8.3	- 0.1
Less than high school	14.0	- 1.5
High school graduate	10.3	+0.5
Some college or associate degree	8.7	+0.5
Bachelor's degree or higher	4.6	- 0.1
<i>Not seasonally adjusted</i>		
Asians	7.2	- 0.3
Public sector workers	6.0	+0.9
Private sector workers	10.1	- 0.2
Construction	17.0	+0.5
Manufacturing	9.5	- 2.3
Wholesale & retail trade	9.3	+0.5
Financial activities	6.7	+0.7
Professional & business services	10.5	- 0.5
Education & health services	6.7	+0.7
Leisure & hospitality	10.8	- 1.2

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