

Economic Development Insight

Unemployment in the Great Recession of 2008 (and beyond)

By Joan Bethell

Earlier this week I read an article in the New York Times about “Job Losses Show the Breadth of the Recession” that made some interesting points that I think are worth sharing. The full article can be found here: www.nytimes.com/2009/03/04/business/04leonhardt.html, together with an interactive map that shows unemployment rates by county.

Greene County shows a December 2008 unemployment rate of 7.9%, a one-year change of 3.2 percentage points, and which is slightly higher than the national average of 7.1%.

The Times article starts by posing the question, “What does the worst recession in a generation look like?” and then indicates that it is causing much more job loss among the less educated than among college graduates, with the “brunt of the layoffs in this recession falling on construction workers, hotel workers, retail workers and others without a four-year degree.”

Those being most negatively impacted include “homeowners and investors more than renters or retirees who rely on Social Security checks... In the long run, this Great Recession may end up afflicting the comfortable more than the afflicted. The main reason that recessions tend to increase inequality is that lower-income workers are concentrated in boom-and-bust industries. Agriculture is the classic example. In recent years, construction has become the most important one... The housing boom was like a giant jobs program for many workers who otherwise would have struggled to find decent paying work.”

If you look at the interactive map (in the full article), you will see that those places with pre-recession high unemployment have experienced some of the largest increases. The author, David Leonhardt, predicts, “The Great Recession will eventually end up compressing the rungs on the nation’s economic ladder. Why? For the same three fundamental reasons that the Great Depression did... the stock market crash, government policy and education.”

The bulk of stock owners are wealthy or upper middle-class families and so these groups are being hurt the more than others but, “Hard as it may be to believe, the crash will also *help* a lot of young families. The stocks that they buy in coming years are likely to appreciate far more than they would have if the Dow were still above 14,000. The same is true of future house purchases for the one in three families still renting a home.”

As for government policy, similar to Franklin D. Roosevelt’s efforts that proved beneficial for the economy of his time, “the Obama administration plans to raise taxes on the affluent, cut them for everyone else (so long as the government can afford it, that is) and take other steps to reduce inequality.”

“Of course, these two factors both boil down to redistribution. One group is benefiting at the expense of another.”

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What brings about greater equality in that redistribution and actually stimulates economic growth more than anything else is the third factor, education. During the Great Depression there occurred a great surge in school enrollment, with teenagers staying in school rather than dropping out to do factory work, according to Claudia Goldin and Lawrence Katz' work on the history of education and income inequality in their recently-published book, *The Race Between Education and Technology*.

Leonhardt concludes, "In the manufacturing-heavy mid-Atlantic states, the high school graduation rate was just above 20 percent in the late 1920s. By 1940, it was almost 60 percent. These graduates then became the skilled workers and teachers who helped build the great post-World War II American economy. Nothing would benefit tomorrow's economy more than a similar surge."

This further supports my suggestion that Greene Countians seeking to open up future opportunities would do well to increase their education, so as to make of themselves a more desirable employee or, even better, a successful business owner.

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