

MONEY



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NOT-SO HAPPY ANNIVERSARY

Two years into the 'recovery' from the Great Recession, insecurity and gloom still stalk many ordinary Americans

By PAUL WISEMAN
The Associated Press

WASHINGTON — This is one anniversary few feel like celebrating. Two years after economists say the Great Recession ended, the recovery has been the weakest and most lopsided of any since the 1930s.

After previous recessions, people in all income groups tended to benefit. This time, ordinary Americans are struggling with job insecurity, too much debt and pay raises that haven't kept up with prices at the grocery store and gas station. The economy's meager gains are going mostly to the wealthiest.

Workers' wages and benefits make up 57.5 percent of the economy, an all-time low. Until the mid-2000s, that figure had been remarkably stable — about 64 percent through boom and bust alike.

Executive pay is included in this figure, but rank-and-file workers are far more dependent on regular wages and benefits. A big chunk of the economy's gains has gone to investors in the form of higher corporate profits.

"The spoils have really gone to capital, to the shareholders," says David Rosenberg, chief economist at Gluskin Sheff + Associates in Toronto.

Corporate profits are up by almost half since the recession

ended in June 2009. In the first two years after the recessions of 1991 and 2001, profits rose 11 percent and 28 percent, respectively.

And an Associated Press analysis found that the typical CEO of a major company earned \$9 million last year, up a fourth from 2009.

Driven by higher profits, the Dow Jones industrial average has staged a breathtaking 90 percent rally since bottoming at 6,547 on March 9, 2009. Those stock market gains go disproportionately to the wealthiest 10 percent of Americans, who own more than 80 percent of outstanding stock, according to an analysis by Edward Wolff, an economist at Bard College.

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N.M.'s modest recovery hesitant, uneven

■ *Conflicting job numbers, end to stimulus spending paint confusing picture*

By WINTHROP QUIGLEY
Journal Staff Writer

The national economic recovery may be two years old, but in New Mexico, economists say, it isn't clear if the recession is over.

Economists say a recession has ended at the state level when employment starts growing consistently. Jobs numbers are conflicting, depending

on which source one consults, but at least some employment data show New Mexico remains mired in a recession.

Making matters worse, they say, is the end of federal stimulus spending. Since those funds stopped flowing, unemployment among local government workers, especially in education jobs, has surged.

On the bright side, said Mark C. Snead, head of the Kansas City Federal Reserve Bank's Denver branch, oil production is booming in New Mexico, tourism is strong and retail employment is up. Holding New Mexico

back is poor performance in the construction, finance, local government and business and professional services sectors, Snead said.

Gerry Bradley, an economist with New Mexico Voices for Children, said that New Mexico lost jobs year-over-year in both April

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and May, and the state's employment growth rate is the slowest in the nation.

"I'm concerned about that," Bradley said. "It doesn't look like we're off the dime yet. I would have trouble saying we've left the recession by that measure."

The federal Bureau of Labor Statistics reports that May's unemployment rate in New Mexico was 6.9 percent, down from 7.6 percent in April and 8.3 percent in May 2010. Unemployment statistics are based on surveys of workers. In small states like New Mexico, those surveys are often unreliable because they depend on small sample sizes.

"We're still trying to figure out what the heck is going on," said Lee Reynis of the University of New Mexico Bureau of Business and Economic Research. "It is not even clear New Mexico has had positive year-over-year employment growth. We have a declining unemployment rate, but we know there is a problem with (those numbers), and we know the number of folks in the civilian labor force has declined very sharply."

BBER publishes the economic forecasts and

data most of the state's public agencies and many of its businesses use, so for Reynis the conflicting data are especially frustrating.

"You want our bottom line?" she asked. "Here it is. We were projecting a recovery from this recession. We were thinking we would have positive job growth year over year as early as the final quarter of 2010. I think that we were a tad optimistic, not hugely optimistic, but a tad optimistic with that number. Has it turned positive? Maybe."

Snead sees a brighter picture: "The traditional cyclical industries that always bounce in a recovery, most of them have bounced, and that's what's created the modest expansion we're seeing in New Mexico." Snead believes New Mexico's economy hit bottom in the first quarter of 2010.

"We are just slowly improving, but it's a consistent improvement," Snead said. "It is a painstakingly slow improvement."

Construction remains New Mexico's single biggest problem, the economists agree.

"We lost about 30 percent of our construction

employment," Bradley said. "That's down from almost 60,000 jobs to almost 40,000. That's really unheard of." Normally construction employment growth occurs early in a recovery and helps pull the rest of the economy up. That isn't happening this time, Bradley said.

"There was so much overbuilding in the 2007-2008 period," he said. "It's going to be difficult to come back from that."

The finance sector "looks exactly like construction," Snead said. "There was a huge bubble from 2003 to 2006. The entire bubble was shed in the downturn. We're exactly where we were a decade ago in the size of the financial sector in New Mexico. You lost 40,000 jobs in the cycle, 20,000 in construction and a couple of thousand in financial services. There's half of your recession right there."

Local governments in New Mexico shed another 2,100 jobs in 2010, Reynis said, many of them jobs in the educational sector. In the fourth quarter of 2010 private employment was flat. Government lost 800 jobs that quarter.

"We had strong (federal) stimulus money pour into the state to help maintain

various programs at least through December of last year," Reynis said. "That money is being withdrawn."

"If you decide you're not going to increase taxes, these are the decisions that have to be made," Bradley said. "Public sector employment is a drag on the economy now. That was a policy decision."

Looking forward, Bradley expects big things from new infrastructure at the Santa Teresa border crossing near Las Cruces. New manufacturing, transportation and warehousing jobs should follow, he said. Despite drug cartel violence, the Mexican economy "has been growing at a fairly decent rate," Bradley said. "We'll have a healthy trading partner down there around Santa Teresa."

High prices globally have resulted in "incredibly strong" oil-patch performance in Oklahoma, Louisiana, Texas and New Mexico, Snead said. The state has been able to compete with other oil producers to attract investment, labor and drilling rigs, he said. If the pace of drilling continues at this rate New Mexico could have the most rigs drilling since the early 1980s, Snead said.