

# Voices From The Heartland

May 2009

Vol. XXIX, No. 2

## The economy

In his second inaugural address, President Roosevelt spoke to a nation coming out of the Great Depression. “The test of our progress is not whether we add more to the abundance of those who have much; it is whether we provide enough for those who have too little.”

His words reflect an appropriate sentiment that is important for current Americans. During a time when our nation is experiencing the worst economic environment since the Great Depression, it is important to remember the less fortunate members of our society. While the nation as a whole may be suffering, there are those who are suffering disproportionately. They have not only lost their jobs and livelihood, but their homes as well. Aptly stated, “The less wealth you have, the harder unemployment hits.”<sup>1</sup>

The state of the nation is painfully apparent—the failing automaker and bank industries, high numbers of foreclosures, and the minimal growth (or decline) in the Gross Domestic Product (GDP). According to The Associated Press, “Since the recession began in December 2007, the economy has lost a net total of 5.1 million jobs, with almost two-thirds of the losses occurring in the last five months.”<sup>2</sup>

The most recent information reported by the Bureau of Labor and Statistics (BLS) indicates that for the month of February, Indiana had an unemployment rate of approximately 9.4%. While this is indeed high, especially when compared to a rate of only 2.6% in February 1999, the recession has yet to return to the highest unemployment rate of

the state. According to the BLS, Indiana’s highest rate of unemployment occurred in November 1982 with a rate of 12.8%. Comparatively, the lowest unemployment rate for the state of Indiana was 2.6% in April 1999.

### Recession or depression—does it matter?

Whether the country is in a recession or an economic depression may matter very little to those who are already suffering. However, it is important to note that the current economic state varies greatly from that of the Great Depression. This is important because it gives the country hope. Our nation has survived a financial crisis much worse than the present climate. Not only did the nation survive the Great Depression, it reclaimed its prosperity. This knowledge creates a sense of hope and optimism that will lead the country out of its current slump, returning once again to a prosperous nation.

According to the National Bureau of Economic Research (NBER), a recession occurs when a “significant decline in economic activity is spread across the economy, lasting more than a few months, normally visible in the GDP, real income, employment, industrial production and wholesale-retail sales.”<sup>3</sup> An economic depression is a longer lasting recession, with significantly higher rates of unemployment, and a decline or substantial decrease in the GDP.

Economic historian, Michael Bernstein, of Tulane University, contends that there are similarities between the Great Depression and the current economic recession, such as the reluctance of banks to loan money.<sup>4</sup>

- March 2009, the average unemployment rate in the United States—**8.5%**
- During the Great Depression, the unemployment rate hovered around **25%**. Some experts think it may have even reached **33%**.

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**The economy**, continued

The most notable dissimilarity is the level of governmental involvement. As a nation, we can take comfort knowing that the current administration is prepared to provide aide to banks and other large institutions, such as the car manufacturing industry, in order to keep them from collapsing. This willingness, as well as the assurance that is being provided in regard to the safety of financial institutions, is significantly different than the political environment of the Great Depression. “The government has spent the past 70 years trying to make sure the Great Depression never happened again”<sup>5</sup>. We now have safeguards in place to prevent another economic depression.<sup>6</sup>

While it may appear that the United States is headed towards another depression, economists remain optimistic. Though the unemployment rate may be increasing, there is no reason to think the rate will reach the height of 25%, which was the unemployment rate during the Great Depression. During the Great Depression, for example, production at the steel mills hovered around 30%. Currently, U.S. Steel’s Gary Works is operating at two-thirds its normal production capacity.<sup>7</sup>

money on the necessities rather than big ticket items like houses and vehicles. The local effect of failing auto makers is shown in Figure 1. Kokomo, the home of three Chrysler transmission assembly plants, for example, lost 3,431 jobs in January.<sup>9</sup>

On average, the counties that make up Northwest Indiana have higher rates of unemployment than the state: Lake (10.2%), LaPorte (11.7%), Porter (9.2%), and Starke (14.8%). This can be due to many factors including, but not limited to, high rates of minority citizens, who suffer disproportionately high rates of unemployment, and the reliance on many industrial companies.

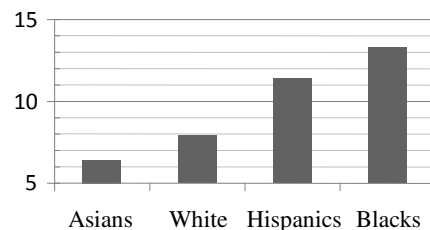
This disparity is mostly due to the high concentration of minorities in blue collar, service, and industry jobs.<sup>10</sup> These fields have been hit particularly hard by the recession. In a recent publication released by the Bureau of Labor Statistics, unemployment among African Americans has increased to almost twice the rate of whites since the recession began in December 2007. As shown in Figure 2, considerable differences exist among the unemployment rates of Asians (6.4%), Whites (7.9%), Hispanics (11.4%), and Blacks (13.3%).

**Figure 1**  
Unemployment rate of Indiana cities  
March 2009

City	Unemployment Rate
Elkhart-Goshen	18.3
Kokomo	16.5
Michigan City	11.1
Anderson	11.1
South Bend	10.6
Terre Haute	10.2
Gary	9.9
Muncie	9.9
Fort Wayne	9.7
Evansville	8.5
Lafayette	8.4
Columbus	8.1
Indianapolis	8.0
Bloomington	6.9

Unfortunately, the unemployment rate in Indiana is increasing faster than in most of the country. The most recent measures reported by the BLS reveal that only three states had higher increases in unemployment.<sup>8</sup> Ed Roberts, of the Indiana Association of Manufacturers, attributes this increase to the fact that Hoosiers are spending their

**Figure 2**  
U.S. Unemployment Rate by Race  
March 2009



**Which fields are hiring?**

Not all branches of the employment sector are experiencing high levels of unemployment. The following fields are either maintaining their respective workforces or are actively hiring new employees—

- Education
- Electric/Power Companies
- Health Care
- Armed Services
- U.S. Census

## Hope for the future

President Obama's American Recovery and Reinvestment Plan relies on a multi-faceted approach to stimulate the economy. While the primary goal of this plan is to create more jobs for Americans, secondary goals include becoming more energy efficient and increasing the availability of technology. In regards to becoming more energy efficient, this includes not only doubling the production of alternative energy resources over the

next few years, but also decreasing our reliance on foreign suppliers.

Billionaire and financial guru Warren Buffett is encouraging the nation's leaders to support President Obama. It is his claim, that the United States is in an economic war, and it will take the efforts of both Democrats and Republicans to win. Despite the steadily rising unemployment rate, Buffet retains an optimistic outlook: "Everything will be all right. We do have the greatest economic machine that's ever been created."<sup>11</sup>

♦ Lori Brow

<sup>1</sup> "Unemployment hits harder among Latinos and blacks. March 24, 2009. [The Times](#). The Associated Press.

<sup>2</sup> "Jobless rate soars to 8.5 percent in March. April 3, 2009. The Associated Press. [MSNBC.com](#).

<sup>3</sup> Ramirez, Jessica. "Exactly How Bad Is It: The difference between a recession and a depression". [Newsweek](#). October 16, 2008.

<sup>4</sup> Silverstein, Frank. "Using lessons from the Great Depression." [MSNBC.com](#). March 2, 2009.

<sup>5</sup> Potter, Erik. March 9, 2009. "Recession is far from the Great Depression". [Post-Tribune](#).

<sup>6</sup> Ramirez, Jessica. "Exactly How Bad Is It: The difference between a recession and a depression". [Newsweek](#). October 16, 2008.

<sup>7</sup> Potter, Erik. March 9, 2009. "Recession is far from the Great Depression". [Post-Tribune](#).

<sup>8</sup> Benman, Keith. March 12, 2009. "Indiana jobless rate outpacing most states". [The Times](#).

<sup>9</sup> Benman, Keith. March 12, 2009. "Indiana jobless rate outpacing most states". [The Times](#).

<sup>10</sup> "Unemployment hits harder among Latinos and blacks. March 24, 2009. [The Times](#). The Associated Press.

<sup>11</sup> Funk, Josh. March 9, 2009. "Warren Buffett says economy fell off a cliff." The Associated Press.

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## Living Simply

Poor choices made by those in power on Wall Street such as Fannie Mae, Freddie Mac, and most recently AIG, are not only causal factors for the current recession, but exemplify how **not** to live. President Obama has declared that the road to recovery requires an effort on behalf of all citizens to do their part to rebuild America. Just as we worked our way out of the Great Depression, citizens must unite to escape the recession. In his inaugural address, President Obama asked Americans to "...join in the work of remaking this nation, the only way it's been done in America for 221 years—block by block, brick by brick, calloused hand by calloused hand." As a nation we cannot rest on our laurels. We must be proactive. This includes not only making financially responsible decisions, but living simply as well. Some tips—

- Distinguish between necessity and luxury. The materialistic nature of our society encourages purchasing extravagant, unnecessary items. Try making purchases that you need, rather than those that you simply want.
- Eat at home instead of going out. Grow a garden.
- Turn off the car. Keeping a car in the idle position not only releases toxins into the air, it lightens your wallet because it wastes gasoline. Turn a car off if it will be immobile for a few minutes.
- Offer support. In times of struggle, it is important to care for others. Commenting on his experiences during the Great Depression, Edward Buttlar, of Valparaiso, said, "People were very upset and anxious because they were losing everything, but they would work with each other to help each other out."\*

\*Potter, Erik. March 9, 2009. "Recession is far from the Great Depression" [Post-Tribune](#).

Many parishes are offering help by posting community bulletin boards. People are given the opportunity to post needs and services. There is also help on the Web: [www.unionvoice.org/ct/ZdavF\\_d1fuVu](http://www.unionvoice.org/ct/ZdavF_d1fuVu). The site offers information about local resources for the unemployed.