

Coyote Economist

News from the Department of Economics, CSUSB

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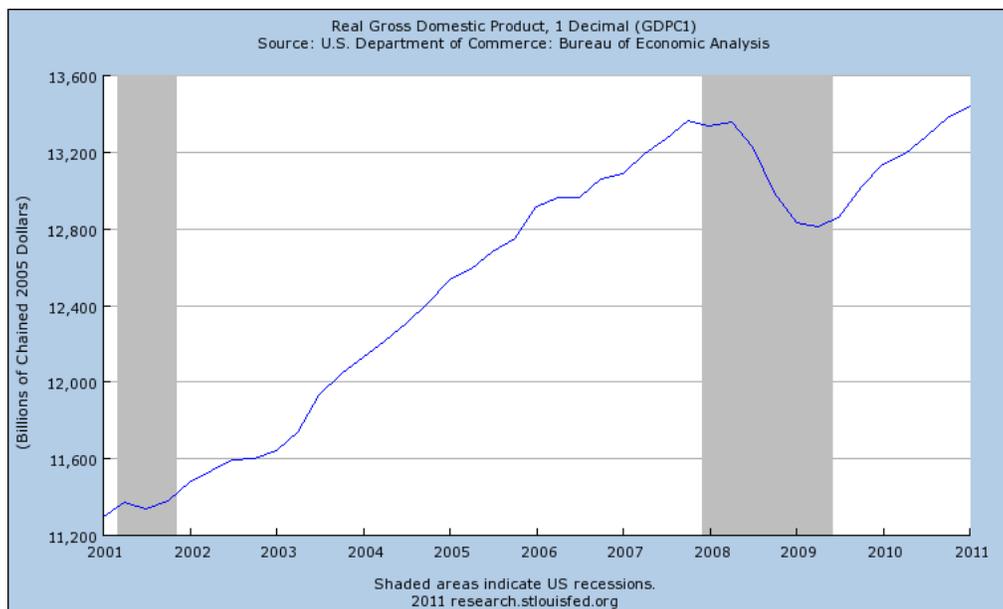
Spring 2011

The Jobless Recovery

Last summer the Bureau of Economic Analysis declared that the Great Recession, which had started in December of 2007, had formally ended in June of 2009. Since then, real GDP has been growing slow and unevenly, but growing nevertheless. From the second quarter of 2009 until the first quarter of this year, real GDP grew by 4.9% for a quarterly compounded annual rate of change of 2.8%. The graph below shows recent movements in real GDP. (All data and graphs in this article is from FRED, The Economic Research Division of the Federal Reserve Bank of St. Louis).

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Yet, despite this growth in real output, the growth in employment has been anemic; the unemployment rate remains high, the fraction of the population employed has fallen dramatically, and the average duration of unemployment is the highest it's been since World War II.

The current "recovery" is following a pattern that was first observed after the 1991 recession, where the unemployment rate continued to grow despite the fact that the

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Seniors' Reception/End-of-Year Party!

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The CSUSB Department of Economics will be hosting the Seniors' Reception on **June 10, 2011** at CSUSB in room SB-207B at 4:00 p.m. All graduating seniors, honor's students, ODE students, and recipients of economics scholarships, are invited and encouraged to attend. We encourage you to bring your friends, family, and significant others. After the reception everyone is invited to join us for pizza and refreshments at Jerseys Pizza for our *End-of-the-Year Party!!!* Jerseys Pizza is located in the Stater Brother's Shopping Center at 985 Kendall Drive, San Bernardino, CA 92407.

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trough of the recession had been reached and real GDP was growing once again. After each of the past three recessions (the recession of 1990-91, the recession of 2001, and the recession of 2008-2009), not only did the unemployment rate continue to grow but so too did the number of unemployed people. In all three cases businesses delayed their decision to hire workers, preferring to instead increase output by increasing the intensity of work of the still employed.

Let's first take a look at the unemployment rate. As the figure to the right shows, the unemployment rate shot up dramatically during the Great Recession and remains high by post World War II standards.

At first blush it would seem that the 1981-82 recession was worse since the unemployment rate reached 10.8 percent of the labor force in December of 1982, while the October 2009 rate of unemployment reached 10.1%, four months after the formal end of the Great Recession.

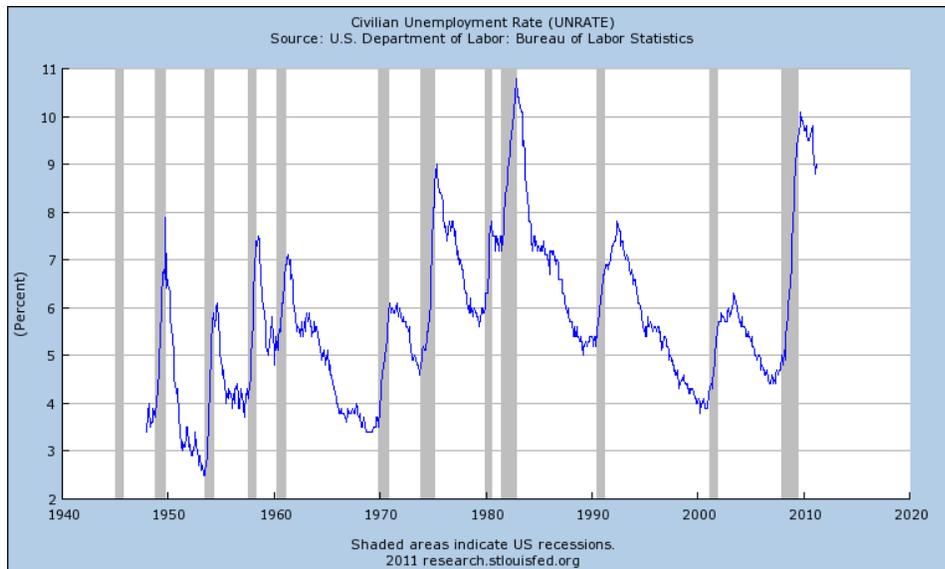
But, it's important to keep in mind the base from which the unemployment rate grew in these two recessions. The 1981-82 recession,

which can be thought of as an extension of the 1980 recession, saw the unemployment rate move from a low of 5.6% of the labor force in May of 1979 to a high of 10.8% in December of 1982, accounting for a net increase of 5.2% during that time period. In contrast, the 2008-09 recession saw the unemployment rate increase from a low of 4.4% of the labor force in May of 2007 to a high of 10.1% in October of 2009, accounting for a net increase of 5.7%. In short, the unemployment rate grew more dramatically during the Great Recession than during any previous recession in the post World War II era.

The number of unemployed has been far greater during the Great Recession than any previous recession in the post-World War II era. For example, during the back-to-back recessions of the early 1980s, the biggest recession before the current Great Recession, the number of unemployed grew from a low of 5.840 million in May of 1979 to a high of 12.051 million in December of 1982, for a net increase of 6.211 million unemployed people (a 106.4% increase). In contrast, during the current Great Recession, the number of unemployed grew from a low of 6.721 million in March of 2007 to a high of 15.138 million in April of 2010, for a net increase of 8.417 million unemployed people (a 125.2% increase).

While this dramatic increase in the number of unemployed can be attributed to both an increase in the number of workers

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Staying Informed about CSUSB Department of Economics Events and News

If you're receiving the *Coyote Economist*, then you're on our mailing list and everything is as it should be. But, if you know of an Economics Major, or an Econ Fellow Traveler, who is not receiving the *Coyote Economist* through email, then please have him/her inform our Administrative Support Coordinator, Ms. Jacqueline Carrillo, or the Chair of the Economics Department, Professor Mayo Toruño. Our phone number is 909-537-5511.

You can stay informed by consulting:

Our Website - <http://economics.csusb.edu/>

Our Facebook Page- <http://www.facebook.com/pages/CSUSB-Department-of-Economics/109500729082841>

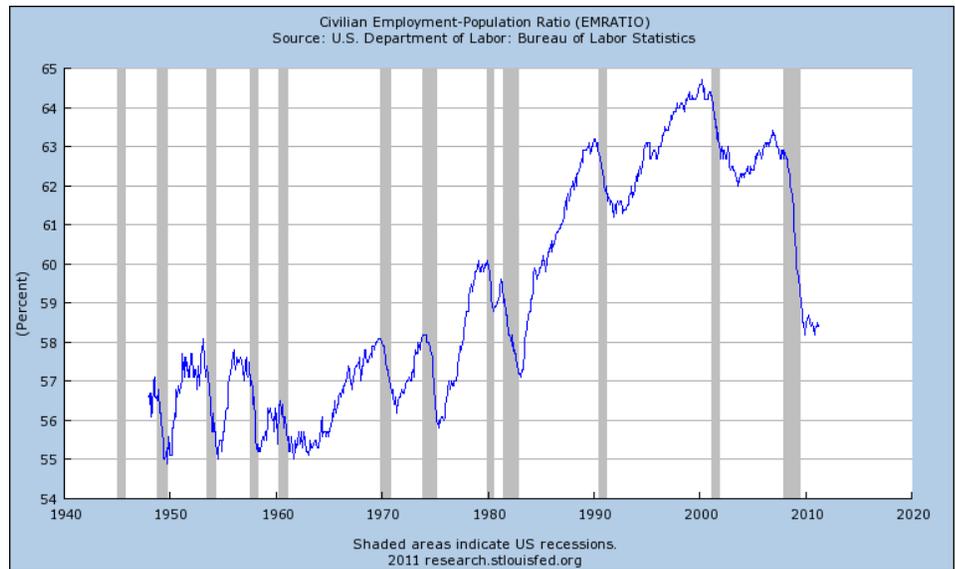
Chair of the Economics Department - mtoruno@csusb.edu

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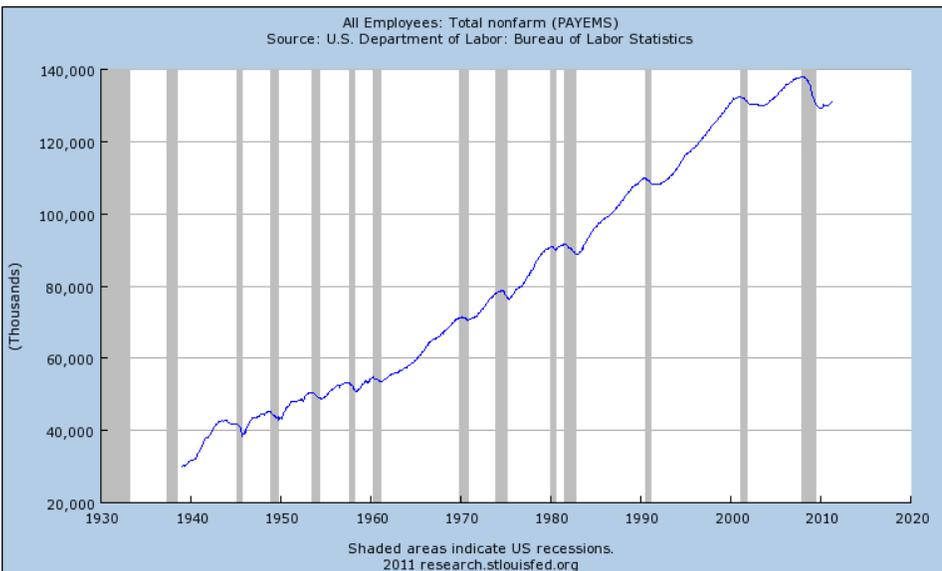
seeking employment and a decline in the number of jobs made available by business, the evidence points overwhelming to the latter and not the former.

One way of gauging this is by taking a look at the employment to population ratio, shown in the figure on the right.

During the 1980 recession, the employment to population ratio declined from a high of 60.1% in December 1979 to a low of 58.8% in August 1980, a 2.16% reduction. During the 1981-82 recession, that same ratio declined from a high of 59.1% in July of 1981 to a low of 57.1% in March 1983, a 3.38% reduction. In contrast, during the current Great Recession, the employment to population ratio declined from a high of 63.4% in December 2006 to a low of 58.2% in November 2010, a 8.2% reduction.



Another way of measuring the decline in jobs is to look at the historical behavior total nonfarm employees as shown in the figure below. Once again, the pattern should be obvious, even without looking at the actual data; employment has declined significantly in the Great Recession.



What's more, the current level of employment is about the same as it was in 2001. During the 1981-82 recession, employment declined from a high of 91.594 million in July of 1981 to a low of 88.756 million in December of 1982, a 3.1% decline. The 1990 recession saw employment fall from a high of 109.817 million in June of 1990 to a low of 108.196 million in May of 1991, a 1.47% decline. The 2000-01 recession saw employment decline from a high of 132.500 million in March of 2001 to a low of 129.822 million in August of 2003, a 2.04% decline.

But during the current Great Recession, employment has fallen from a high of 137.996 million in

January of 2008 to a low of 129.246 million in February of 2010, a 6.34% decline! The number of jobs lost in the current Great Recession has been 8.750 million versus a loss of 2.708 million during the 2000 recession, a loss of 1.621 million in the 1990 recession, and 2.838 million in the 1981-82 recession.

The evidence suggests that the economy has been undergoing a major structural change during the last three decades involving, among other things, a greater exploitation of labor. The last three recessions has seen employment lagging behind the recovery of real GDP. Given the severity of the Great Recession, and assuming benign economic policy, it will take several years before employment reaches the levels that were common in 2007. But if the politicians follow through on their infatuation with deficit reduction, the employment picture will remain grim for many more years after that already very grim prognosis.

Tentative **Winter 2012** Schedule of Classes

#	SEC	TITLE	HOURS		DAYS	INSTRUCTOR
200	01	PRINCIPLES MICROECON	0920-1030	AM	MWF	STAFF
200	02	PRINCIPLES MICROECON	0120-0230	PM	MWF	STAFF
200	03	PRINCIPLES MICROECON	1000-1150	AM	TR	ALDAN
200	04	PRINCIPLES MICROECON	1200-0150	PM	TR	KONYAR
200	05	PRINCIPLES MICROECON	0600-0750	PM	TR	KONYAR
202	01	PRINCIPLES MACROECON	1040-1150	AM	MWF	STAFF
202	02	PRINCIPLES MACROECON	0240-0350	PM	MWF	STAFF
202	03	PRINCIPLES MACROECON	0600-0750	PM	MW	STAFF
202	04	PRINCIPLES MACROECON	0800-0950	AM	TR	PIERCE
202	05	PRINCIPLES MACROECON	0200-0350	PM	TR	ASHEGHIAN
300	01	INTERMED MACROECON	1000-1150	AM	TR	PIERCE
311	01	ECON K-8	0400-0550	PM	TR	CUSHING
311D	01	ECON K-8	TBA		TBA	CHARKINS
360	01	ENVIRONMENTAL ECON	0200-0350	PM	TR	DULGEROFF
430	01	INTERNATIONAL ECON	1200-0150	PM	TR	ASHEGHIAN
443	01	ORIGINS OF PE	0600-0750	PM	MW	NILSSON
475	01	PUBLIC FINANCE	0400-0550	PM	MW	NILSSON
540	01	POL ECON LATIN AMERICA	0600-0750	PM	TR	TORUNO
573	01	ECONOMICS OF CRIME	0240-0350	PM	MWF	HARRIS

Tentative **Spring 2012** Classes

Econ 104: Economics of Social Issues

Econ 200: Principles of Microeconomics

Econ 202: Principles of Macroeconomics

Econ 311: Economics in the Elementary and Middle School

Econ 333: Political Economy of Women: Money, Sex, Race, and Power

Econ 335: Tools of Economic Analysis

Econ 357: Political Economy of Lesbian, Gay, Bisexual, and Transgendered People

Econ 372 Business Cycles

Econ 410 Money and Banking

Econ 450: Global Economy

Econ 490: Introduction to Econometrics

Econ 500: History of Economic Thought

We're on Facebook !!

Don't forget to check us out on Facebook and say that you like us!

You can find the Economics Department at The CSUSB Department of Economics Facebook page.

Joining us on Facebook is an important way of keeping up with Departmental news and Department events as well as getting information on political economy. Look for us on Facebook...we're easy to find!