

## **Panel: Unemployment still slowing recovery**

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*Date: August 1, 2011*

Getting people back to work in the U.S. will be difficult given the radical shifts in the economy that followed the great recession and the economic headwinds pressing against recovery, panelists said Friday at the third annual Rocky Mountain Economic Summit.

The panel featured a host of economic experts including Dennis Lockhart, president of the Federal Reserve Bank of Atlanta, and James Bullard, president of the Federal Reserve Bank of St. Louis.

While panelists talked about wide-ranging issues, jobs were a central theme. The pre-credit-crunch economy was driven by millions of people working in service industries who spent but did not save wages. Also in recent years, the manufacturing sector continued to improve productivity, becoming less reliant on workers.

The manufacturing sector, unlike many other sectors in the economy, has enjoyed a V-shaped recovery. It cannot be looked to for substantial job generation in the U.S., however, because companies have been turning to technology to make productivity gains, turn profits and keep balance sheets flush.

The construction sector will not get back to work as the nation is still trying to absorb a glut of housing, and lending remains tight. In the past, the sector started 1.5 million homes per year; today there are roughly 600,000.

Such a decline in workers could account for 5 million of the more than 14 million unemployed in the U.S., said Bill Dunkelberg, chief economist for the National Federation of Independent Business.

The Jackson Hole construction economy has been hit hard with tight credit and less demand because fewer people are employed.

The valley's tourist sector has seen relatively flat room-occupancy rates in recent years, while visitation at the national parks has increased to record levels. For more people to decide to travel, they need to feel comfortable in their financial situation.

The majority of U.S. resident surveyed recently — 58 percent — say they will not be going away this summer. Of those who will be traveling, 56 percent plan to spend less than in years past, according to an IBOPE Zogby interactive poll conducted from July 15 to 18 and released this week.

Bullard noted four main uncertainties have plagued the economy since February 2011: the impacts of the tsunami and earthquake in Japan, increased energy and commodity prices, the ongoing sovereign debt crisis, and the U.S. fiscal situation.

Japan is stabilizing, energy and commodity prices have come down from recent highs, and Europe is making some headway in resolving its sovereign debt issues, Bullard said. The U.S. fiscal situation and the inability to resolve issues such as the debt ceiling and the federal budget deficit remain major uncertainties that could hold back the economy, Bullard said.

If politicians in Washington, D.C., can resolve national fiscal policy, there's hope the economy will begin to grow and generate jobs.

"Once this last uncertainty is resolved, the path to faster growth may be opened,"

Bullard said.

Lockhart, of the Federal Reserve Bank of Atlanta, saw two options.

One was optimistic, with recent anemic indicators such as the 1.3 percent growth in GDP in the second quarter of 2011 the result of drags on the economy from the tsunami and other shocks. A more pessimistic view holds there is a "substantial and persistent misallocation of resources," such as workers, that will take some time to be resolved.

Lockhart said he has not determined what scenario the U.S. is in. If the first holds, the current fed policy is sufficient and there might not be a need for the government to proceed with efforts such as quantitative easing, or printing money, Lockhart said.

If weak economic news continues, he may decide problems will be difficult to fix and any economic recovery could be longer and slower than anticipated, in which case, "I favor keeping all of our policy options open," Lockhart said.

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