

IOWA ECONOMIC SCORECARD

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It's the Economy, Stupid

By Deborah D. Thornton

Way back in 1992, when James Carville was orchestrating Bill Clinton's defeat of President George H.W. Bush, there was a sign posted in the Clinton campaign headquarters that became famous: "It's the economy, stupid!" The sign was intended to help keep staff members on message. And it worked. In March of 1991, following the Iraq war, President Bush's job approval rating was almost 90 percent, disapproval only 8 percent. Only a year later his approval rating had fallen dramatically, to as low as 29 percent while the disapproval numbers were up over 50 percent and as high as 59 percent by July 1992.¹ With Carville's help, Clinton was successful in driving President Bush's job approval ratings down and in winning the election. Carville and Clinton both went on to have other interesting phrases and events associated with their careers, but after 18 years the economy has once again become key for the 2010 elections.

A recent (June 30, 2010) Pew Research Center study on social and demographic trends reports that in the last 30 months, 55 percent of all adults in the labor force have experienced either unemployment, a pay cut, a reduction in hours worked, or involuntarily become part-time workers.² Almost a third of the 2,967 adults surveyed nationwide reported being unemployed at some point in the last three years. While official unemployment numbers nationwide remain just below 10 percent (9.5 percent in June 2010), the U.S. Labor Department Bureau of Labor Statistics reports that almost 17 percent are currently either unemployed or underemployed.³ In Iowa, the May unemployment number was 6.8 percent.⁴

The Pew study found that 54 percent of Americans believe we are still in a recession. Over 62 percent report that they have cut back spending (in contrast to Federal and State government), and half of those plan to keep spending less in the long term.⁵ Over half of us report that we are in worse financial shape than before the recession and only 21 percent are in better shape — presumably as a result of those cuts in spending. Those reporting the most difficulties have incomes below \$50,000, or are "middle aged" (50-64).⁶

According to the Federal Reserve in 2009, overall household wealth has fallen by 20 percent, the biggest decrease since World War II.⁷ Some estimates project additional declines since 2009. In the Pew study, Americans report seeing this situation as having long-term negative impacts for them and their children. Of those surveyed, 63 percent expect it to take another three years for their personal finances to recover, 32 percent don't think they will have enough money for retirement, and a similar number have already delayed retirement. Most troubling of all for those of us who are parents, one of four expects their children to have a lower standard of living than they do today.⁸

Repeat: One of four expects their children to have a lower standard of living than they do today. Ten years ago, only one in ten had this expectation.⁹

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"It's the Economy, Stupid."

More than just a catchy and effective campaign phrase, that statement reflects the reality of life in the United States and in Iowa today. Nothing demonstrates the problems better than an analysis of the current unemployment situation.

The national unemployment rate for June 2010 is down somewhat, to 9.5 percent. But unemployment rates by city and state (current as of May 2010) vary widely, from 27.5 percent in El Centro, California, and Yuma, Arizona, to only 3.1 percent in Bismarck, North Dakota, 3.8 percent in Grand Forks, North Dakota, and 3.5 percent in Fargo, North Dakota/Minnesota. California has the worst unemployment problems, with 11 of the 13 areas with unemployment rates of at least 15 percent.¹⁰ The state numbers show Nevada with the highest overall unemployment at 14.0 percent in May, followed by Michigan, California, and Rhode Island. This is the first time in over four years that Michigan has not had the worst unemployment rate. Those states with the lowest rates were North and South Dakota and Nebraska, at 3.6, 4.6, and 4.9 percent respectively.¹¹


A review of the employment data for Iowa over the last three years, since January 2006, shows a steady downward trend. Reported unemployment has grown from a low of 3.5 percent in March 2007 to a current 6.8 percent, just below the high of 6.9 percent in April. The number of Iowans with jobs was at a three-year low of only 1.567 million in October, November, and December of last year (2009).¹² The high employment during this time was just over 1.6 million in March of 2008, followed by a steady and significant downward trend until this spring, which indicates a slight uptick.

Most troubling is that the number of workers without jobs has almost doubled from 58,800 in March 2007 to over 116,000 in April 2010. This is three years of steady and consistent job loss. That is a loss of 57,200 jobs in three years.¹³ The charts following this article document the Iowa workforce trends over the last three years.

On an individual county and city basis, there is significant fluctuation in unemployment numbers over the past year. When you look at individual counties, the county with the lowest unemployment in May 2010 was Lyon, county seat Rock Rapids, at 3.8 percent, followed by Shelby County at 4.6 percent. Presumably many of the Lyon County residents are working in South Dakota. The two counties with the highest unemployment were Henry and Lee at

Iowa Statewide Economic Indicators

Data source: <<http://www.iowaworkforce.org/trends>> <<http://www.iowa.gov/tax/taxlaw/econindicators.html>> July 28, 2010

Latest Economic Indicators	Updated as of:	Actual Number	Amount of Change	Time Period Reported
 New Vehicle Registrations	6/25/2010	41,777	15.2%	May 2009 - May 2010
 New Housing Permits	6/28/2010	2,918	10.4%	May 2009 - May 2010
 Existing Home Sales	5/28/2010	56,800	-14.5%	4th Qtr 2009 - 1st Qtr 2010
 Total Resident Jobs	7/20/2010	1,567,100	-4,500	May - June 2010
 Non-Farm Employment	7/20/2010	1,475,700	-3,600	May - June 2010
 Factory Jobs	7/20/2010	204,600	2,000	May - June 2010
 Initial Unemployment Claims	7/20/2010	44,094	-35.2%	May 2009 - May 2010
Jobless Rate	7/20/2010	113,600	6.8%	June 2010
 Personal Income	4/9/2010	\$36,751	-1.6%	4th Qtr 2008-4th Qtr 2009
 Exports of Goods	4/1/2010	\$9.04B	-25.4%	January 2008- January 2009
 Farmland Values	6/4/2010	\$4,371	8.0%	April 2009 - April 2010

9.0 and 9.4 percent respectively, at the opposite end of the state from Lyon. Between 2009 and 2010, Monona County lost the most jobs, with unemployment increasing from 5.5 to 8.8 percent, while Page County gained jobs with unemployment falling from 8.1 to 6.9 percent.¹⁴ Interestingly enough, even with the full opening of the new Honey Creek Resort State Park in Appanoose County, the county’s unemployment rate between the two years remained virtually unchanged at 7.5 percent, though the April to May 2010 numbers did show seasonal improvement from 8.5 to 7.5 percent.¹⁵

On a city basis, Burlington at 8.5 percent had the highest unemployment. Sioux City had the biggest increase in unemployment between 2009 and 2010, going from 5.3 to 7.7 percent. Iowa City remained the lowest in May of both 2009 and 2010 at 3.9 percent, supported by significant government employment at the University of Iowa, the University of Iowa Hospitals and Clinics, and government supported organizations such as ACT and Pearson.¹⁶ On the private sector side, on July 7, Wells Fargo Financial, a mortgage, automobile, and consumer credit card lender based in Des Moines, announced the closing of 638 stores in the United States, with 12 locations in Iowa. The number of jobs expected to be lost is 3,800.¹⁷

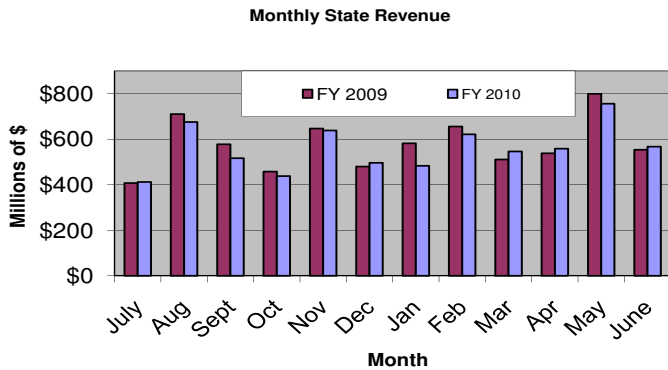
In the meantime, President Barack Obama and the Democrat-controlled Congress have spent billions of dollars of tax money on the economic “stimulus.” In Iowa alone there have been 2,479 contracts, grants, or loans allocated from the stimulus money. The total dollar amount either allocated or spent between February 2009 and March 2010 is over \$1.8 billion (\$1,837,170,838) and the number of jobs created was a whopping 8,828. (Remember we’ve lost almost 60,000 jobs in the last three years.)¹⁸ This breaks out to federal government spending of \$208,000 per job created. In contrast, the average per capita personal income in Iowa is \$36,751.

This job-created count does not include the heavily promoted, but temporary, census hiring, reflected in the spring 2010 employment number upturn. However, the increase in jobs from January to May (which

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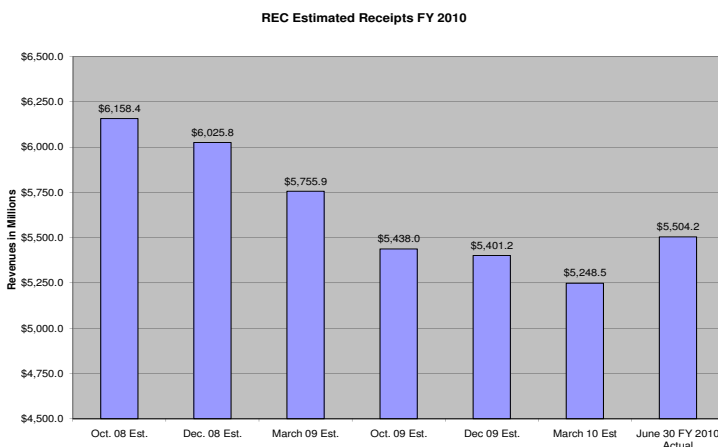
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Iowa's Monthly State Revenue and Estimated Net Yearly Revenue (in millions)



Iowa's Monthly State Revenue:

Monthly FY 2010 state revenue was \$567.6 million in June, the end of the fiscal year. This is \$13.9 million more than June 2009. The major increases were in the cigarette and tobacco tax, up 17.1 and 50 percent respectively from June 2009, and the insurance premium tax, up 67.3 percent.

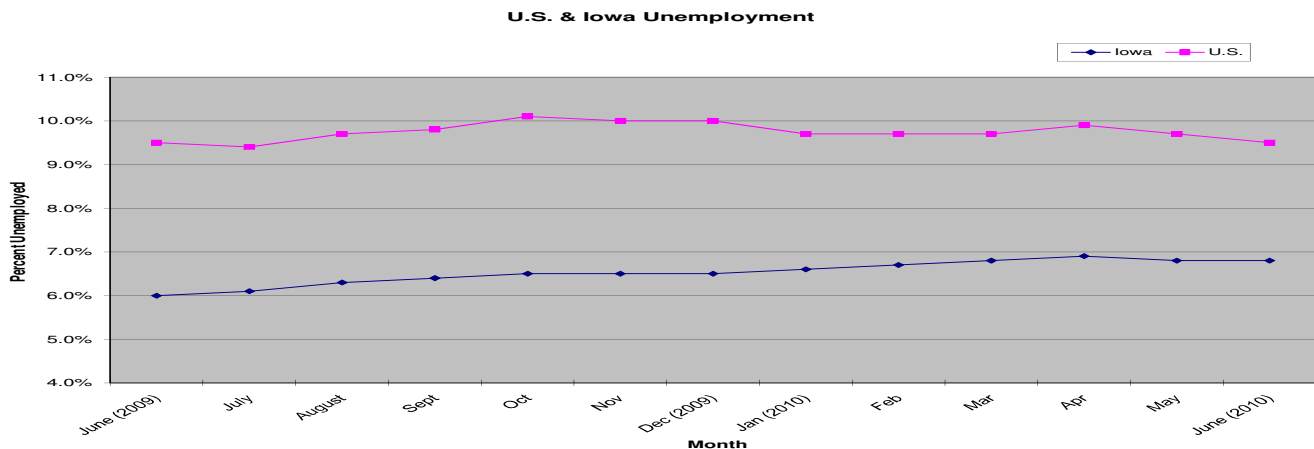


Iowa's Estimated Net Yearly Revenue:

The revised Revenue Estimating Conference March number for FY2010 Net General Fund receipts was \$5,402.1 million. As of June 30, the end of the fiscal year, actual tax revenue collected was \$5,504.2 million. Final, reconciled, numbers will not be available until September.

Source: Legislative Services Agency "Monthly General Fund Revenue Memo," and Revenue Estimating Conference Report

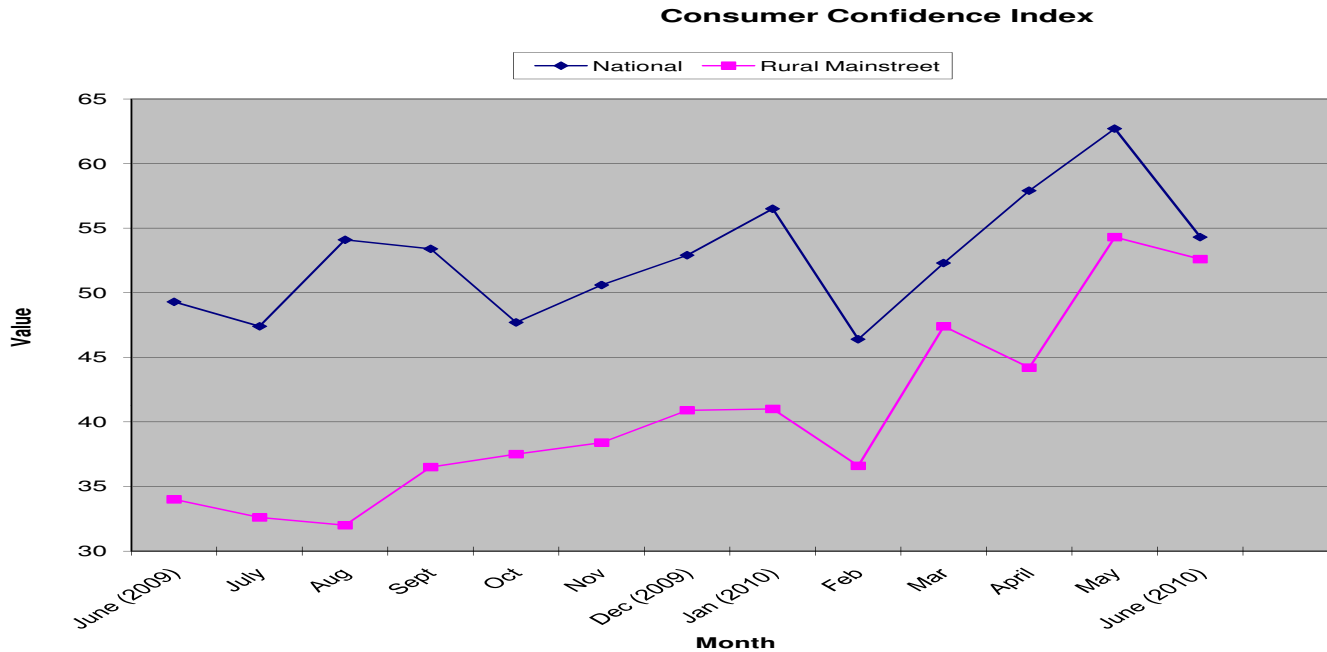
U.S. and Iowa's Unemployment, June 2009 - Current



The U.S. unemployment rate in June 2010 was slightly down at 9.5 percent. The Iowa rate remains lower, at 6.8 percent. Total Iowan employment in June was 1,567,100, down 5,300 from June 2009. The number unemployed was 113,600, up over 14,100 from June 2009. Much of the recent hiring has been by federal, state, and local governments. Counties with the lowest unemployment rates were Lyon (3.8%) and Mills (3.9%).

Source: Iowa Workforce Development, Labor Market Information Bureau, "Monthly Unemployment Rate News"

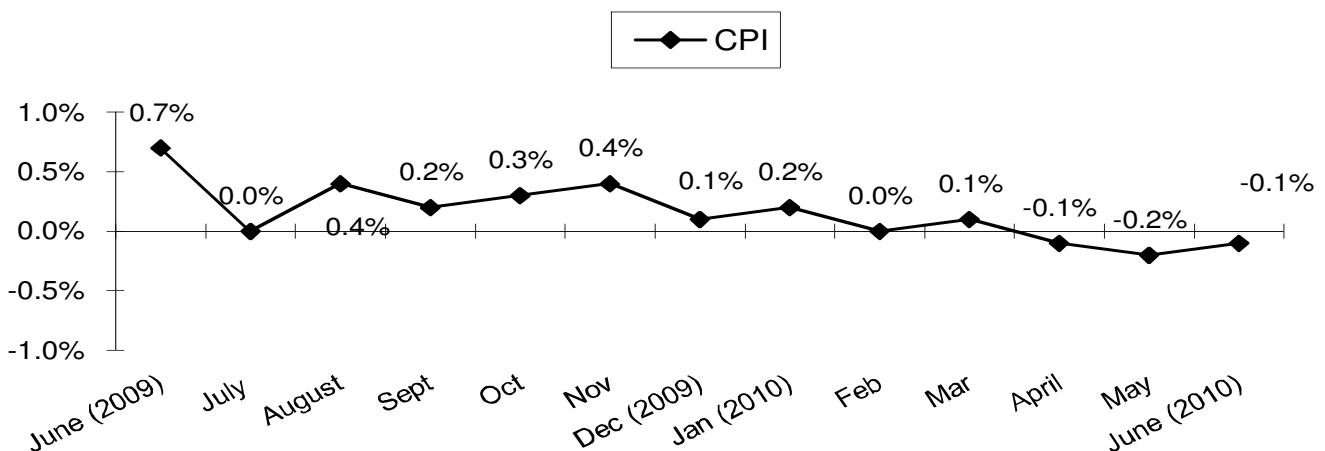
Consumer Confidence Index



As of June 2010, the national Consumer Confidence Index (CCI) began a decline, to 54.3 in June from 62.7 in May. According to the Conference Board consumers are “increasingly more pessimistic about the short-term outlook.” “Business conditions and the labor market are casting a dark cloud over consumers that is not likely to lift until the job market improves.” The Creighton University Rural Mainstreet Index for the Midwest region reflects significant increases the agricultural land (54.7) and equipment sales indexes (53.1), which bankers expect to “remain healthy in the months ahead.”

Source: Conference Board, “Consumer Confidence Survey” and Creighton University

Consumer Price Index, Monthly Change



The seasonally adjusted Consumer Price Index declined 0.2% in May 2010, driven by decreases in the energy indexes. The Food index was unchanged. The Used Cars and Trucks index increased the most at 0.6%. The overall index has increased by 0.9% in the last year.

Source: U.S. Department of Labor, Bureau of Labor Statistics

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encompasses the census hiring) is only 2,200.¹⁹ If the stimulus money was just handed out, at the average per capita personal income rate, it could have been given to 49,989 people. Then only 7,600 new people would be considered to be unemployed.

Federal Stimulus Money Allocated to Iowa			
February 17, 2009 to March 31, 2010			
Allocation Type	Number of projects	Dollar Amount	Jobs Created
Contracts	284	\$178,700,340	284.95
Grants	2,175	\$1,625,412,514	8,529.64
Loans	20	\$33,057,984	13.00
Total	2,479	\$1,837,170,838	8,827.59

Source: <http://www.recovery.gov/Transparency/RecipientReportedData/pages/RecipientReportedDataMap.aspx?State=IA&datasource=recipient>

However, eventually the federal tax money will run out, as will those “jobs.” Then we will be right back where we started. That is the problem with the stimulus. Jobs created by government funding are not sustainable. When the government money paying those people is gone, then their jobs are once again gone. Though the building paid for by that money might last, someone must pay for the work done in the building. The work done by the projects may be important, such as educating children, but the employees providing that service will only be retained if the government comes forth with more taxpayer money. Economists warn that shifting these moneys from the private to the government sectors is less likely to stimulate job growth.

If you look at the national unemployment data and overlay it with the historical record of who controls Congress, you get interesting results. Neil Stevens at the Red State weblog recently posted a chart, using U.S. Labor Department Bureau of Labor Statistics data, showing that since the Democrats won majority control of Congress in November 2006, unemployment has consistently risen. When Congress was under Republican control from March 1993 until November 2006, unemployment was consistently 6 percent or less.²⁰ One can argue cause and effect of congressional control and unemployment numbers, however, the chart provides an interesting discussion point.

So, yes, “It’s the economy, stupid,” but the economy obviously isn’t being fixed and can’t be fixed by government spending. The quicker the President, the Governor, the Congress, and the Legislature learn that lesson the sooner Americans and Iowans can begin creating new opportunities, and new — sustainable — jobs supported by real products and real innovation. Then we can once again have confidence that our children will have a higher standard of living in the future, not a lower one.

(Endnotes)

¹ Job Performance Ratings for President Bush (G.H.W.), Summary Chart, Roper Center Public Opinion Archives, <[http://webapps.ropercenter.uconn.edu/CFIDE/roper/presidential/webroot/presidential_rating_detail.cfm?allRate=True&presidentName=Bush%20\(G.H.W.\)](http://webapps.ropercenter.uconn.edu/CFIDE/roper/presidential/webroot/presidential_rating_detail.cfm?allRate=True&presidentName=Bush%20(G.H.W.))> (July 8, 2010).

² Paul Taylor, “A Balance Sheet at 30 Months, How the Great Recession Has Changed Life in America,” Executive Summary, Pew Research Center, June 30, 2010, p. i.

³ “Employment Situation Summary,” United States Department of Labor, Bureau of Labor Statistics, July 2, 2010, <<http://www.bls.gov/news.release/emp/sit.nr0.htm>> (July 6, 2010).

⁴ Iowa Workforce Development News Releases, (current reference is May data), <<http://www.iowaworkforce.org/news/XcNewsPlus.asp?cmd=view&articleid=81>> (July 6, 2010).

⁵ Pew, p. i.

⁶ Ibid, p. ii.

⁷ Emily Kaiser, “U.S. household wealth falls \$11.2 trillion in 2008,” Reuters, March 12, 2009 (July 9, 2010).

⁸ Pew, p. iii.

⁹ Pew, p. iii.

¹⁰ U.S. Department of Labor, Bureau of Labor Statistics, Metropolitan Area Employment and Unemployment (Monthly) News Release for May 2010, published June 30, 2010, <<http://www.bls.gov/news.release/metro.htm>> (July 9, 2010).

¹¹ U.S. Department of Labor, Bureau of Labor Statistics, Regional and State Employment and Unemployment Summary, June 18, 2010, <<http://www.bls.gov/news.release/laus.nr0.htm>> (July 9, 2010).

¹² State of Iowa Labor Force Summary, 2009, <<http://www.iowaworkforce.org/lmi/laborforce/etables/lastyear/lforceia.txt>> (July 7, 2010).

¹³ Ibid.

¹⁴ Unemployment Rates by Iowa County and Historical Employment Data, Iowa Workforce Development, <<http://www.iowaworkforce.org/lmi/laborforce/index.html>>, <<http://iwin.iwd.state.ia.us/pubs/etables/unemploymentrates.pdf>> (July 7, 2010).

¹⁵ Ibid.

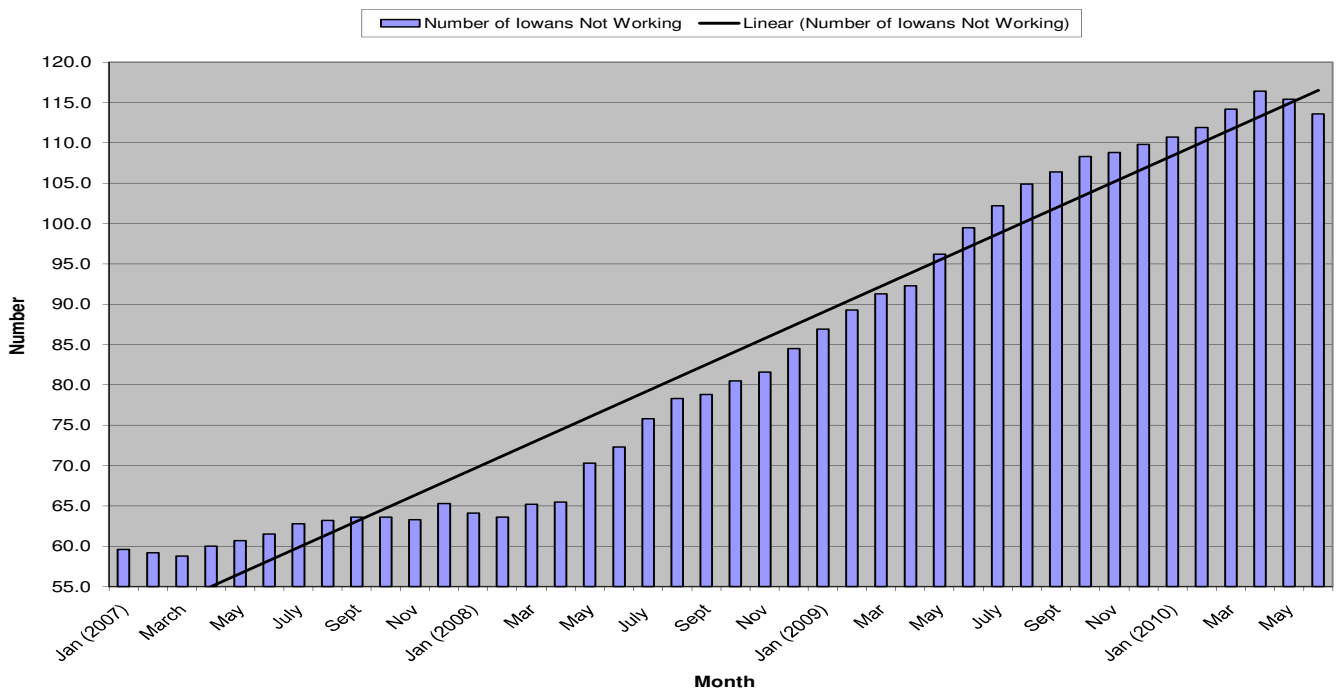
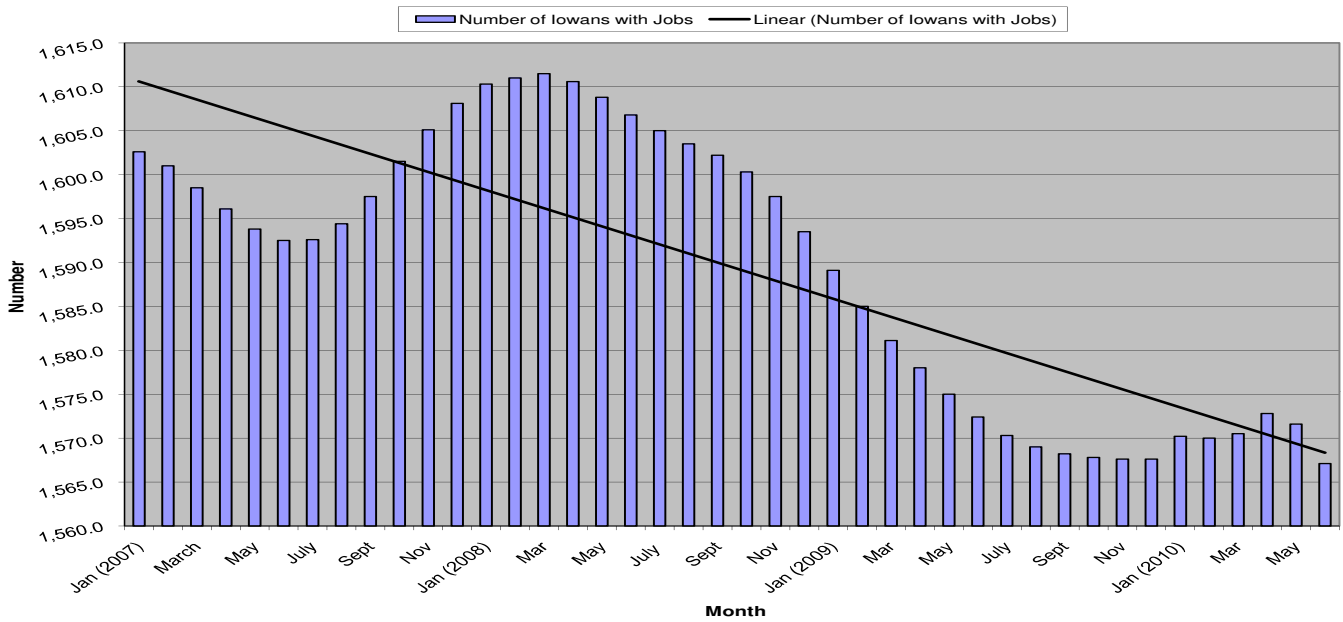
¹⁶ Ibid.

¹⁷ Karen Mracek, "Wells Fargo to eliminate division, cut 3,800 positions," The Des Moines Register, July 7, 2010, <<http://www.desmoinesregister.com/article/20100707/BUSINESS/100707031/1029/Wells-Fargo-to-eliminate-division-cut-3,800-positions.html>> (July 7, 2010).

¹⁸ "Track the Money," Iowa data, Recovery.gov, <<http://www.recovery.gov/Transparency/RecipientReportedData/pages/RecipientReportedDataMap.aspx?State=IA&datasource=recipient>> (July 8, 2010).

¹⁹ Labor Force Summary, 2010, <<http://www.iowaworkforce.org/lmi/laborforce/etables/lforceia.txt>> (July 7, 2010).

²⁰ Neil Stevens, "A Chart of Unemployment since 1995," <http://www.redstate.com/neil_stevens/2010/07/08/a-chart-of-unemployment-since-1995/> (July 8, 2010).



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Did you receive a refund, or pay more, and why?

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