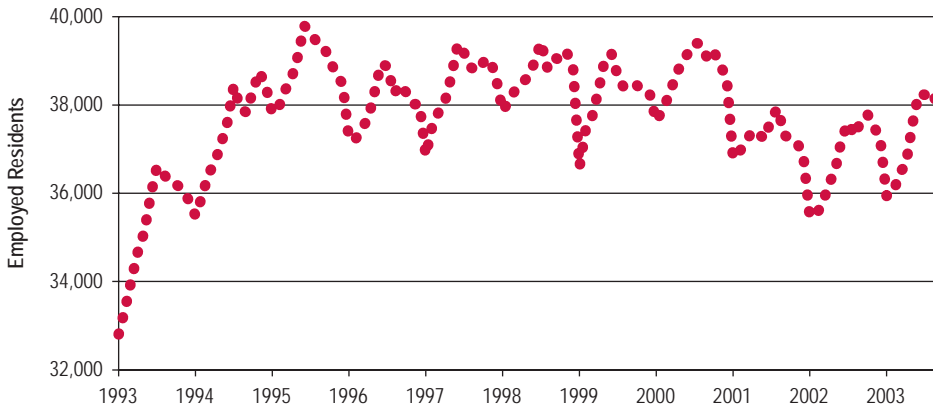


# Evansville

M. Gale Blalock

Professor of Economics and Chair, Department of Accounting and Business Administration, University of Evansville, Evansville

Figure 2  
Monthly Employment in Bartholomew County, January 1993 to September 2003



Throughout the remaining boom years of the 1990s, Bartholomew County did not add significantly to its workforce.

Structural shifts continue to drain manufacturing jobs, so it is important for Columbus and Bartholomew County to

attract other kinds of employment. The recent data suggest that, although the percentage of employment in other industries has expanded, the absolute numbers of new people living and working in our communities have not risen. ◀

Table 1  
Index of Economic Activity in Evansville

Year	Industrial Production	Construction	Trade	Transportation	Finance	Index	Index Growth
1995	0.316	0.040	0.273	0.047	0.240	0.917	
1996	0.330	0.060	0.275	0.051	0.247	0.963	5.0%
1997	0.329	0.048	0.284	0.055	0.250	0.966	0.3%
1998	0.359	0.069	0.277	0.060	0.234	1.000	3.5%
1999	0.385	0.090	0.282	0.062	0.247	1.066	6.6%
2000	0.397	0.072	0.285	0.060	0.254	1.068	0.2%
2001	0.387	0.045	0.288	0.052	0.280	1.053	-1.4%
2002	0.401	0.064	0.287	0.052	0.250	1.055	0.2%
Change From 2001	3.7%	41.9%	0%	0%	-10.7%	0.2%	

The Evansville economy was stalled for much of 2002, as measured by the index of economic activity maintained at the University of Evansville (see Table 1). Reaching a peak in 1999, it posted an inconsequential decrease in 2000, but fell by 3.4 percent in 2001. There were substantial gains in construction and in industrial production, but declines in trade and finance. Throughout 2002, the index remained at its 2001 level.

### Index Defined

- ▶ Electricity sold to industrial users = industrial production
- ▶ The total value of new construction permits in Vanderburgh County = construction.
- ▶ Annual boardings at the Evansville Regional Airport = transportation
- ▶ Metropolitan area employment in wholesale and retail trade = trade
- ▶ Finance sector employment = finance

With 1998 as the base year for the index, the raw data show industrial production at a record high between 1995 and 2002. Construction permits were up 43 percent over 2001, but have yet to regain their 1999 maximum. Recent changes in the way we use our airport may make comparisons with the transportation variable less informative. The trade and finance employment-based components have been recalculated this year to incorporate the new NAICS classification system.

I am guardedly optimistic about our near-term future, based on the recent performance of the local labor market. Though we lost 2,900 jobs from 2002 to 2003, our unemployment rate (4.2 percent) is less than the state's (5.0 percent), which is less than the nation's (6.0 percent). As the national economy continues to recover, the local economy will likely continue its recovery.

For our area to prosper in the long term, our workers must be able to compete successfully with workers all over the world.

# Fort Wayne

Thomas L. Guthrie

Associate Professor of Economics, Indiana University-Purdue University, Fort Wayne

If not, they will lose either their wages or their jobs. Continuous improvement in worker productivity remains a managerial challenge. Should the recent defeat of the referendum to finance the schools signify a long-term lack of support for education in our community, I fear for our long-term success. ◀

Manufacturing is disappearing. No, it's manufacturing employment that's disappearing. As shown in **Figure 1**, the total value of goods manufactured in the U.S. has declined approximately 6 percent since mid-2000, but that's not exactly a disappearing act. Furthermore, when the 6 percent decline is juxtaposed with the almost 60 percent increase in the last decade, it appears modest indeed. Isn't that a typical characteristic of recessions?

Look for the value of goods manufactured to reach new highs in the next twenty-four months as the current recovery gains momentum. That's not exactly a disappearing act.

What's disappearing is manufacturing employment. In 1978, there were over 19.3 million employed in manufacturing in the nation. Last November, there were 14.5 million. That's a total decrease of 25 percent, or essentially 1 percentage point per year.

Between 1978 and last November, the total value of goods manufactured in the U.S. increased 90 percent. It had doubled as of mid-2000. Why the disconnect? Productivity—the increase in output per hour of labor.

Between 1978 and 1995 nonfarm business productivity grew at an average annual rate of about 1.2 percent. From 1996 to the fourth quarter of 2001—the end of the last recession—productivity averaged around 2 percent. Since the recession ended, productivity has expanded at an annual rate of more than 5 percent. In third quarter 2003, productivity grew at a seasonally adjusted annual rate of 9.4 percent. In classic understatement, Federal Reserve Chairman Alan Greenspan has described the surge in productivity as “startlingly large.”

Frankly, the third quarter 2003 productivity number is too high to be believed, so it more than makes a point. And the point is that advances in productivity have more than accounted for the economy's post-recessionary growth. It's why a million jobs have disappeared since the start of the recovery in November 2001.

In the last three years, manufacturing employment in the Fort Wayne metropolitan area<sup>1</sup> has decreased by approximately fifteen thousand; or more starkly, basically one in every five manufacturing jobs has disappeared over the last thirty-six months (see **Figure 1**).

Due to the massive fiscal and monetary stimuli, the U.S. economy is now growing sufficiently fast to begin generating jobs (see “The U.S. Economy” on page 1). When economic growth exceeds productivity growth—which is about to occur—the modest employment gains will accelerate.

For the Fort Wayne area, the immediate question is when will the fifteen thousand laid-off manufacturing workers be called back? According to a recent research note from the Federal Reserve Bank of New York, the answer for many will likely be never:

“The period after the 2001 recession will be remembered as the second jobless recovery.<sup>2</sup> Our inquiry into the reasons for the current labor market slump suggests that structural change has played an important role. Industries that lost jobs during the recession have continued to shrink during the recovery, and permanent job losses have eclipsed temporary layoffs. ... An unusually high share of unemployed workers must now find positions in different firms or industries.”<sup>3</sup>

Unfortunately, the researchers didn't quantify “unusually high,” so I am forced to.

*Advances in productivity have more than accounted for the economy's post-recessionary growth.*

*It's why a million jobs have disappeared since the start of the recovery in November 2001.*

**Figure 1**  
Manufacturing Output and Employment

