

At a recent job workshop Mirella Lozano, a San Bernardino resident unemployed for the last five years, said “I think it is getting better. I think there’s a lot of job opportunities.” That encapsulates what may be the last remaining obstacle to America’s full economic recovery—the optimism of ordinary working people.

Since the Great Recession occurred a half dozen years ago the country has been on a course of glacially slow economic improvement. Over the period of years, however, it adds up to a huge economic recovery. The stock market has been an early indicator of that trajectory. In March of 2009 the S&P 500 Index went below 700. Now it is over 1900, way above its’ highest pre-recession point of 1565. At the end of 2007 stock mutual funds were valued at over \$6.5 billion. By the end of 2008 that had fallen to \$3.7 billion. Now that number is \$8.3 billion. In the last quarter of 2008 the S&P 500 corporations, the 500 largest in America, actually lost money; over \$60 billion in fact. But since the end of 2008 the overall profit of all American corporations has risen by 72%.

Just about every economic measure shows a similar story. It is just that the movement has been so slow and often very erratic that it can be hard to appreciate it. At the bottom of the recession in 2009 industrial production actually fell nearly 14% from the prior year. Since that time there has been a



series of steady increases, the last quarter coming in at 4.3%. In mid-2009 the annualized value of factory shipments was \$358 billion; now it is \$498 billion, a rise of 39%. Business to business sales, meaning the movement of goods and services before they get to the consumer, has gone up 38% in the same period.

Gross domestic product fell in each of the three quarters following its’ record high in the third quarter of 2008. Since the technical definition of a recession is two consecutive quarters of negative GDP growth, those three quarters in fact constituted our Great Recession. Although it may have been hard to notice the difference, by this technical definition we have not even been in a recession for nearly five years. Indeed, since the low point in mid-2009 gross domestic product has grown by over 20%.

When the economy slows down business investment goes with it. This makes sense since there is little incentive to invest in producing more when people are buying less of it. Investment fell dramatically in 2009 and didn't really show much improvement until 2012. But the really sharp increase has happened in the last year. The amount directed into commercial buildings, industrial structures, machinery and information technology rose 57% between 2009 and this last quarter. Almost 60% of that increase was just in the last year.

Recession and recovery typically follow a pattern whereby capital investment, construction and employment fall early and quickly, then tend to be the last elements to revive. Overall construction spending didn't just fall early and quickly but in fact continued to fall through 2011. It was off more than 11% in 2009, then down 8% and 7% in successive years. It only began to revive in 2012 and at last was up almost 6% over the prior year. During the boom years just before the recession the economy produced over a million new units of housing every year. In the midst of the recession, in 2009, the annual number of new housing permits had fallen to 549,000. Again, not much changed through 2011, there was a revival in 2012 when the rate of new housing permits was 780,000, but the big increase was in 2013 when the annual rate was over 900,000. As of last June the rate was 1,090,000 new units; in other words at

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the beginning of the range of normal during the good years.

The term 'full employment' means the ideal situation in a healthy economy, everyone who wants a job can get one and it is full or part-time as desired. Generally this translates into an unemployment rate around 4%, making allowance for people who are changing jobs or just entering the workforce. In 2007 the unemployment rate was around 4%. In 2009 the rate rose dramatically and finally hit 10%. It stubbornly remained in the range of 9-10% through 2011, fell slightly to 8.2% in 2012, was in the 7s by 2013 and at last count was 6.1%. This good news has to be qualified of course. When the underemployed are added then the rate is 12.2%. Underemployed includes those who work part-time but would rather be full time, plus those who have simply given up looking but would take a job if it were available. Even here however there is room for optimism. Until recently the unemployment rate including the underemployed was around 16%. There is further evidence that the employment situation is improving. This June there were 4.67 million advertised job openings, the highest since February of 2001.

With the course of the economy as a cause for hope there are two final elements which should prove critical. If people are confident of the future they will be more willing to spend now and more inclined to make investments for a better life ahead. The level of consumer debt is a fair indication of how certain people are that they will be employed and making a decent wage in the years to come. That debt fell in 2009 and remained almost level through 2012. Only in the last 18 months has it begun to rise and now is nearly 20% higher than it was five years ago.

There is a business association named the Conference Board which does a regular survey of consumer confidence. Periodically they ask a random sampling of people how well they are doing economically right now and do they think their situation will be better in the near future. If more than half think their situation is improving then the index is over 50 while anything



under 50 is proof of pessimism. The index had been 75 in 2008 but fell to about 38 in early 2009. From there it began a slow but in this case steady rise. In 2010 it was around 53, in 2011 almost 59, then 62 and 68 in successive years. The latest survey put the index at 91, meaning 91% of respondents think their personal economy is getting better.

If Mirella Lozano can be optimistic after five years of unemployment than we can too.



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