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NEW ADVANCE & RUTGERS REPORT EXAMINES ‘THE GREAT UNCERTAINTY’ OF A NEW YEAR

With the recession over, modest rates of economic output and employment growth leave ambiguity in America’s future

NEW BRUNSWICK, N.J. – As America looks ahead to 2011 it faces an uncertain future, as modest rates of employment growth and economic output combine with an uncertain political environment in Washington. In the new Advance & Rutgers Report, “The Great Uncertainty,” sponsored by leading real estate owner and developer Advance Realty, authors James W. Hughes, dean of Rutgers University’s Edward J. Bloustein School of Planning and Public Policy, and Joseph J. Seneca, university professor and an economist at the Bloustein School, examine how slow economic growth, coupled with stubbornly high unemployment and the potential for political gridlock, leave much ambiguity in America’s economic future.

According to Hughes and Seneca, 2010 was poised to be a “breakout economic year.” The Great Recession was determined to have ended in June 2009, as America’s real gross domestic product (GDP) shifted from decline to growth. By the end of 2009, the nation’s total economic output was on a positive growth trajectory, but that growth decelerated considerably in the first two quarters of 2010. While the preliminary estimate for the third quarter showed a halt to this slowdown, it is clear that output growth has been significantly constrained.

Monthly job losses steadily diminished during this same period – from June to December 2009 – and employment growth began in January 2010. Toward the end of the second quarter, however, job growth also faltered and fears of a stall ensued, coinciding with the European debt crisis. Job growth once again began to pick up over the next four months (July to October), but the uncertainty persisted.
Nearly 4.7 million private-sector jobs were lost in the first 10 months of 2009. In contrast, over the first 10 months of 2010, the U.S. gained 1.1 million jobs.

“The Great Stability” was a welcome development. It meant that the Great Recession had ended and the staggering job losses – 8.5 million private-sector job losses – had finally come to an end,” said Seneca. “But what is clear is that the rate of recovery to date, while positive and encouraging, has been tepid at best, based on past recovery standards, particularly with respect to employment.”

Most of the 1.1 million private-sector jobs gained this year have been in below-average-paying industries (administrative support services and service-providing positions including trade, transportation and utilities; education and health services; and leisure and hospitality), while higher-paying, knowledge-based, office-located jobs continued to experience losses.

Added to this, the authors noted, are concerns about state and local government as another sector losing jobs. “Even though the recovery is under way, because of the echo effects of the recession on state and local budgets, the job losses in those areas are likely to continue,” they observed.

Another factor has been Washington’s focus on stabilizing big business. During the last economic expansion (first quarter 2004 to first quarter 2008), firms with more than 249 employees accounted for only 15.7 percent of job growth, while 84.1 percent of the 6.6 million jobs added in the U.S. were in firms employing 249 or fewer employees). As employment growth began to falter again in mid-2010, Washington’s early focus on big business shifted toward smaller firms, with the realization that strengthening the position of new and small firms would impact continued employment growth.

“While the spotlight has shined most brightly on economic policies geared toward large businesses, the importance of building up our small and mid-sized businesses cannot be overlooked, stated Peter Cocoziello, CEO of Advance Realty. “Such businesses are the lifeblood of our economy and statistically create the most jobs throughout the country.

“As a business owner, I feel strongly that a dedicated effort to promoting collaboration between the public and private sectors is a key factor so that businesses of all sizes have the resources they need to create new jobs and, ultimately, rebuild our economy.”
“If the two parties are unable to reach a working compromise on domestic policy, the resulting political gridlock will only exacerbate the economic and fiscal uncertainties,” Seneca noted. “We could see a two-year period of political and economic policy paralysis as the parties maneuver for advantage for the 2012 presidential election. On the federal policy agenda right now are the expiring tax cuts, the extension of unemployment benefits and the federal deficit. All three issues have significant implications for economic decisions on the part of both businesses and households.”


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