FORUM

Why Not Bail Out the Unemployed?

The United States economy is shedding jobs faster than a grooming dog sheds fleas. Payroll employment has been dropping for nine months in a row, with 159,000 fewer jobs on the books in September than in the month before.

Julianne Malveaux

Guest Columnist

So far this year, payrolls are down 760,000, and 969,000 in the private sector. The unemployment rate has held steady at 6.1 percent for the past two months, but it is up 1.4 points during the past year. Nearly 10 million people are "officially" unemployed, which means they are officially looking for work.These numbers do not include those who have dropped out of the labor force, in other words people without jobs who have just stopped looking.

It also doesn't include people who are underemployed, or working at jobs that they are overqualified for. The Bureau of Labor Statistics develops several rates of "labor utilization," including one that includes people who work part time because they can't find full time work, and those "marginally attached".

With such a measure the unemployment rate would double to 11 percent. And, surprise, surprise, African American workers are doing much worse than other workers in the labor force. While the unemployment rate was 5.4 percent for whites, it was 11.4 percent for African Americans.

If the white unemployment rate were 11.4 percent, someone other than this humble columnist would be asking about a bailout for the unemployed. But because we are simply looking at a black unemployment rate, there has been little discussion about what to do about excessive unemployment.

According to the Economic Policy Institute (www.epi.org) all of the gains African Americans made in the 1990s were wiped out by job losses in the last several years. The report, written by Algernon Austin, suggests that African American workers have been among the hardest hit by our economic downturn. There's nothing for black folks, but plenty for banks.

We saw our Congress rush to action to provide a bailout for financial markets. It was said that it was an emergency, that we had no choice, that the $850 (up form $700) billion bailout was a matter of life and death for the nation's economy. Ask the person who has been unemployed for the last six months how they feel about life and death. Some of these folks have exhausted their unemployment insurance. Some have lost their homes and their families.

One in five unemployed people have been unemployed for at least six months, the highest share of long-term unemployment in three years. Yet these people have been virtually ignored by policymakers. Furthermore, the number of people who are involuntarily part time, or who would rather work full time, has skyrocketed.

The number grew by 300,000 in September, and by 1.6 million in the past year. Six million people who hold part time jobs want and need full time jobs, the largest number in fifteen years! Again, we keep hearing about markets, but the focus is on every market except the labor market.

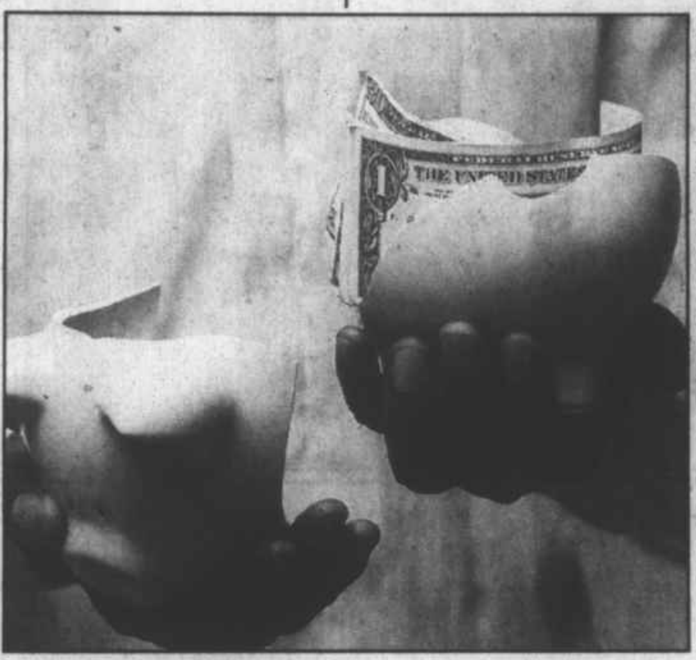
Just about every sector of the economy is experiencing job losses, from factory jobs, to service jobs, to jobs in the financial services industry. Only in health care and government services do jobs continue to grow. There is barely a safe haven for those who are losing their jobs.The economic policy institute cites one piece of legislation as providing possibilities for those at the bottom.

The Emergency Unemployment Compensation (EUC) program that extends jobless benefits an extra 13 weeks. That provision has run out and can be renewed by Congress. That's the least a group of bailout-focused lawmakers can do for ordinary people who also need a hand. Realistically, though, lawmakers aren't likely to do much more. They are rushing home to get involved in a close election, and leaving the employment mess until after November or, more likely, after January.

Yet if trends continue as they have, we will have lost at least a million jobs this year, and we will have experienced an indifferent Congress that can be whipped into fearful bailout submission by Treasury Secretary Paulson. Who speaks for workers? And will working people get a bailout?

When your Congressional representative comes home to campaign, ask what they will do for workers. It's a fair question to raise as our economy continues to spiral out of control.

Dr. Julianne Malveaux is President of Bennett College for Women. She is also on the Board of Directors of the Economic Policy Institute. She can be reached at presoffice@bennett.edu.



What Happened And What Should You Do?

For the last two weeks, I have felt more like a therapist than a financial advisor. People are scared. Banks are failing. Wall Street firms are failing. If we're not in a recession, it sure feels like one. Our government is telling us that if they don't spend $700 billion to stabilize our credit markets, our economic system may collapse. What is going on? How did we get here? What should you do next?

Danny Freeman

Guest Columnist

In short, we got into this mess because some so-called smart people on Wall Street loaned a lot of money to people for mortgages and too many of these people couldn't pay the money back. On top of that, Wall Street used these mortgages as collateral to borrow money for themselves to invest in oil, commodities, and even more mortgages.

I understand why folks are so upset about this bailout package. Why should taxpayers have to bailout greedy lenders and Wall Street? Unfortunately, the $700 billion bailout package will not fix things, but merely keep things from getting very bad, very fast. The rock has already been thrown into the pond. Now, we're just waiting to see how much damage the ripples do when they come ashore.

What should you do next? In the midst of this crisis, many people have sought the safety of bank deposits as a way to protect themselves against loss. I hate to be the bearer of bad news, but sticking your money in the bank will not protect you in a worst-case scenario. As proof, consider what happened to the Wachovia Bank.

Wachovia's initial deal to be purchased by Citibank was a shotgun marriage. Why did the FDIC want Wachovia to accept this offer? Because Wachovia was on the verge of failing. Wachovia had about $339 billion in deposits. As of the second quarter of 2008, the FDIC had about $45 billion in its Deposit Insurance Fund (DIF). You do the math. How can a $45 billion insurance fund cover $339 billion in deposits? It can't. If Wachovia had failed, a lot of people would have lost a lot of money and they would have been surprised to learn that the FDIC would not have been able to make them whole.

So what else should you do? First, don't panic. Hasty decisions rarely work in your favor. Resist the temptation to make changes just for the sake of making changes. Doing so is a lot like climbing a greased pole: a whole lot of motion with very little progress. Next, re-evaluate your financial goals. Are you 20 years away from retirement and have time to work through this mess? Or, are you already retired and need to make sure your investment income will keep up with inflation? Your financial goals determine your investment strategy. Your investment strategy will determine what investment products are appropriate to help you reach your financial goals. If you manage your own money, do your research. If you have a financial advisor, go talk to him to make sure your portfolio matches your financial goals and tolerance for risk.

Other countries such as Sweden, Norway, Japan, and Korea have had to bailout their financial systems before. What history shows is that the first one or two years after the bailout can be pretty rough.

Finally, remember that in the midst of chaos, you can often find opportunity. Even if the economy slows down, focus on investing in things that people will still spend money on. Look at consumer staples, or what I call the 'smoke 'em, eat 'em, and drink 'em stocks. Look at energy, because people will still be buying gas for their cars so that they can get back and forth to work. Our country will still be spending a lot of money on health care and medical services, so look at stocks in those areas. Also, look at utilities because we will still need to keep the lights on in our homes.

Our financial system has been forever changed. Sticking with conventional wisdom can be costly to your long-term financial goals, so it's time to rethink what will work. Investment strategies usually swing to extremes. We just came through a period of extreme risk-taking and it blew up in Wall Street's face, but Main Street will be left to feel the pain. Now, we will probably go through a period where many people will seek to avoid risk at all costs. I recommend that you seek to find that middle ground and investment opportunities will be there waiting for you. Oh, and remember what Big Mama told you: don't put all of your eggs in one basket.

Winston-Salem Financial Advisor Danny Freeman is with Darda Wealth Management, www.dardawealth.com.

The Chronicle, the Choice for African-American News, is located at 617 N. Liberty Street Winston-Salem, NC 27101
336-722-8624
Fax - 336-723-9173
news@wschronicle.com
www.wschronicle.com

The Chronicle was established by Ernest Pitt and Ndubisi Egemonye in 1974, and is published every Thursday by Winston-Salem Chronicle Publishing Co., Inc.
The Chronicle is a proud member of:
National Newspapers Publishers Association • North Carolina Press Association • North Carolina Black Publishers Association • Inland Press Association

Business Office 723-8428, ext. 100 PAULETTE MOORE
Business Office 723-8428, ext. 101 ANDREA MOSES