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Statement by

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before the

Subcommittee on Domestic Monetary Policy

of the

Committee on Banking, Finance and Urban Affairs

U.S. House of Representatives

June 1, 1983

I appreciate the opportunity to appear before this Subcommittee today to discuss prospects for unemployment. The severity of the current economic difficulties in the Midwest and the concerns about the longer-term problems associated with economic adjustment have been widely reported and discussed. Nevertheless, it seems to me that the seriousness of the situation requires all of us, in both our official and private capacities, to do all we can to find realistic and economically justified resolutions of the problems of insuring sustainable high levels of economic well-being both in our region and nationwide. I hope that my comments will be useful to this Subcommittee in its deliberations.

The Federal Reserve Bank of Chicago, of which I am President, serves the Seventh Federal Reserve District comprising all of Iowa and the major portions of Illinois, Indiana, Michigan, and Wisconsin. While we often refer to the region of the Seventh District as the "Midwest," we have no monopoly on this term. "Midwest" is often applied to the entire area north of the Ohio River from the Appalachians to the Rockies, or to the Bureau of Census' designated North Central states, divided into the East North Central region (five states) and the West North Central region (seven states). (See map)

The problems of western Pennsylvania and Ohio have been broadly similar to those of the states of the Seventh District. However, my testimony will concentrate on the five-state area with which we are most familiar.

By any definition the Midwest has encountered serious economic difficulties for the past four years, commencing roughly with the Iranian oil embargo of 1979. Trouble had been building under the surface for a much longer period, but prior to 1979 our region was still generally prosperous. Previous business recessions since World War II had impacted the region seriously, but activity always rebounded to new highs in a year or so once a recovery was firmly underway. Since 1979 there have been no sustained recoveries.

Employment Trends

Trends in employment and unemployment constitute our best indication of the state of economic health of the Seventh District or any other region.

In March, the latest month for which consistent data are available for all states, nonfarm payroll employment in the five-state area was 3 percent below March 1982. Nationally, employment was down 2 percent. Manufacturing employment was down 8 percent from a year earlier in the District and down 6 percent nationally. (See table 1)

Despite some callbacks in the auto and building materials industries, there is no clear evidence that employment has risen significantly in the District since March. Moreover, information on help-wanted advertising and surveys of employer hiring intentions offer little hope for a significant upturn in the near future. Summer jobs for students will be hard to find. An unusually large share of spring graduates from high schools and colleges find the end of the school year approaching with no firm job offers in hand.

The trend of employment is particularly disturbing when viewed over a longer time span. In March, nonfarm payroll employment in the U.S. was 1 percent below March 1979. From 1947 through 1979 payroll employment increased nationally at a compounded rate of 2.3 percent annually. If this trend had continued, payroll employment, nationally, would be 9 percent higher currently than in early 1979. In the District, payroll employment in March was 10 percent below the level of March 1979, with declines ranging from 5 percent in Wisconsin to 14 percent in Michigan. Instead of being 10 percent lower than in 1979, employment in the District would be substantially higher now if growth had continued at the earlier rate.

Manufacturing employment in the U.S. in March 1983 was 14 percent below March 1979. In the District, the decline was 26 percent, with declines ranging from 21 percent in Wisconsin to 29 percent in Michigan. In

addition, many workers currently are on short work weeks. Aside from manufacturing, employment is at sharply reduced levels in construction and some types of transportation.

Unemployment Trends

Payroll employment data are based on reports of employers to government agencies. Unemployment is much more difficult to measure accurately. Data on the number of people receiving unemployment compensation comprise a major input for state and local unemployment estimates which are derived through a complicated process. Unemployment compensation data do not include either people who lose jobs and are not covered by unemployment insurance, or new entrants and re-entrants to the labor force. Problems such as determining whether an individual is "actively seeking work," is a "discouraged worker," or is insisting on unrealistic terms of employment (and other measurement problems) impose obstacles to precise estimates of unemployment. Despite these provisos, we can assert unequivocally that unemployment is high--at the highest levels since the Great Depression of the 1930s--and that the problem is more severe in the District than nationally.

In March unemployment was estimated at 10.3 percent of the labor force nationally and 12.5 percent in the five-state area, with a range from 9.8 percent in Iowa to 15.7 percent in Michigan. A year earlier the rate was 9.0 percent nationally and 11.5 percent in the District. (See table 2)

In early 1979, unemployment nationwide was high by standards of the 1950s or 1960s, but low by today's yardstick. In March 1979, the rate was 5.8 percent, nationally, and 5.8 percent in the District, with a range from 4.0 percent in Wisconsin to 7.1 percent in Michigan. In short, four years ago unemployment was about equally serious in the District and nationally. Since then the problem has been more serious here, and substantially so.

Local Unemployment

Unemployment problems vary by locality. In the past year or two jobless rates have been estimated at 15 to over 20 percent for industrial centers such as Rockford, Illinois; Gary, Indiana; Dubuque, Iowa; Flint, Michigan; and Racine, Wisconsin. Unemployment is chronically high among minorities in the large cities, especially Chicago and Detroit. (See tables 3 and 3A)

Depressed conditions in smaller centers often reflect declines in jobs, temporary or permanent, at the principal establishment in "one industry towns." Also, local labor markets often are not clearly defined. Many workers are willing to drive 50-60 miles or more to work and return each work day. A different situation exists in the inner cities where unemployed workers may be unable to commute to suburbs--where jobs often are more available--because of limitations of public transportation.

Dimensions of Unemployment

The distribution of unemployment by age, sex, and race is similar in District states to the national pattern. (See table 4)

Unemployment has increased substantially in the recession for all groups. Unemployment, as always, is particularly high for teenagers compared to adults, and for blacks relative to whites. One pattern of unemployment, however, has shifted in the past two years, both nationally and regionally. Historically, jobless rates were lower for men than for women. Currently, jobless rates are higher for men. Partly, this may reflect legal pressure to hire and retain women employees. A more important reason, however, is that unemployment has been heaviest and most prolonged in durable goods manufacturing and in construction, sectors where female workers are relatively few.

Concerning unemployment by industry, the current recession has repeated the course of earlier declines, with the heaviest layoffs in the most cyclical industries--hard goods and construction. The main difference this time is the

long duration of the problem, coupled with increasing concern that cyclically depressed industries will never fully recover, at least not in the form in which they existed prior to 1979. Many factories have been closed and demolished. In others equipment has been removed and disposed of at auction.

Population Growth

Population in the five-state area has been growing less rapidly than in the nation for a century. In 1930, the area had 17.1 percent of the nation's population. By 1970, this ratio had dropped to 16 percent. In the 1970s the drop in the ratio accelerated. By 1980 the five states had only 14.9 percent of the nation's population, and by 1982 14.6 percent. (See table 5)

From 1960 to 1970 the U.S. population rose 13.4 percent while population in the five states rose 10.8 percent. In 1970-80, growth was 11.4 percent for the U.S., and 4.2 percent for the five states. From 1980 to 1982 U.S. population rose 2.2 percent (according to Census estimates), while the five-state area declined by 0.3 percent. Indiana, Iowa, and Michigan lost population in 1980-82. The reduction or reversal of population growth reflects, in large part, migration of job seekers to the South and West.

Population loss is associated with reduced job opportunities. Fewer people means less need for all consumer goods and services, including housing. Fewer workers are required to supply these needs when population grows at a slower pace or declines.

where does it end?

The Industry Mix

In large degree the relative increase in unemployment in the Seventh Federal Reserve District reflects the composition of industry and the distribution of employment in the region.

In 1978, when business activity in the Seventh District was still robust, 15.7 percent of the nation's nonfarm payroll employment was in the five-state

area, somewhat more than the proportion of the nation's total population residing there. These states accounted for 19.3 percent of the nation's employment in manufacturing, and 23.4 percent of employment in durable goods manufacturing. Within durable goods, these states accounted for 31 percent of employment in steel, 55 percent in engines and turbines, 56 percent in farm machinery, 35 percent in construction machinery, 35 percent in metalworking machinery, and 54 percent in motor vehicles. (See table 6)

The five states accounted for a very high proportion of the nation's employment--ranging up to 70-80 percent--in farm tractors, heavy earthmoving equipment, industrial cranes, diesel engines, recreational vehicles, and outboard engines.

Reasons for the Decline in Durable Goods Employment

In the past four years, all of the durable goods industries reduced employment sharply. Moreover, in many cases the District's share of the nation's employment in those industries has declined. Among the causes are the following:

1. Generally depressed conditions in the nation which always affect durables most severely because these are relatively expensive, postponable purchases.
2. High interest rates that increase the cost of financing investments in long-lived equipment, customarily purchased on credit both by consumers and business.
3. High fuel costs which have deterred outlays on types of motor vehicles--larger cars and trucks and recreational equipment--output of which is concentrated in the Midwest.
4. A relatively small District proportion of production of energy development equipment, which, until late 1981, was a booming industry.

5. Relatively small District involvement in production of defense equipment, which has been expanding rapidly in recent years.
6. Low farm income, which has caused farmers to curtail purchases of equipment.
7. Migration of industry to the "Sunbelt," encouraged by lower employment costs, lower fuel costs, and financial incentives offered by southern states.
8. Concentration of production by some producers in more modern southern plants that had supplemented northern operations in earlier years when demand was strong.
9. Increased competition from abroad with the high value of the dollar and foreign subsidization of industry, including favorable credit terms, tending to reduce U.S. exports and encourage imports. (Components, as well as complete machines, increasingly are imported.)
10. Much lower labor costs abroad, sometimes only a small fraction of domestic costs. (Frequently foreign plants that utilize American technology are owned in whole or in part by American companies.)
11. A slippage in American technological leads, partly because of the export of U.S. technology through licensing or other means.
12. In the past year, reduced exports of U.S. capital goods to oil exporting nations whose oil revenues were cut by smaller shipments and soft prices.

Energy Costs

The huge rise in the price of energy since 1973 has had a direct, adverse effect on demand for vehicles and other District products that use fuel.

There is another dimension to the problem. Per capita energy use in the

District is relatively high. This includes fuel for heating homes and other buildings, for transportation, and for industrial processes.

District states produce only a very small proportion of the energy they consume--oil, natural gas, and coal. Illinois has vast underground supplies of high sulfur coal, but usage has been closely restricted by anti-pollution regulations. As a result, coal burned by Midwest electric utilities is now largely imported from the Rocky Mountain states. Oil and natural gas come mainly from the South, the Southwest, and abroad.

The price of fuel at the source or at ocean ports becomes even higher when transportation costs to the Midwest are added. In addition, energy-producing states levy heavy severance taxes on coal, oil, and gas production. As a result, fuel users in District states help pay costs of government in fuel-producing states. In 1981, severance taxes as a share of total tax revenues in the principal oil and coal producing states ranged from 21 to 50 percent.

High Labor Costs

Wage rates in the District have been above the average for the nation for many years. The "gap" is widest in Michigan, where hourly earnings of production workers in manufacturing in 1982 averaged nearly one-third higher than for the U.S. Wage rates in other Seventh District states were 10 percent to 18 percent higher than the national average. (See table 7)

In addition to wages, total worker compensation includes benefits such as vacation pay, pensions, medical and dental insurance, workers' compensation, supplementary unemployment benefits, and many others. These benefit packages tend to be very liberal in durable goods industries as a result of successive "improvements" obtained in union contracts over the years. In heavily unionized areas such as the Michigan automotive centers, worker compensation

in non-unionized industries such as banking tends to be influenced by the terms won by unions. Unionization in the District has become increasingly important in state and local government, education, and food retailing.

Total compensation of production workers in the steel, auto, and construction and farm equipment industries averages at least \$20 per hour, well over \$40,000 on an annual basis. This compares with total costs estimated at \$12 per hour in Japan, and much lower levels in other parts of the Orient and in Mexico. These areas are involved increasingly in "off-shore" sourcing of components.

In the past year, unions have yielded some "concessions" on wages and benefits. But, overall, there is still a wide gap in compensation differentials in District industries compared with other regions and foreign nations.

Productivity

High levels of hourly compensation can be countered by gains in labor productivity, output per hour. Productivity had been rising at a rapid pace of 2 to 3 percent annually through most of the postwar period. Since 1977, however, there has been no growth. Increases in productivity are expected to resume in 1983 if economic activity increases as expected.

Productivity growth in District industries has been hampered by a number of factors. Some relate to labor problems such as absenteeism, strikes, and restrictive work rules on job assignments, overtime pay, and discipline. The District also has a disproportionate share of the nation's older industrial facilities which compete with newer plants (often located in other regions or countries) planned and constructed at a higher "state of the art." Managerial shortcomings, now undergoing correction, also have limited improvements in productivity.

Federal Spending

The five District states contribute a much higher proportion of the federal government's revenues than they receive in federal disbursements. This is especially true in the case of national defense. This disparity tends to reinforce other factors adversely affecting economic activity in the region.

The five District states have 15 percent of the nation's population and generate about 15 percent of its personal income. Their contribution to federal revenues is probably slightly in excess of 15 percent. These states receive a much smaller share of federal outlays disbursed in the United States, only 10.7 percent of the total and only 5.1 percent of the outlays for defense. (These data exclude interest paid and certain other items not allocable by state.) (See table 8)

The relatively low participation of the District in federal outlays stands out dramatically in comparisons with other states on a per capita basis. The five states have five of the six bottom slots among the 50 states in per capita total federal spending and four of the lowest seven positions in defense spending. Indiana ranks highest in the District in defense, but is still only 34th. States with the highest per capita federal outlays are those with relatively high proportions of federal payrolls, civilian and military, and defense procurement.

State and Local Governments

Until the late 1970s, state and local government employment in the District had tended to offset periodic declines in private employment, rising even in recession years. In the past two years, state and local governments throughout the District have been grappling with serious financial problems.

Revenue shortfalls have reflected both the recession's effect on tax revenues and cutbacks of federal aid. Meanwhile, requirements for social programs and welfare outlays have increased.

State and local governments are dealing with their financial problems by (1) curtailing programs (often reducing employment), and (2) raising taxes. While these steps are necessary to achieve financial solvency, they work to reinforce the recession.

The Farm Economy

In some periods in the past when durable goods manufacturing was curtailed, the farm economy of the District was relatively prosperous. In the past three years, declining farm income has coincided with and reinforced the contraction in manufacturing. Many smaller communities are dependent on sales of equipment, supplies, and services to farmers.

Data on agriculturally-related employment are sparse, rendering precise characterizations of the situation difficult. Yet, there is no doubt that rural communities and the industries serving agriculture have suffered extensively in the economic downturn of recent years. There are signs that the farm sector is beginning to recover. But any recovery in agriculturally-related employment, in the Midwest and nationwide, is likely to be slow.

1983 Acreage Set-Aside

The level of farmer enrollment in government farm programs suggests some 82 million acres will be removed from crop production in 1983. Even allowing for slippage in final compliance, it is probable that the acreage removed from production this year will be nearly a fifth of the area planted to principal crops in 1982--the largest removal ever under government programs. The decline in acreage will be sufficient to return the farm sector to a much stronger financial footing.

In the interim, industries that furnish inputs and services to farms will experience weak sales. Sales of seeds, fuels, fertilizer, and pesticides probably will decline at least 10 to 15 percent this year. Purchases of grain storage facilities also will decline. Unit sales of farm equipment, down 50 percent from the levels of the late 1970s, will remain at very depressed levels, but may begin to strengthen late this year as farm earnings improve. Transportation needs will be reduced. The demand for new farm loans will weaken, but creditors will still be restructuring older problem credits.

The acreage cutback will affect employment in some industries more than others. In fertilizer and farm equipment, where product inventories are high and sales are primarily to agriculture, job losses will be substantial. Industries that rely on nonagricultural markets more than agricultural markets, such as transportation and pesticides, will be much less affected.

Big City Problems

A large share of unemployment in the District is concentrated in the distressed inner-city areas of the larger centers. Job opportunities of residents are restricted by inadequate education and other problems associated with disadvantaged groups. EEO and affirmative action programs may fail to improve access to jobs in affected areas because some employers will move their operations elsewhere.

Despite high unemployment, there is a continuing need for workers in low-paying, less desirable jobs. Availability of such jobs has brought a steady influx of aliens to the District--mainly from Latin America, the Orient, and Eastern Europe. Many of these aliens are in the "underground" economy, not counted in the labor force.

High crime rates deter businesses from locating in the inner city, and in some cases may be the deciding factor in decisions to migrate. Fear of violence may make valued employees unwilling to travel to inadequately policed

neighborhoods. Insurance costs are high because of possible damage to property, especially through arson. Theft of supplies, materials, and finished goods also raises operating costs.

Employment growth in the central business districts of large cities has been dampened by a number of factors, including decentralization of corporate headquarters and automation of financial and other services. Many banks, insurance companies, public utilities, and government bodies have reduced staff in the past year or two. Until the mid-1970s, most of these employers were hiring actively year after year. Currently, they offer few new job opportunities with openings often filled by transfers of "redundant" workers from other departments.

Pollution Controls

Regulations controlling industrial emissions--air, water, and solid wastes--have had a disproportionate impact on the Midwest. Emission controls can be incorporated at lower cost in newly constructed facilities. Deadlines for meeting emission standards imposed on older plants may be satisfied easily by closing the plants. Often closings have been the answer, especially for foundries. Such decisions have been encouraged by the income tax code. Many Midwest plants, once locally owned, have been acquired by conglomerates whose owners may benefit from tax write-offs when older facilities are shut down. This has been the major incentive for some acquisitions.

On January 31, 1983, the EPA proposed a ban on construction of major industrial facilities in 144 United States counties--including those in the areas of Chicago, Detroit, and Milwaukee--for failure to meet deadlines and requirements for improving air quality. The EPA maintains that the ban is mandated by existing law, even though it would slow the cleanup by extending the use of old facilities with high levels of harmful emissions.

Business Environment

Business groups complain of "unfavorable business climates" in the industrial states of the Midwest. Costs of unemployment insurance and workers' compensation are relatively high in this region, especially in Illinois and Michigan. (See table 9) These costs reflect both the size of payments and the ease of establishing claims. Other complaints involve high taxes, state pollution controls, restrictions on cutoffs of utility services, and laws affecting hiring and personnel practices.

Earlier this year Alexander Grant and Co. published its fourth study of General Manufacturing Business Climates in the 48 contiguous states. States were assigned overall rankings for 1982. Florida, Texas, and North Carolina took the top three spots. Indiana was 29, Iowa 35, Wisconsin 36, Illinois 42, and Michigan 48. Among the adverse factors considered:

Relative cost of fuel and electricity. Costs in the Great Lakes states were 41 percent greater than in the South Central Region, and 4 percent more than the national average.

Wage costs. Michigan had the highest wage costs of any state. The average for the Great Lakes states was 40 percent higher than for the Southeastern states, and 18 percent above the national average.

Unionization. In the Great Lakes states 31 percent of nonfarm workers were organized, compared to less than 10 percent in the Carolinas.

Taxes. Taxation in the Great Lakes states, relative to incomes, was about equal to the national average, but higher than in the Southeastern states.

Financial Condition of Business

Some large District companies that were in excellent financial condition a decade ago are now operating under severe stress. Their problems usually are a result of several factors--sales falling below expectations, intense

competition, rising costs of labor and other inputs, and heavy debts incurred at high interest rates. Some of these firms are operating under special agreement with creditors who could force them into bankruptcy under contractual agreements.

Erosion of executive morale and confidence which has developed over the past several years will not be corrected in a year or two. Until financial strength is solidly reestablished and the general economy is clearly in a new growth trend, business caution will restrain commitments for capital spending, inventory investment, and hirings.

The Outlook

Projections of employment and unemployment are subject to substantial error. Forecasts by District state governments and regional development organizations in recent years have proved much too optimistic.

The main factor affecting conditions in the Midwest in the future will be the trend of the national economy. A strong and sustained recovery would eventually bring sharply higher orders for the District's capital goods. However, most of the adverse factors described above can be corrected only gradually. Many manufacturing operations closed in recent years will never reopen. Steel will be a lesser factor in economic activity than in the past. Some of the service industries--for example, financial futures trading--are growing steadily, but this will not replace a vigorous manufacturing sector.

A number of other factors could influence District developments:

1. Successful labor-management agreements to reduce costs.
2. A less oppressive regulatory climate, including administration of pollution controls.
3. Restriction of the sale of tax write-offs and losses that encourage plant closings.

4. Restrictions on severance taxes imposed by fuel producing states.
5. Direction of a larger share of federal disbursements to District states.

In the long run, the Midwest should regain its economic health, although not in the same form as in earlier decades. Adjustments in business, agriculture, labor, and government are already underway. The basic resources that brought prosperity to the region are still present--excellent transportation, ready access to raw materials and markets, ample fresh water, a well-educated work force, and a highly productive agricultural hinterland.

Role of the Federal Reserve

A major precondition for sustainable economic growth and reduced unemployment in the nation, and especially in the Midwest, is the maintenance of a non-inflationary environment. The Federal Reserve has a vital role in the effort to achieve and maintain price stability. A resurgence of inflation would recreate the distortions in business and individual decision-making that have led to ever higher rates of unemployment in the successive business cycles of the post-World War II period and would seriously limit chances for economic expansion and improvement in job opportunities.

I emphasize the importance of price stability because of the havoc caused by inflation on the Midwest economy. In large degree the economic problems of the Midwest have been caused, or at least exacerbated, by inflation.

For many years, inflation nurtured an illusion of economic well-being while cutting deeply into the region's economic strength. Inflation is accompanied by increases in operating costs, costs of carrying inventory, and capital investment. If rising costs are not fully reflected in increased selling prices, real profits decline. Lenders fearful of the erosion of their investment through inflation insist on shorter maturities. Long-term funds

become less available and borrowers with long-term horizons are less able to undertake investments. Cut-off rates of return are raised and corporations look for investments with shorter pay backs. Purchases of existing assets may appear preferable to financing new plant and equipment.

With a large proportion of its manufacturing employment in durable goods, our District has been hard hit by the sluggishness of new investment. A non-inflationary environment will revitalize long-term financial markets, increase the incentives for investment, and greatly improve the employment outlook. This does not mean that our industries will fully recover their former positions of strength. The basic structure of the market for capital goods has changed.

The process of recovery appears to have started in manufacturing, but it could be sidetracked by another surge of inflation. The process of adjustment is painful and the costs are high. But an attempt at short-term improvement by acceding to inflationary economic policies would cause even greater long-term losses to the Midwest.

Price stability fostered by appropriate national monetary policy under the guidance of the Federal Reserve System is a necessary condition for the reduction of both inflation and unemployment. There is also a role for the individual Reserve Banks. The complex process of economic adjustment involves social as well as economic objectives that may be in conflict. Moreover, the objectives of various regions may clash. Cooperative national and regional efforts are required. In this intricate environment the Reserve Banks cannot determine the changes to be made, but they can assist, serving as a focal point for studies of the region and as a catalyst for cooperative efforts.

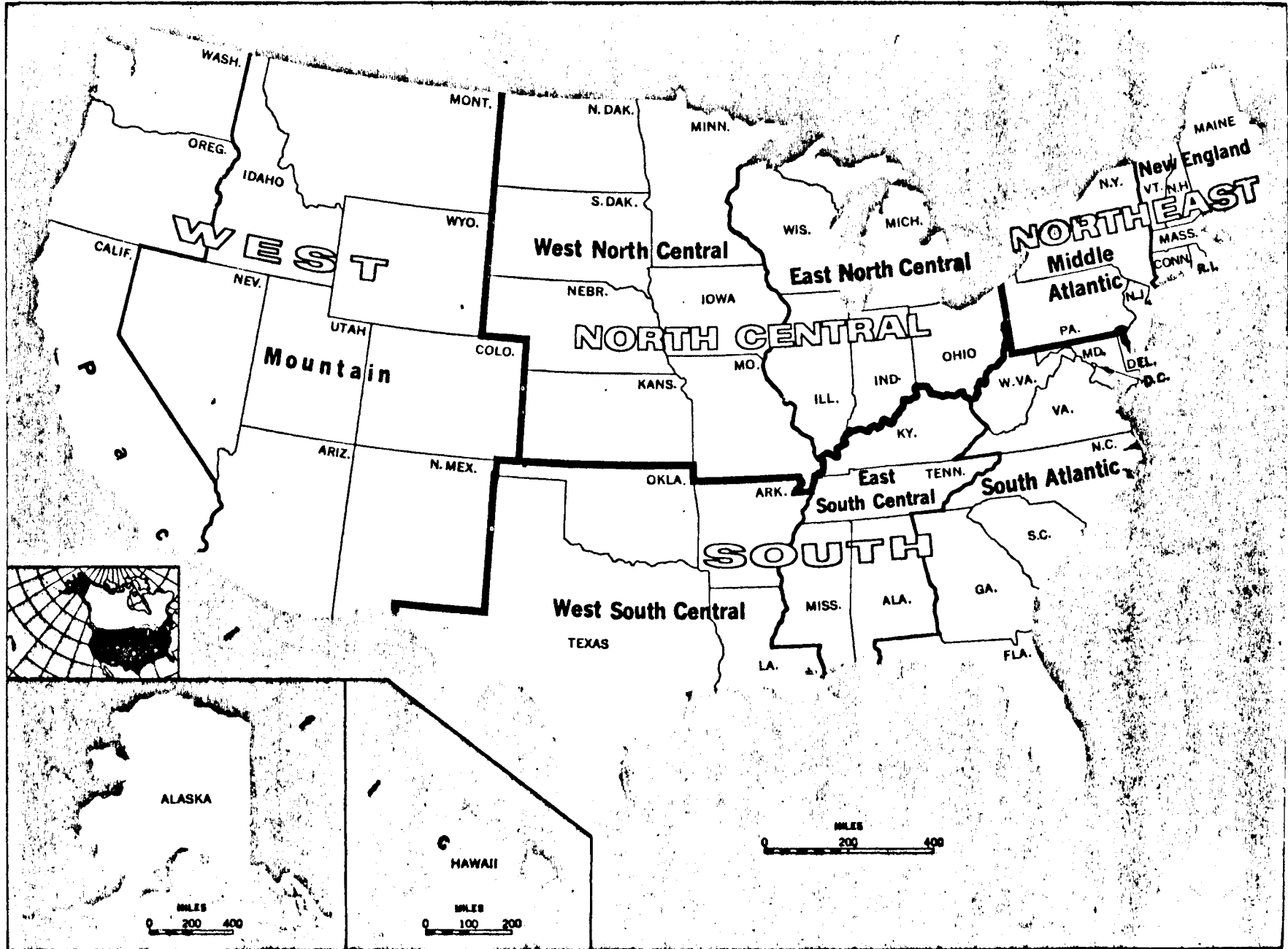
To this end, the Federal Reserve Bank of Chicago is expanding its economic information facility. For many years we have provided information on current and prospective developments in our region. We are now supplementing this function to provide regional economic data quickly to interested analysts. We are also increasing our own research efforts in the analysis of resources of the region and the areas of opportunity for economic growth. Impediments to growth and development such as usury ceilings, excessive regulation, and unnecessarily costly aspects of workers' compensation and unemployment compensation are being identified and the opportunities for modifying these restraints are being evaluated.

We are aware of severe financial strains on Midwest state and local governments faced with the heavy costs of caring for the poor and restoring a deteriorating infra-structure, despite serious revenue short-falls. Recent tax increases may adversely affect local economic activity. We are undertaking a special effort to understand the financial problems of state and local governments. In this connection, we plan to host a conference this fall to explore possible solutions.

Finally, we are increasing our involvement with regional groups interested in evaluating and implementing programs to assist local adjustments. Effective programs to advance the welfare of the region require the cooperative efforts of all segments of the community. We hope that our participation in producing information, analysis, and ideas will further this vitally important objective.

I appreciate your invitation to testify and your interest in the problems of our region.

CENSUS REGIONS AND GEOGRAPHIC DIVISIONS OF THE UNITED STATES



U.S. DEPARTMENT OF COMMERCE

BUREAU OF THE CENSUS

Table 1
 Employment
 Nonagricultural Payrolls
 (not seasonally adjusted)

	Mar. 1980 to Mar. 1981	Mar. 1981 to Mar. 1982	Mar. 1982 to Mar. 1983	Mar. 1980 to Mar. 1983	Mar. 1979 to Mar. 1983
	(-----percent change-----)				
Total					
United States	0	- 1	- 2	- 2	- 1
Five States	- 3	- 3	- 3	- 9	-10
Illinois	- 4	- 2	- 3	- 9	- 7
Indiana	- 2	- 4	- 3	- 8	-12
Iowa	- 3	- 5	- 2	-10	-10
Michigan	- 3	- 5	- 2	-10	-14
Wisconsin	- 3	- 1	- 3	- 7	- 5
Manufacturing					
United States	- 3	- 4	- 6	-12	-14
Five States	- 7	- 8	- 8	-21	-26
Illinois	- 9	- 7	-11	-24	-26
Indiana	- 4	- 8	- 9	-19	-27
Iowa	- 8	-11	- 7	-24	-25
Michigan	- 6	- 9	- 6	-20	-29
Wisconsin	- 8	- 4	- 9	-19	-21

Table 2
Civilian Unemployment Rates
(seasonally adjusted)

	March					Apr.
	1979	1980	1981	1982	1983	1983
	(-----percent-----)					
United States	5.8	6.3	7.3	9.0	10.3	10.2
Five states average	5.8	7.6	9.5	11.5	12.5	
Illinois	5.7	6.9	9.0	9.9	12.2	12.2
Indiana	5.8	8.4	10.0	12.1	11.8	
Iowa*	5.0	5.2	7.5	9.7	9.8	
Michigan	7.1	10.1	12.0	15.8	15.7	14.9
Wisconsin	4.0	5.6	7.8	9.4	11.0	

* Not seasonally adjusted.

Table 3
Civilian Unemployment Rates in Seventh
District States and Metropolitan Areas
(not seasonally adjusted)

	February 1982	February 1983
	(percent of labor force)	
Illinois	10.1	13.8
Bloomington-Normal	7.3	10.0
Champaign-Urbana-Rantoul	5.0	7.3
Chicago	9.4	12.4
Davenport-Rock Island-Moline	10.4	18.2
Decatur	12.3	19.3
Kankakee	15.8	21.4
Peoria	10.7	19.2
Rockford	14.5	18.1
Springfield	7.6	10.6
Indiana	12.7	13.2
Anderson	21.2	16.5
Elkhart	11.7	9.1
Evansville	11.3	11.9
Fort Wayne	12.6	13.3
Gary-Hammond-East Chicago	13.9	17.3
Indianapolis	9.8	10.6
Lafayette-West Lafayette	7.3	8.7
Muncie	16.9	14.7
South Bend	11.0	10.7
Terre Haute	13.1	14.9
Iowa	9.2	10.8
Cedar Rapids	9.6	11.1
Des Moines	8.3	8.8
Dubuque	12.9	16.9
Sioux City	8.4	9.2
Waterloo-Cedar Falls	10.9	14.2
Michigan	16.1	16.5
Ann Arbor	9.7	10.4
Battle Creek	15.6	17.1
Bay City	18.6	19.0
Benton Harbor	16.8	18.5
Detroit	16.5	16.7
Flint	22.8	19.5
Grand Rapids	12.7	13.2
Jackson	14.8	17.7
Kalamazoo-Portage	11.1	12.0
Lansing-East Lansing	13.2	11.7
Muskegon-Norton Shores-Muskegon Heights	16.0	19.6
Saginaw	20.2	17.2
Wisconsin	10.7	12.7
Appleton-Oshkosh	10.9	12.4
Eau Claire	10.5	11.6
Green Bay	9.7	11.3
Janesville-Beloit	19.1	13.5
Kenosha	12.1	12.4
La Crosse	9.5	10.1
Madison	7.3	7.7
Milwaukee	8.9	12.4
Racine	12.2	19.0
United States	9.6	11.3

Table 3A
High Unemployment Areas

The Emergency Jobs Act, signed into law on March 24, requires that a list of towns, cities, and counties with high unemployment be published by the Department of Labor. Federal agencies will use the list in conducting public works and service programs. To qualify, areas must have had average unemployment rates in 1982 of at least 8.8 percent, 90 percent of the average rate for all states.

	<u>Number of high unemployment areas on April 23, 1983</u>	<u>Percent of United States</u>
United States	2,163	100
Five States	404	19
Illinois	105	5
Indiana	91	4
Iowa	35	2
Michigan	104	5
Wisconsin	69	3

Table 4
Unemployment Rates by
Age, Sex and Race

	<u>Total</u>	<u>Teenagers</u>	<u>Men</u>	<u>Women</u>	<u>White</u>	<u>Black and other races</u>
	(-----unemployment as a percent of labor force-----)					
United States						
1978	6.1	16.3	5.2	7.2	5.2	11.9
1982	9.7	23.2	9.9	9.4	8.6	17.3
Illinois						
1978	6.1	15.0	5.3	7.1	4.8	14.8
1982	11.3	23.3	11.8	10.6	9.2	24.1
Indiana						
1978	5.7	17.3	4.4	7.4	4.9	14.8
1982	11.9	24.8	12.5	11.3	11.0	23.0
Iowa						
1978	4.0	9.8	3.8	4.2	3.8	*
1982	8.5	17.4	10.0	6.6	8.2	*
Michigan						
1978	6.9	17.4	5.7	8.6	5.9	14.4
1982	15.5	28.7	15.7	15.1	13.3	31.9
Wisconsin						
1978	5.1	12.8	4.3	6.3	4.8	16.4
1982	10.7	21.6	11.7	9.3	10.1	25.6

*Statistics not sufficiently reliable for publication.

Table 5
Population

	<u>United States</u>	<u>Five States</u>	<u>Illinois</u>	<u>Indiana</u>	<u>Iowa</u>	<u>Michigan</u>	<u>Wisconsin</u>
	(-----percent of United States-----)						
1960	100.0	16.3	5.6	2.6	1.5	4.4	2.2
1970	100.0	16.0	5.5	2.6	1.4	4.4	2.2
1980	100.0	14.9	5.0	2.4	1.3	4.1	2.1
1982	100.0	14.6	4.9	2.4	1.3	3.9	2.1
	(-----percent change-----)						
1960 to 1970	+13.4	+10.8	+10.2	+11.4	+ 2.5	+13.5	+11.8
1970 to 1980	+11.4	+ 4.2	+ 2.8	+ 5.7	+ 3.1	+ 4.3	+ 6.5
1980 to 1982	+ 2.2	- 0.3	+ 0.2	- 0.4	- 0.3	- 1.7	+ 1.3
	(-----millions-----)						
1982	231.5	33.7	11.4	5.5	2.9	9.1	4.8

Table 6
 Nonagricultural Payroll
 Employment
 (annual average, 1978)

	<u>United States</u>	<u>Five States</u>	<u>Illinois</u>	<u>Indiana</u>	<u>Iowa</u>	<u>Michigan</u>	<u>Wisconsin</u>
	(-----percent of United States-----)						
Total	100.0	15.7	5.5	2.6	1.3	4.1	2.2
Manufacturing	100.0	19.3	6.1	3.6	1.2	5.6	2.8
Durable goods	100.0	23.4	6.8	4.7	1.3	7.6	3.0
Primary iron and steel	100.0	31.1	8.7	10.7	0.4	8.7	2.5
Engines and turbines	100.0	54.9	15.8	9.0	0.8	9.8	19.5
Farm machinery	100.0	55.6	21.0	3.1	16.0	4.3	11.1
Construction and related machinery	100.0	34.5	17.6	1.6	5.7	4.1	5.4
Metalworking machinery	100.0	35.0	10.2	3.5	0.3	17.8	3.2
Motor vehicles and equipment	100.0	53.7	2.8	6.9	0.9	39.8	3.4

Table 7
Average Hourly Earnings
of Production Workers in Manufacturing

	<u>United States</u>	<u>Illinois</u>	<u>Indiana</u>	<u>Iowa</u>	<u>Michigan</u>	<u>Wisconsin</u>
	(-----relative to United States-----)					
1965	100	108	112	107	123	105
1970	100	109	111	110	124	108
1975	100	114	114	112	127	109
1980	100	110	117	119	131	110
1982	100	110	115	118	132	110
	(-----dollars per hour-----)					
1982	8.50	9.31	9.79	10.00	11.18	9.37

Table 8
Federal Outlays, Fiscal Year 1982

	<u>Total</u> (billions)	<u>Defense</u>	<u>Total</u> (percent)	<u>Defense</u>
United States	\$603.6	\$178.8	100.0	100.0
Illinois	22.4	2.8	3.7	1.5
Indiana	10.1	2.6	1.7	1.4
Iowa	5.2	.5	.9	.3
Michigan	18.0	2.2	3.0	1.2
Wisconsin	8.9	1.1	1.5	0.6
Five States	64.5	9.1	10.7	5.1

Per Capita Federal Outlays

	<u>Relative to</u> <u>U.S Average</u>		<u>State Rank</u>	
	<u>Total</u> (percent)	<u>Defense</u>	<u>Total</u>	<u>Defense</u>
United States	100	100		
Illinois	75	31	46	44
Indiana	71	62	49	34
Iowa	69	22	50	49
Michigan	76	31	45	45
Wisconsin	72	30	48	47
Five States	73	35		

Source: Federal Expenditures by state for Fiscal Year 1982, Bureau of Census.

Table 9
 State Unemployment Insurance
 Average Weekly Benefits--Current \$ 1981

	<u>Amount</u>	<u>% of U.S.</u>
United States	\$107	100
Illinois	133	124
Indiana	91	85
Iowa	122	114
Michigan	128	120
Wisconsin	123	115

Source: Statistical Abstract 1982-83 p. 338

Maximum Weekly Payment for
 Temporary Total Disability Under
 Workers' Compensation Insurance 1982

	<u>Amount</u>	<u>% of U.S.</u>
Forty-eight states	\$238	100
Illinois	403	169
Indiana	140	59
Iowa	501	211
Michigan	307	129
Wisconsin	269	113

Source: U.S. Chamber of Commerce, quoted in General Manufacturing
 Business Climates 1982 p. 47. Alexander Grant & Co.