

## A National Recession

In late 2000 and early 2001, the U.S. economy closed a chapter of very strong economic growth and entered its tenth recession since the end of the Second World War. Since this recession began, the economy has experienced significant overall declines in production and employment. For example, payroll employment fell by 1.4 percent, totaling 1.8 million jobs, from its peak in March 2001 to its low point in December 2002.<sup>1</sup> However, such national statistics need not accurately represent the economy's strength in any particular geographic region. An interesting question to ask is then whether the recent recession was a truly "national" event, or whether it instead was localized in just a few geographic areas.

To investigate this question, I compute the percentage decline in payroll employment during the recent national recession for each state and the District of Columbia. I also compute employment losses for each of the eight geographic regions of the United States, as defined by the Bureau of Economic Analysis. The percentage employment declines are measured by first recording the highest level that state and regional employment reached in the six months before and after the peak in the national employment data, which occurred in March 2001. This peak is then compared with the lowest level state and regional employment have reached since March 2001. For some states, employment had not yet begun to recover by the end of the sample period, which is January 2003. Thus, in these states the employment losses of the recent recession could end up being more severe than reported here. The table shows these declines for the eight states with the largest percentage job losses, the eight states with the smallest percentage job losses, and each of the eight geographic regions.

The table suggests that the recent recession was a national event, with wide geographic dis-

persion: All eight of the geographic regions experienced a decline in jobs. This geographic dispersion is seen at the state level as well. Of the eight states with the largest percentage job declines, there is at least one state from seven of the eight geographic regions represented (the Southwest is the exception). Likewise, of the eight states with the smallest percentage job declines, five of the geographic regions are represented. Finally, no state escaped a decline in employment during the recession. The economic pain of the recession was truly felt nationally.

The Federal Reserve assesses regional economic conditions as an input into its monetary policy decisions. Eight times per year, each of its 12 regional banks performs a survey of local business conditions, summaries of which are published in the *Beige Book*.<sup>2</sup> However, while regional conditions are of interest to monetary policymakers, it is unlikely that the direction of monetary policy would be determined by the fortunes of any one region, as it is generally thought that monetary policy is too blunt a tool to fine-tune the economic performance of a specific geographic area.

—Jeremy Piger

<sup>1</sup>All employment data used in this note are nonagricultural employment as measured by the Establishment Survey conducted by the Bureau of Labor Statistics.

<sup>2</sup>The *Beige Book* is available at <<http://www.federalreserve.gov/fomc/beigebook/2003/default.htm>>.

### Percent Change in Employment Associated with the Most Recent U.S. Recession

8 states with largest job losses		8 states with smallest job losses		Regions	
Washington	-3.6	Nebraska	-0.6	Great Lakes	-2.4
Indiana	-3.5	Rhode Island	-0.6	New England	-2.2
Georgia	-3.5	Alaska	-0.6	Rocky Mountain	-2.1
Missouri	-3.5	Maine	-0.5	Plains	-1.7
Delaware	-3.4	Kansas	-0.4	Mideast	-1.3
Michigan	-3.4	Wyoming	-0.4	Southeast	-1.2
Massachusetts	-3.2	Oklahoma	-0.3	Southwest	-1.1
Colorado	-3.2	New Mexico	-0.2	Far West	-0.9