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## Study blames lack of new firms

# Professor contradicts job theory

A new study by a University economist contradicts the popular belief that layoffs and plant closures cause most of the declines in employment over the business cycle.

The real cause, according to a study by Randall Eberts, associate professor of economics, is a lack of new and expanding businesses.

In his study, Eberts compared employment trends in Oregon during the economic expansion years of 1976-78 and the period

of economic decline from 1980-82.

The study showed that job losses from firms going out of business and from layoffs were relatively constant during periods of economic recovery and decline.

"The striking result of the study is the fact that the difference in the number of jobs created was not due to closings, but to the lack of openings of new firms," Eberts says.

Eberts' data showed that Oregon's net employment plunged from a 16 percent increase during the 1976-78 recovery to a 2.6 percent decrease during the 1980-82 recession. The primary factor, he says, was a dramatic decline in the number of new and expanding businesses.

From 1976 to 1978, a period of healthy economic growth nationwide, closings contributed 9.1 percent to Oregon's employment loss and layoffs accounted for 8.4 percent.

During the deep recession of 1980-82, closings were only slightly higher than they were during the growth period, accounting for 10.5 percent of the loss in employment. Layoffs also stayed about the same during the recession, accounting for 9.1 percent of the decline in the number of jobs.

While the reasons that more new businesses start up and existing ones expand during recovery than during recession are clear — more confidence in the economy, less risk for a given amount of investment and greater availability of credit — the reasons that closings and layoffs stay relatively constant is puzzling, Eberts said.

A possible explanation, however, is that once a firm is

whole, wood-products plants here continue to be shut down because Canadian and southeastern U.S. operations have gained a cost advantage over Northwest timber operations.

The findings also suggest public policy that concentrates on preventing plant closures may be misdirected, Eberts says.

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— Randall Eberts

established, it is likely to close for reasons other than cyclical turns in the economy, Eberts says. These "other" reasons may include structural changes, such as new technologies and shifts in consumer demand.

Eberts points to Oregon's wood-products industry as an obvious example of an industry that is being deeply affected by structural changes that transcend the business cycle. Despite a turnaround in the housing industry and the economy as a

"Since firms are more likely to die as the result of major structural changes in the national economy than from short-term regional downturns, legislation designed to prevent closures may be holding onto the past," Eberts says.

"Measures to ease peoples' transition to new economic activity are probably appropriate, but we can't have a vital economy by holding onto industries that are no longer competitive."

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## departments update

### Cell findings reported

Four University biology researchers reported their findings on cell specialization at an international biologists' conference in Los Angeles last week.

James Weston, biology professor, Gary Ciment and Michael Marusich, both post-doctoral fellows, and Kristine Vogel, graduate student, were four of more than 2,000 scientists from 103 countries attending the 10th Congress of the International Society of Developmental Biologists.

The University researchers have been studying a specific set of embryonic cells, called neural crest cells, that develop into the peripheral nervous system.

Their work may help scientists who are working to find cures and better ways to treat such genetically determined defects as familial dysautonomia and Elephant Man's disease.

### Professor awarded prize

Eugene Luks, professor and head of the computer and information science department at the

University, was awarded the 1985 D.R. Fulkerson prize by the Mathematical Programming Society in conjunction with the American Mathematical Society.

The prize recognizes outstanding papers in discrete mathematics. Luks, one of three winners, was chosen for an article on graph isomorphism that appeared in the Journal of Computer and System Sciences in 1982.

Luks, 45, has headed the University computer and information science department since September 1983. He was a mathematics and computer science professor at Bucknell University and at Tufts University before coming to the University.

An honors graduate of the City College of New York, Luks earned his doctoral degree from the Massachusetts Institute of Technology. He is the author of more than 35 research papers in mathematics, statistics and theory of computation.

Luks is also the associate editor of the Journal of Algorithms.

Compiled by Kirsten Bolin

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