



Business

Productivity growth best in 17 years

ASSOCIATED PRESS

Americans' productivity surged ahead over the past 12 months at the fastest pace in 17 years while labor costs declined, the first time they have dropped since 1984, the Labor Department reported Tuesday.

Both numbers were much better than expected, and the Clinton administration responded by hailing the remarkable combination of positive forces exhibited by a "new economy" bolstered by strong business investment in computers and other productivity-enhancing equipment.

"We are enjoying a splendid combination of strong productivity growth, low unemployment and modest inflation," said Labor Secretary Alexis Herman. "Productivity growth is the key to our economic prosperity."

Private economists said the good productivity figures made it highly unlikely that the Federal Reserve will boost interest rates for a seventh time when the central bank meets again Aug. 22.

Productivity, the amount of output per hour of work, increased at an annual rate of 5.3 percent in the April-June quarter, more than double the first quarter's 1.9 percent gain.

Unit labor costs, the salary paid per amount of work, dipped by 0.1 percent at an annual rate in the second quarter after rising by 1.9 percent in the first quarter.

Even more significantly, the changes in both productivity and unit labor costs over the past 12 months, which smoothes out the quarterly fluctuations, were at the best levels in nearly a generation.

Over the year ending in June, productivity for nonfarm businesses rose by 5.1 percent, the best 12-month showing since a 5.3 percent rise in the 12 months ending in the third quarter of 1983.

Meanwhile, unit labor costs over the past year fell by 0.4 percent, the first annual drop in this key measurement of wage pressures since 1984.

The productivity improvement was led by a surge in manufacturing productivity, which climbed at an annual rate of 5.1 percent in the second quarter after even bigger gains of 7.9 percent in the first quarter and 10.2 percent in the fourth quarter of last year.

Stan Shipley, a Merrill Lynch economist, called this performance "awesome" and said it showed that despite the lowest unemployment rates in three decades, wage pressures are being well contained by advances in productivity. "You just don't get inflation out of that mix," he said.

President Clinton used the news to plug Vice President Al Gore's bid for the White House and to disagree with Republican tax break proposals in Congress. "This continuing productivity growth underscores the importance of maintaining the fiscal discipline that has been so crucial to this investment-led economic expansion," Clinton said during a trip to Boise, Idaho, to tour wildfires.

Rising productivity is considered the crucial element to boosting living standards because it lets employers pay workers higher salaries, financed by the increased output. Without productivity gains, employers must cover higher wage costs by raising product prices, which boosts inflation.

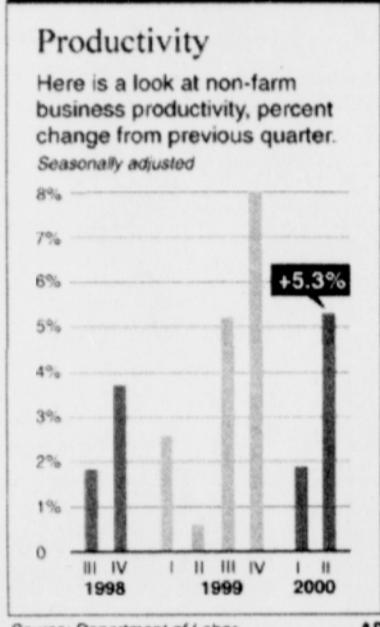
After more than two decades of lackluster gains in productivity from 1973 to 1995 averaging 1.4 percent per year, the increases since 1996 have averaged almost double that.

These gains in productivity allowed the Federal Reserve to watch as the unemployment rate fell to levels not seen in three decades without becoming overly concerned about inflation.

Still, there is a debate among economists about how much of the recent productivity gains are permanent and how much have been influenced by temporary factors.

Federal Reserve Chairman Alan Greenspan told Congress in July that question will be decided by what happens in coming months.

Mark Vitner, an economist at First Union in Charlotte, N.C., said much of the second quarter's productivity gain was probably temporary as output soared faster than businesses could find new workers in the tight labor markets. He predicted productivity gains would slacken off in the second half of this year, causing unit labor costs to rise. Those developments, he said, would force the Fed to resume raising interest rates in early 2001.



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Data: minorities have more mortgages

ASSOCIATED PRESS

A higher percentage of Blacks, Hispanics and American Indians were approved for home mortgages last year than in 1998, new government data show. Although they were still turned down more often than whites, regardless of income, their loan denial rates declined from a year earlier.

Low- and moderate-income borrowers also made gains, according to the latest annual survey of 7,833 banks, savings and loans, credit unions and mortgage companies. But a group that lobbies for greater availability of credit in poor neighborhoods suggested that some of the increase in mortgage lending to minorities may have come from loans with unfairly high interest rates and fees.

"We must know more about the nature of this lending spike to the underserved," said John Taylor, president and chief executive officer of the National Community Reinvestment Coalition.

The data released Tuesday by the Federal Financial Institutions Examination Council do not include interest rates or other loan terms. The council is comprised of the bank regulatory agencies, including the Federal Reserve and the Federal Deposit Insurance Corp.

In a statement, Taylor noted that so-called predatory lending has been on the rise in poor and minority neighborhoods. There has been increasing public criticism in recent months of the practice, in which some lenders seek out low-income, minority and elderly borrowers and charge them what are considered excessive interest rates and fees. Nonetheless, Taylor said, "We are pleasantly surprised by the 1999 figures."

They showed that the number of home mortgage loans, both conventional and those backed by government guarantees, issued last year to American Indians jumped 44.4 percent from 1998. For Hispanics, it

rose 18.3 percent; for blacks, it was up 11.1 percent; for Asian Americans, it increased 16.3 percent. For whites,

Blacks, Hispanics and American Indians, however, continued to be rejected for mortgage loans more often

than whites, though their denial rates declined from 1998, the survey showed.

Charlie Sifford from page 1

African-American to win a PGA Tour event at the Hartford Open in 1967. Again in 1969, he won the Los Angeles Open. Then in 1980, the same year he joined the Senior PGA Tour, he won

the Suntree Senior PGA Tour Classic. Sifford has done a lot in the golf community that has made things better. "I never dreamed when I started out that the discrimination in golf

could reach as deeply as it does, nor did I think that my struggle would be a lifelong occupation," said Sifford in his recent autobiography "Just let me play."

Leiberman from page 1

showed Bush's lead cut to 2 points from 19 over the weekend.

A CNN pollster said it was much too soon to know how closely that change reflected longer-term reality. Gore campaign spokesman Chris Lehane acknowledged, "There's so much elasticity in these polls, but the fact that it bounced this way can only be interpreted as an affirmation and a positive response."

In Austin, Texas, Bush released a statement that referred to Leiberman's record supporting missile defense, tuition vouchers for private schools and privatization of Social Security reforms — positions more in line with Bush than Gore.

Tipping his hat to Leiberman's "convictions" and strong faith, Bush continued:

"I hope he will run a positive campaign and that the vice president will use this opportunity to change his tone to that of Senator Leiberman's level."

But it was Leiberman, not Gore, who went after Bush on the Nashville stage in a speech that was twice as long as Gore's. "Our opponents have done all they can to blur the differences. Yesterday, they even responded to news that Al Gore picked me by saying that George Bush and I think alike," Leiberman said, adding one of Gore's favorite zingers:

"With all due respect, I think that's like saying that the veterinarian and the taxidermist are in the same business because either way, you get your dog back."

Local police estimated that a total of 8,000 people packed the plaza and steps of the adjacent state Capitol for the rally, which opened with pop singer Jewel strumming a guitar and singing, "Who will save your soul from the lies that you told, boy?"

Mrs. Leiberman, who immigrated from Czechoslovakia as a little girl, marveled that they stood in a place honoring the World War II soldiers who liberated her mother from the Auschwitz and Dachau concentration camps.

Speaking to fellow immigrants, Mrs. Leiberman said: "I am standing here for you. This country is our country. ... Anything is possible for us."

Said her husband, "There are some people who might actually call Al's selection of me an act of chutzpah." In Chicago, the Rev. Jesse Jackson called it a bold and moral choice.

"Let the nation rejoice. The tent is getting bigger and better," Jackson said at a news conference at his Rainbow/PUSH Coalition headquarters. "Another barrier falls and another opportunity arises. A political risk, a moral certainty."

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