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Wednesday, August 30, 2006, 10:59 AM

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Iowa Policy Project says state's economy hasn't bounced back

Governor has different view

by O.Kay Henderson

The latest statistics from the U.S. Census Bureau indicate the poverty rate is on the rise in Iowa. David Osterberg, executive director of the Iowa Policy Project, says Iowa's economy just hasn't bounced back from the recession that hit the country in 2001.

"We went through a serious recession in 2001 and Iowa came later, 2003 was the nadir for us," Osterberg says. "We've got back to where we were in 2001 but we sure have not seen any increase in income over this period of time." Just over 11 percent of Iowans are considered to be living at or below the poverty level.

Osterberg, a Democrat who used to serve in the state legislature, says that trend is a concern because Iowa has typically been a "low poverty" state. "Poverty is getting worse in Iowa. Income is no better than it was in 2001...even though we're supposed to be in this big recovery," Osterberg says. "At a time when productivity is just sailing up, but nothing's coming back to working people."

According to Osterberg, corporate profits are "about as high as they've ever been," while the percentage of profits being paid back to workers is "about as low as it's ever been." He says you'd have to go back to the World War II era to find a time when workers' pay was at such low levels when compared to corporate profits.

"Why? All kinds of reasons. Probably a lot to do with international trade, a lot to do with the weakness of trade unions," Osterberg says. "Whatever it is, it sure isn't 'happening' for most people." Osterberg says raising the minimum wage and increasing the earned income tax credit would help raise some Iowans out of poverty.

According to an analysis from Osterberg's group, about 320-thousand Iowans were living at or below the poverty level in 2004 and 2005 -- and 264-thousand Iowans did not have health insurance. Since 2001 there's been a 17 percent increase in the number of Iowans who get government-paid health insurance either through Medicare, Medicaid or the military. The analysis from Osterberg's group contrasts with the more robust economic picture Governor Tom Vilsack has been painting.

Vilsack contends the state economic development programs he's been overseeing are beginning to work. "Per capita income, which is a measurement of how well Iowans and their incomes are doing, over the last five years the state has grown at a rate that puts us in the top 12 states in the country," Vilsack says. "So these strategies of changing the landscape economically are making a difference." Vilsack, a Democrat, is not seeking reelection as governor but he is pondering a bid for the presidency in 2008.

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