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New life after GM, and fears for future

By Steven Greenhouse

JANESVILLE, Wisconsin: Kevin Cobhill grew up in a time and place where manufacturing was king. But even since he was laid off from the gas turbine General Motors plant here, Cobhill has seemed bewildered by what the future holds for him.

He still has not decided whether to try to transfer to another GM plant change occupations or return to school. Visiting the local United Automobile Workers hall recently, Cobhill stopped by a display case to show his 8-year-old son a black and white photo of his grandfather. "It was all Cobhill's grandfather carrying an artillery shell made at the plant during World War II."

"My grandfather worked here, and when he worked here," he said. "The one thing my father told me is, you work hard to make things better for the next generation. But now I worry we won't be able to do that anymore."

He turned his head to hide his tears from his son.

In this city, the loss of the 90-year-old plant and its 1,500 jobs has created a swirling mixture of anger, confusion, worry and hurt, underlining the way the recession is increasing anxiety among workers as they wonder what the world lay off employees. Combined with the closing of several nearby suppliers, the GM closing meant a loss of 4,000 jobs in this city of 64,000.

Their union contract has given these workers more relief than many.

With few local employers hiring, more than 1,000 of them have returned to school, seeking to reboot their lives by studying welding, nursing, cooking and other fields, thanks, in part, to the contract's tuition assistance.

The contract also provides a substantial financial cushion: 48 weeks of unemployment benefits at three quarters pay, plus health insurance. But when it runs out, it will be hard for them to find jobs paying close to the \$28 an hour they averaged assembling Chevy Thores and Saturns at GM's Toluca.

"We found that 76 percent of the laid-off people were worked with made \$20 or more an hour," said Robert Boreman, executive director of the Southwest Wisconsin Workforce Development Board, which helps retrain and find jobs for laid-off workers.

"There aren't many \$20 an hour jobs in the area. If people need that much to maintain their lifestyle, they'll need to look elsewhere."

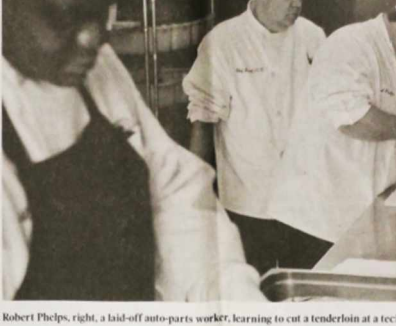
The hope is that things will be better a year from now. "What surprises me is how resilient and optimistic a lot of people have been," said Boreman, who is planning to study inquiries and wage house management. Diane Kurlina, one of 800 workers at the recently closed factory here, which made seats for sport utility vehicles, has become a \$12.50-an-hour veterinarian's assistant.

And Robert Phelps, after 13 years at Lear, has plunged into a two-year culinary program at Blackhawk Technical College, eager to pursue his long-deferred dream of opening a restaurant or catering service. Returning to school means he will have to live with his parents, but only because his wife recently landed a job as a secretary for the school district. "Things happen for a reason," Phelps said. "I feel there will be a redemption here. The plant shutdown opened up a lot of doors for me."

Blackhawk Tech's enrollment has jumped 1,800 over last year, a 23 percent increase. "One-third to one-half of the people laid off will come our way," said Eric Larson, the school's director. "They're looking for short-term education that will lead to a wage job. My concern is, will the jobs be there once we get them retrained?"

John Beckard's job is to help make sure there are jobs. As the president of Forward Janesville, an economic development agency, he is optimistic, boasting that Janesville is centrally located between Milwaukee, Chicago and Minneapolis and has a hard-working, well-educated work force. Janesville just spent \$7.1 million renovating its two high schools, and there are three state colleges within 30 miles, or 60 kilometers.

"You have an eager local government that is willing to roll out the red carpet for companies, not the red tape," Beckard said.



Robert Phelps, right, a laid-off auto-parts worker, learning to cut a tenderloin at a technical college in Janesville, Wisconsin.

That may not be enough to attract business in a downturn, but that reason, many workers with 20 years of experience are trying to transfer to other GM plants and reach 10 years, which would entitle them to full pensions of \$50,000 a year. The problem is, being laid off is hitting few transfers.

Workers fear their generous safety net will prove inadequate if the recession is longed. What will happen to their families if they cannot find new jobs before their benefits run out?

Some pray that before their 48 weeks of unemployment benefits run out, they will respond the plant, enabling them to return to their jobs.

Others call that a pipe dream. Boreman is loath to do it. As the president of Cobhill, the grandson of the World War II veteran, had hoped to transfer to another plant, but he has become pessimistic about his chance. To make ends meet, he has eliminated his telephone landline and cut back on premium cable television.

"I'm very angry about the whole economic picture," he said. The mood was far different last February when a presidential candidate named Barack Obama campaigned at the plant, touting a \$150-million job plan, saying that with some retooling and gov-

ernment aid, "this plant will be five years into a new life."

But main aid prices would be 50 percent higher and a 40 percent drop in the sales of sport utility vehicles would hurt the plant's fate.

Phelps, the former GM electrician, is proud that he sent his two children to Marquette University and the University of Wisconsin — stories now that he himself is making a middle-class income because the industrial base is so eroded. The jobs that pay \$25, \$30 an hour where you can afford to help your kids through college and not worry about money — those jobs are becoming fewer and more scarce. GM government workers' opportunities for people like Phelps are disappearing.

"That's why Andy Richardson, president of the UAW, was so angry here, and a GM man, hopes to transfer without his family — his wife has a good job at a credit union, his two daughters are stable and he thinks selling their house would be impossible."

"I want to be able to come back on weekends or every other weekend," he said. "I miss my family."

He hopes to transfer no more than



Andy Mann for The New York Times

five hours a day, perhaps to visit Wayne, Indiana, or in Janesville, Michigan. He just wants to ride.

Spain faces auto aid

The government of Spain on Friday approved a package worth 44 billion, or about \$4 billion, to support its car industry and protect jobs after a string of layoffs at automotive factories, Reuters reported from Madrid.

Spain said the support package was the second largest in Europe, in terms of total financing, ahead of a €2 billion program in Germany and a €1 billion investment by the British government.

Most of the measures approved on Friday are part of a €70 billion economic stimulus plan in Spain.

France this week offered a €6 billion government loan for Renault and PSA Peugeot Citroën, providing some relief in the European Union to describe the French aid as protectionism.

The Spanish industry minister, Miguel Sebastián, said Spain had to protect its car sector, which is almost entirely foreign owned.

He said the government support would depend on carmakers' ability to guarantee jobs within the industry.

Wealth rise in U.S. was an illusion, Fed reports

By Edmund L. Andrews

WASHINGTON: The leap in wealth that Americans thought they were enjoying over the past several years has already turned out to be a mirage, according to new estimates by the Federal Reserve.

In its triennial survey of consumer finances, released Thursday, the U.S. central bank found that the median net worth of American households had increased by a seemingly healthy 12 percent between the end of 2004 and the end of 2007.

But the gains were wiped out by the collapse in housing and stock prices last year.

Adding up those declines, Fed officials estimated that the median family was 1.2 percent poorer in October 2008 than at the end of 2004.

The survey offers one of the first glimpses of how American families were positioned financially as the roof fell on the economy, and it provides some sense of how much wealth has been destroyed since then.

Indeed, the destruction of wealth is still in full swing. Housing prices are still falling more than two years after their peak.

The survey suggests that the boom years were not all that wonderful, even before the crisis in Asia and it indicates

Americans' growing financial riches were mostly in paper profits.

that many households will have to increase savings rates greatly to make up for some of the lost wealth. Those rates have been below 1 percent.

Adjusted for inflation, the median household income actually edged down slightly over the three years that ended in 2007.

The mean, or average, household income jumped by a respectable 8.5 percent. But a growing share of that income came from investment profits rather than from wages and salaries. And the wealth that Americans were building was overwhelmingly in the form of paper profits that vanished as quickly as they had appeared.

Fed analysts estimated that 55.8 percent of the average family's assets in 2007 were in "unrecaptured capital gains," like gains in the market value of houses that people have yet to sell. Slightly more than half of those unrecaptured gains came from real estate, and the second biggest source was increases in the value of business assets.

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On top of that, Baker estimated, an additional \$50 trillion has evaporated as a result of the plummeting stock market since a total loss of \$12 trillion since 2000.

It was actually surprising that you didn't hear more about stock prices when Baker said.

He noted that the median value of household stocks, adjusted for inflation, was slightly lower in 2007 than it was in 2001.

"Even when we were near the peak of the bubble, things didn't look that bad, and there's looking worse today," Baker said.

The Department is also pushing Congress to amend the current major fraud statute to apply to any illegal transactions under the \$1 billion threshold and other financial programs, or TARP, and to the multibillion dollar stimulus package.

The bill was introduced recently by Patrick Leahy, Democrat of Vermont, the committee chairman, and Charles Grassley, Republican of Iowa, a senior member. It also seeks money to hire more prosecutors and investigators in various agencies.

Rita Giannini, chief assistant attorney general under the Department's criminal division, told the Senate committee hearing that because of the "rapid globalization" of the financial system, there has been the development of a troubling growth of income tax evasion that often involves "the same methods and mechanisms as money laundering."

The National Association of Criminal Defense Lawyers, a trade group, and the American Bar Association, a research organization, have criticized the efforts. They denounced the proposed changes as overreaching in a joint letter Wednesday to the committee.

Irish Life chief is resigning under government pressure

DUBLIN

Irish Life & Permanent said Friday that its chief executive, Denis Casey, would resign after a controversy over fund transfers to Anglo Irish Bank, leading to pressure from the government.

Casey will stay on as acting chief executive for a transition period. The company has said it would immediately begin the search for a successor.

Irish Life said this week that it reported Anglo Irish bank deposits totaling €745 billion, or \$96 billion, in September to help the bank "in the face of an unprecedented threat to the stability of the Irish financial system."

The transactions may have created a "false impression" about Anglo's deposit base, Finance Minister Brian Lenihan said.

The resignation came after Lenihan called Irish Life chairman Gillian Bowler, and other directors to a meeting Friday after the board rejected an initial offer from Casey to resign earlier last week.

Irish Life said Casey had "come to the decision that regardless of the board's support, his continued involvement with the group would only serve as a distraction."

Peter Patrick, the finance director, and treasury unit head, David Gentry, quit earlier on Friday.

Casey, a junior minister in the government, said after those resignations that the company's response to the controversy might not have been "adequate."

Lenihan said Casey's resignation was "an essential first step in repairing the reputational damage done to the Irish financial system."

Irish Life's €745 billion, or 2 percent of the country's GDP, in deposits is 85 percent in the last year, cutting its market value to €477 million.

The transactions were "inconsistent with the substance of the discussions" it had with Irish lenders on ways to ensure that they had access to interbank funding.

The bank said the deposits "could not of their nature provide any additional liquidity to support Anglo Irish and that it is continuing its investigations."

Ireland's government seized control of Anglo Irish Bank last month, after its chairman, Sean FitzPatrick, stepped down because he had failed to fully disclose personal loans from foreign entities.

On Sept. 30, the last day of Anglo Irish's fiscal year, Irish Life said separately, it deposited €4 billion worth of contracts in the United States.

That transfer was made after Anglo Irish deposited the same amount "as collateral" with Irish Life, the company said.

Jobs crisis cascades around globe

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ally fall this year.

In Asia, any smugness at having escaped losses on American subprime debt has been erased by news of a plunge in sales among major exporters. On Thursday, Pioneer of Japan said it would abandon the flat-screen television business and cut 10,000 jobs worldwide in response to sagging demand for consumer electronics.

In the Middle East, workers in mainland China are searching for jobs but finding that factories are shutting down. Though not as large as the disturbances in Greece or the Baltics, there have been dozens of protests at individual factories in China and Indonesia where workers were laid off with little or no notice.

The breadth of the problem is also becoming apparent in Taiwan, where exports were down 42.9 percent last month, compared with a year ago, the steepest plunge in Asia.

Chang Yung-yun, a 57-year-old restaurant kitchen worker, was laid off when his restaurant closed in mid-November. Her son, an engineer, has been put on unpaid vacation for weeks, a common tactic in Taiwan now.

The mother worries more of people is losing their jobs. Mr. Yang, said in an interview.

As a result, calls for protectionism have resounded among lawmakers in Britain, refinery and power plant employees walked off the job last month to protest the use of workers from Italy and Portugal at a construction project on the coast of England. Some workers held up Gordon Brown's earlier Prime Minister's job for British workers in the United States.

Unemployment in Britain is expected to rise from 6.3 percent now to 9.5 percent by the middle of 2010, according to Peter Dixon, a senior adviser to Commerzbank in London. Germany's jobless rate could rise from 7.8 percent to 10.5 percent, he added.

In France last week President Nicolas Sarkozy agreed to supply low-interest loans totaling €1 billion, or \$1.6 billion, to help companies in the automotive sector to not to lay off French workers this year.

In New Delhi, Tarun Lamba lost his first job he ever had about a month ago, when he was laid off as a sales agent for a car company. But he had no money coming because it had been his wife's idea to write a car loan. If he has to, he said, he can join his father's business selling clothes. But Lamba hopes it will not come to that.

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European downturn deeper than expected

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economy matches the rate of contraction during the period in Britain, but it was also additionally battered by the crisis in the financial sector, on which much of its economy depends.

The report from Germany on Friday showed a sharp rise in lawlessness — indicating more bad news for the first quarter, economists said.

That will give finance ministers of the Group of 7, including the U.S. Treasury secretary, Timothy Geithner, plenty to discuss this week during meetings in Rome. Among other things, the officials were expected to look at proposals for new financial market regulations and concerns about rising protectionist sentiment in some countries.

As the G-7 representatives arrived on Friday, tens of thousands of workers marched through the streets in a show of capital, starting traffic and demanding action to ameliorate the crisis. With three straight quarters of declining output, Italy has been in a state longer, than some of its neighbors, like France,

where the economy actually eked out a small gain in the third quarter.

"Compared to other countries, not even Spain has been hit as hard," said an executive of the CIGL union, The Associated Press. "They are trying to cure a serious illness with aspirin."

While Italy's growth rate has had shape, the severity of the downturn across the euro zone was driven home by the report Friday in an annualized basis, economists said, the 1.5 percent decline in output would amount to a roughly 6 percent drop — a significantly larger fall than the 3.8 percent annual rate of contraction in the United States during the fourth quarter.

On a year-over-year basis, Europe also performed more poorly than the United States in the third quarter, with gross domestic product falling by 1.2 percent from the fourth quarter of 2007, compared with a comparable decline of 0.2 percent in the United States.

Europe typically lags behind the United States in recovering from recession, but this time, so many returns to growth in the euro zone is probably at least a year away.

"We had hoped the euro zone might not do as badly as the U.S.," he said. "As it turned out, the slump in the industrial sector has completely turned things around."



Protesters in Milan protesting the loss of jobs.

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