



## Economists predict economic recession to approach severity of Great Depression

With unemployment climbing, tax collections plummeting, the real-estate market frozen and the population waning, Florida legislators convene the spring session at a pivotal moment.

Florida's solar-powered economic engine, for generations attracting an endless supply of refugees from the cold and snow, has sputtered to a stop in a global recession.

"We are going through a structural change," said David Denslow, an economics professor at the University of Florida. "I think it's going to be really, really bad. We're not talking about the Great Depression, we're talking about something reasonably close to it."

Economist Richard Florida, writing in the current edition of *The Atlantic*, predicts a recession as transformative and deep as the decade-long crash of 1873, one that will shuffle the nation's regional economic hubs as some decline and new ones rise elsewhere.

Florida, Arizona and Nevada will be among the hardest hit.

"While the crisis may have begun in New York, it will likely find its fullest bloom in the interior of the country - in older, manufacturing regions whose heydays are long past and in newer, shallower-rooted sun belt communities whose recent booms have been fueled in part by real-estate speculation, overdevelopment and fictitious wealth," Florida said.

### **STORM CLOUDS**

The warning signs are everywhere.

Total state revenues, largely dependent on sales and use taxes, plunged from \$64.1 billion in 2005-06 to \$57.9 billion this year. For the first time, state revenues shrank three years in row, 1 percent, 4.2 percent and 4.9 percent, respectively.

Republican leaders in the state House and Senate, who have spent the past decade showering corporations and investors with some \$20 billion in tax breaks, are reversing course. Some are calling for a nearly \$1

billion cigarette tax, and the presiding officers of both chambers are conducting a formal review of the scores of sales-tax breaks that, combined, forgive more revenue than they collect.

"We don't know if this is a temporary decline or a day of reckoning," said Senate Finance and Tax Chairman Thad Altman, R-Melbourne.

## **MIGRATION ENDS**

If this is a reckoning, it shows up most in the population figures. The time when Florida promoters could boast a state that attracts 800 new residents a day seems a distant memory.

In the high-flying 1990s, Florida's population grew by 23.5 percent, or 3 million residents, according to the Legislature's Office of Economic and Demographic Research. Only California and Texas grew faster. In that same decade, Collier and Wakulla were among five counties in Florida that grew more than 60 percent.

Last year, the growth rate fizzled to .68 percent, or 126,735 new residents. This year, it is expected to stall out at .04 percent, or 74,686 new residents.

A recent Associated Press survey found the number out-of-state residents applying for new driver licenses fell 30 percent in the past five years, from more than 585,000 in 2003 to about 410,000 in 2008.

Florida's public schools, once so overcrowded that voters approved a constitutional class size amendment in 2002, are shedding students. In the 2007-08 school year there were 2,631,277 students. This school year, there will be fewer than 2,602,000.

## **CREDIT CRUNCH**

A national recession and a meltdown in the world financial markets wiped out the availability of cheap and easy credit. Florida's lucrative stream of northern transplants dried up as people were unable to sell their homes to move.

The trend has been devastating in a state that relies on new subdivisions that give rise to new shopping and strip malls that in turn fuel bursts of consumer spending and business growth. The "industry" is smokestack free, but extremely vulnerable to shocks.

"Right now, people are staying where they are because they can't move," Denslow said. "Florida will still be in demand once the nation recovers, but the big question is, how do you get there from here?"

## **AN END TO OPTIMISM**

Florida realtors and homebuilders are dying to know.

Florida's unemployment rate, pushing 8 percent, exceeds the national average.

Sales of existing homes in Florida fell 4 percent between 2007 and 2008. The median sales price, \$187,000, fell 20 percent from \$234,300 only the year before. In hard-hit Fort Myers-Cape Coral, the median price plunged to \$158,200, an eye-popping 38 percent.

Dan Gelber, a Democratic state senator from Miami Beach who is running for the U.S. Senate, said the meltdown demonstrates the fiction that has long been Florida's economy, where there is no income tax and hefty Save Our Homes property-tax breaks allow long-term residents to live off of the services paid for by newcomers.

Crumbling schools and poor student performance, and deeper education cuts during economic slowdowns, are the result, Gelber said.

"I don't want to use the term Ponzi scheme," Gelber joked. "Our No. 1 industry has been growth and our No. 1 policy has been optimism. Well guess what? Growth is not an industry and optimism is not a policy."

This story is part of a series of articles taking a look at where the state's economy stands, how it's affecting residents and what can be done to bring brighter days to Florida. Check back with Tallahassee.com throughout the week for more.