

US: Florida economy hit by housing collapse

Charles Knause
3 August 2009

For years, the Southern state of Florida grew at a breakneck pace by attracting retirees and others from the Northeast and Midwest to become the fourth largest state in the Union behind California, Texas and New York. Now hard hit by the effects of the economic crisis, a veritable social catastrophe is unfolding in the “Sunshine State.”

If Florida were its own country, it would rank as the 17th largest economy in the world, putting it ahead of Turkey, Poland and Indonesia (The University of Central Florida’s Institute for Economic Competitiveness, *Florida & Metro Forecast 2009-2039*).

According to the state’s web site, 40 percent of US exports to Latin and South America pass through Florida. It also ranks as the world’s most popular travel destination, with 76.8 million visitors in 2004, a record year.

In contrast to the tremendous growth Florida experienced in the latter half of the 20th century, the state is now suffering growing levels of unemployment, poverty and social inequality. Unemployment stood at 10.8 percent in June, spiking sharply from 6.1 percent a year earlier (US Bureau of Labor Statistics). The collapse of the boomtown economy that made Florida a favored destination for tourists and retirees is now having a particularly severe effect on the state.

According to the most recent Federal Reserve Beige Book report (July 2009), “Travel and tourism decreased across most of the region,” with lower profit margins as a consequence of heavy price discounting and more modest spending by the reduced number of vacationers. The Fed report also reported a significant decline in business-related travel and convention attendance.

Construction and housing, in the past, one of the state’s leading industries, is now one of the most seriously affected economic sectors. In the second

quarter of 2009, housing starts fell to a 35,352 annual rate. According to the University of Central Florida study, this figure represents just 12 percent of the peak number of starts from the fourth quarter of 2005—“a stunning 88 percent decline in starts from peak to trough.” Existing home sales have yet to bottom out.

The Fed Beige Book report states that the increased July sales of existing homes in Florida were due partly to increased foreclosure rates in the state and that new home construction remained at very low levels. Commercial real estate activity continued to trend lower in June through mid-July and commercial construction continued to slow. Loan defaults continued to rise in the banking and finance sector.

Florida has the eighth lowest per capita public spending in the country, at just \$2,209. In fact, Florida has the second smallest state government share of employment in the nation, at just 2.37 percent, and is 15th lowest in terms of local government employment as a percentage of total employment.

Florida has the 47th lowest overall tax burden in the country, contributing to the demise of the state’s social safety net. There are limited resources in place to catch those who have fallen on hard times as a result of job losses, and the state now has one of the nation’s largest homeless populations.

The National Coalition for the Homeless web site lists two Florida cities—Orlando and Gainesville—as among the 10 meanest cities in America for the homeless as a result of the ongoing attempts in Florida and other parts of the country to criminalize homelessness. According to Florida law, three local arrests for vagrancy, i.e., being homeless, will result in a criminal conviction and a five-year prison sentence in a state lockup. According to the Florida Coalition for the Homeless, on any given day there are 85,907 homeless people in Florida.

The University of Central Florida report states that

“major papers and publishing groups are teetering on the edge of bankruptcy” as a result of losses from advertising. Manufacturing will continue to contract through 2010. The report states that “the dual forces of globalization and productivity gains in manufacturing have conspired to shrink employment in this sector,” stating also that experts are “hoping that a weaker dollar will make Florida manufacturing exports more attractive overseas.” Health and education are the only sectors that have continued to expand.

Currently there are 17,000 manufacturing establishments in the state of Florida, employing 388,000 people with a combined payroll of \$18.4 billion. The current average salary for a worker in the manufacturing sector is \$47,457. The major manufacturing industries in Florida include computer and electronic products, transportation equipment, fabricated metal products, food, machinery, nonmetallic mineral products, as well as plastic and rubber products.

According to the Fed Beige Book, transportation services continued to indicate a reduction in container volume from both retailers and manufacturers. The oversupply of trucks relative to demand is putting downward pressure on freight rates and squeezing the profit margins of transportation companies as a result. Unlike in the North, much of the freight traffic in the South is moved by rail and rail shipments for lumber, gravel, autos and chemicals are down from a year ago.

The report notes that in natural resources and agriculture, only half as many oil and gas rigs are now operating in the Gulf of Mexico compared to the same period a year ago. Producers have scaled back operations in response to increasing inventory levels and weaker demand.

In contrast, the Florida citrus industry has benefited from the favorable weather conditions.

According to “A State-by-State Analysis of Income Trends” by the Center on Budget and Policy Priorities in Washington, DC (April 2008), Florida was included in the top 10 states with the largest income gap between the highest fifth of families and those of middle-income. The report indicated an income increase of 9.1 percent for the top fifth, and only a 1.3 percent increase for the middle fifth of families. Florida was included among the top 10 in terms of income growth rate disparity.



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