The Great Depression — Inequality in the United States

technological change increased the demand for skilled workers, but also increased the supply of highly skilled workers. Thus, income inequality only increases if the rise in the demand for skills exceeds the rise in the supply.

Thus, inequality increases if the rise in the demand for skills exceeds the rise in the supply.

The United States is currently experiencing a declining tax base as consumers and businesses accumulate it and the diligence required to preserve it.

In the United States, the quality and quantity of education have played a significant role in determining the relative demand for skilled workers, but it also increases imbalances now may lead to a severe financial crisis. This calls for action to fix the fiscal fundamentals. To achieve this, the federal government is paying back the principal and interest payments on its debt. The debt held by the public (primarily securities issued by the U.S. government) was $11.88 trillion according to the CBO "FY 1984, 1988, 1992, 1998, 2002, 2008"...4 INSIDE THIS ISSUE OF...Tampa Bay Economic Monitor...4

America Headed Toward a Future Debt Crisis?

The Great Depression — Inequality in the United States

But financial institutions need to be better regulated and more transparent. This will help to avoid the extreme of the money market and credit market freezes during the Great Depression. The U.S. economy and its financial system are currently enjoying a "new normal" era of low interest rates and high asset prices. However, the current economic recovery may have run its course and the economy could face a slowdown in growth or even a recession. To avoid this outcome, policymakers must take immediate action to address the debt problem.

The net result of the recent changes to the U.S. tax code is that the government has raised more revenue from higher tax brackets, but at the same time, it has also increased the burden on lower-income workers. This has led to a sharp rise in income inequality.

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The Tampa-Metropolitan Statistical Area (Hernando, Hillsborough, Pasco, and Pinellas counties) has had to adjust to increased home values and elevated rates of unemployment. However, for the first time in 41 months, the Tampa-Metro has shown improvement in the employment rate. The most recent data show that the area gained 13,000 jobs between March 2009 and 2010, or 1.2 percent increase (Figure 1). In addition, the Tampa-Metro started to experience one or two increases in home prices for the first time in 12 months. Improvements may have been posted at the local, state, and national levels.

The Tampa-Metro has lost 19.9 percent of its GDP between 1999 and 2009 in the wake of the financial crisis. The area has lost 3.5 percent of its GDP in the past 12 months (Table 1). This suggests that the Tampa-Metro will have to endure significant pain for a considerable period to recover.

**Table 1: November Nonfarm Payroll Jobs—Tampa-Metro Percentage Change on Previous Year (NSA)**

| Source of Bureau of Labor Statistics | January-03 | February-03 | March-03 | April-03 | May-03 | June-03 | July-03 | August-03 | September-03 | October-03 | November-03 | December-03 | January-04 | February-04 | March-04 | April-04 | May-04 | June-04 | July-04 | August-04 | September-04 | October-04 | November-04 | December-04 | January-05 | February-05 | March-05 | April-05 | May-05 | June-05 | July-05 | August-05 | September-05 | October-05 | November-05 | December-05 | January-06 | February-06 | March-06 | April-06 | May-06 | June-06 | July-06 | August-06 | September-06 | October-06 | November-06 | December-06 | January-07 | February-07 | March-07 | April-07 | May-07 | June-07 | July-07 | August-07 | September-07 | October-07 | November-07 | December-07 | January-08 | February-08 | March-08 | April-08 | May-08 | June-08 | July-08 | August-08 | September-08 | October-08 | November-08 | December-08 | January-09 | February-09 | March-09 | April-09 | May-09 | June-09 | July-09 | August-09 | September-09 | October-09 | November-09 | December-09 | January-10 | February-10 | March-10 | April-10 | May-10 | June-10 | July-10 | August-10 | September-10 | October-10 | November-10 | December-10 | January-11 | February-11 | March-11 | April-11 | May-11 | June-11 | July-11 | August-11 | September-11 | October-11 | November-11 | December-11 | January-12 | February-12 | March-12 | April-12 | May-12 | June-12 | July-12 | August-12 | September-12 | October-12 | November-12 | December-12 | January-13 | February-13 | March-13 | April-13 | May-13 | June-13 | July-13 | August-13 | September-13 | October-13 | November-13 | December-13 | January-14 | February-14 | March-14 | April-14 | May-14 | June-14 | July-14 | August-14 | September-14 | October-14 |

**Figure 1: Nonfarm Payrolls Jobs—Percent change on previous year (NSA)**

| Source of Bureau of Labor Statistics | November-01 | December-01 | January-02 | February-02 | March-02 | April-02 | May-02 | June-02 | July-02 | August-02 | September-02 | October-02 | November-02 | December-02 | January-03 | February-03 | March-03 | April-03 | May-03 | June-03 | July-03 | August-03 | September-03 | October-03 | November-03 | December-03 | January-04 | February-04 | March-04 | April-04 | May-04 | June-04 | July-04 | August-04 | September-04 | October-04 | November-04 | December-04 | January-05 | February-05 | March-05 | April-05 | May-05 | June-05 | July-05 | August-05 | September-05 | October-05 | November-05 | December-05 | January-06 | February-06 | March-06 | April-06 | May-06 | June-06 | July-06 | August-06 | September-06 | October-06 | November-06 | December-06 | January-07 | February-07 | March-07 | April-07 | May-07 | June-07 | July-07 | August-07 | September-07 | October-07 | November-07 | December-07 | January-08 | February-08 | March-08 | April-08 | May-08 | June-08 | July-08 | August-08 | September-08 | October-08 | November-08 | December-08 | January-09 | February-09 | March-09 | April-09 | May-09 | June-09 | July-09 | August-09 | September-09 | October-09 | November-09 | December-09 | January-10 | February-10 | March-10 | April-10 | May-10 | June-10 | July-10 | August-10 | September-10 | October-10 | November-10 | December-10 | January-11 | February-11 | March-11 | April-11 | May-11 | June-11 | July-11 | August-11 | September-11 | October-11 | November-11 | December-11 | January-12 | February-12 | March-12 | April-12 | May-12 | June-12 | July-12 | August-12 | September-12 | October-12 | November-12 | December-12 | January-13 | February-13 | March-13 | April-13 | May-13 | June-13 | July-13 | August-13 | September-13 | October-13 | November-13 | December-13 | January-14 | February-14 | March-14 | April-14 | May-14 | June-14 | July-14 | August-14 | September-14 | October-14 |

| Source of Bureau of Labor Statistics | November-01 | December-01 | January-02 | February-02 | March-02 | April-02 | May-02 | June-02 | July-02 | August-02 | September-02 | October-02 | November-02 | December-02 | January-03 | February-03 | March-03 | April-03 | May-03 | June-03 | July-03 | August-03 | September-03 | October-03 | November-03 | December-03 | January-04 | February-04 | March-04 | April-04 | May-04 | June-04 | July-04 | August-04 | September-04 | October-04 | November-04 | December-04 | January-05 | February-05 | March-05 | April-05 | May-05 | June-05 | July-05 | August-05 | September-05 | October-05 | November-05 | December-05 | January-06 | February-06 | March-06 | April-06 | May-06 | June-06 | July-06 | August-06 | September-06 | October-06 | November-06 | December-06 | January-07 | February-07 | March-07 | April-07 | May-07 | June-07 | July-07 | August-07 | September-07 | October-07 | November-07 | December-07 | January-08 | February-08 | March-08 | April-08 | May-08 | June-08 | July-08 | August-08 | September-08 | October-08 | November-08 | December-08 | January-09 | February-09 | March-09 | April-09 | May-09 | June-09 | July-09 | August-09 | September-09 | October-09 | November-09 | December-09 | January-10 | February-10 | March-10 | April-10 | May-10 | June-10 | July-10 | August-10 | September-10 | October-10 | November-10 | December-10 | January-11 | February-11 | March-11 | April-11 | May-11 | June-11 | July-11 | August-11 | September-11 | October-11 | November-11 | December-11 | January-12 | February-12 | March-12 | April-12 | May-12 | June-12 | July-12 | August-12 | September-12 | October-12 | November-12 | December-12 | January-13 | February-13 | March-13 | April-13 | May-13 | June-13 | July-13 | August-13 | September-13 | October-13 | November-13 | December-13 | January-14 | February-14 | March-14 | April-14 | May-14 | June-14 | July-14 | August-14 | September-14 | October-14 |

The Tampa Bay Economic Analysis continues on page 9...
THE UNIVERSITY OF TAMPA

TAHUNE BAY ECONOMIC ANALYSIS

In America Headed Toward A Future Decline

BY BYRIE R. KOSH, Ph.D.

The Tampa Metropolitan Area (Hernando, Hillsborough, Pasco, and Pinellas Counties) can be salvaged if it can adjust to increased future values and elevated rates of unemployment. However, for the first time in 41 years, the Tampa MSA has observed an increase in jobs over the national levels. The last 12-month period for which data exist started to experience year-on-year increases in employment. The change in the unemployment rate may have peaked at the local, state, and national levels.

The Tampa MSA has lost 10.8 percent of its GDP relative to the percent of income in the state of Florida. In the same month, the unemployment rate in the Tampa MSA reveals that home prices have continued to fall. This is particularly significant for the federal government. Inequality and federal taxes. If the federal government increases its tax revenue, it will cause a drop in tax revenue collection, the economic recovery, and the Tampa MSA’s labor market could be contributing factors. However, this is only true if the federal government increases its tax revenue from the increased wages of its citizens.

Accommodation & Food Services

Insurance

Publishing

Computer & Electronic Product Manufacturing

Mining and Logging

-3

Figure 1: Nonfarm Payroll Jobs — Percent change on previous year (NSA)

Figure 2: Unemployment Rates

Table: Nonfarm Payroll Jobs: Tampa-MSA

Other Finance

Table: Unemployment rates

Figure 3: Tampa-MSA Building Permits, 2000-2009

The technological change argument is

Globalization, therefore, has implications for the current growth in U.S. income inequality. The reasons for this are likely to be multifaceted and require a deeper understanding of the complex interactions between technological change, economic policies, and social institutions. These factors are likely to interact in a way that is not entirely clear, but it is clear that technological change is an important factor in explaining the growth in U.S. income inequality.

The global trade balance has grown significantly in the last decade, and trade in raw materials, especially metals and oil, is large. However, the United States is not a major producer of these materials, and it is likely that the global trade balance will continue to increase in the near future.

The government should consider implementing policies that promote economic growth and reduce income inequality, such as investing in education and training programs, providing tax incentives for businesses that create jobs, and protecting workers' rights. These policies could help to reduce income inequality and improve economic growth in the Tampa MSA.

The globalization argument states that as countries become more open to trade, they may see a growth in their wages relative to those in other countries, which is neither experiencing a sovereign debt crisis, nor the debt service to GDP ratio is comparatively high. As the world's largest economy and the source of global economic stability, the United States reveals that home prices have continued to fall. This is particularly significant for the federal government. Inequality and federal taxes. If the federal government increases its tax revenue, it will cause a drop in tax revenue collection, the economic recovery, and the Tampa MSA’s labor market could be contributing factors. However, this is only true if the federal government increases its tax revenue from the increased wages of its citizens.
The Tampa-Metro area’s unemployment rate for the last 12-month period for which data exist has observed an increase in jobs over the past year. The Tampa-MSA has gained 1,500 jobs between November 2009 and November 2010 - the first time in 41 months, the Tampa-MSA has experienced a notable decrease in the number of jobs. However, for the first time in 41 months, the Tampa-MSA has experienced an increase in the number of jobs.

The Tampa-MSA has lost 10.8 percent of its total workforce in manufacturing, retail trade, insurance, other finance, professional and business services, and accommodation and food services during the past year.

The cost of tax expenditures, according to the Joint Committee on Taxation, is a veritable panoply of credits, deductions, and special marginal tax rates for all, and surprisingly, the Joint Committee on Taxation has determined that the change in budget deficit and the gross debt to GDP is comparatively high through this period. The Joint Committee on Taxation notes that the deficit reached extraordinary levels (15 percent of GDP in FY2007 and 9.9 percent of GDP in FY2009). The federal deficit is GDP rates that are significantly higher than the debt held to GDP rates to GDP ratio was 2009 and 2008. The U.S. government. Income taxes and FICA (Federal Insurance Contributions Act) taxes (by a factor of seven) the state of Florida. In the same month, the state of Florida reported a decrease in the unemployment rate for the past year.

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### Table: Unemployment Rates

<table>
<thead>
<tr>
<th>County</th>
<th>Unemployment Rate</th>
</tr>
</thead>
</table>
| Pasco        | 11.0
| Hernando     | 12.3
| Pinellas      | 11.2
| Hillsborough | 11.0

### Table: Building Permits

<table>
<thead>
<tr>
<th>Month</th>
<th>Building Permits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feb-05</td>
<td>3,060</td>
</tr>
<tr>
<td>Mar-06</td>
<td>2,288</td>
</tr>
<tr>
<td>Apr-06</td>
<td>1,592</td>
</tr>
<tr>
<td>May-06</td>
<td>949</td>
</tr>
<tr>
<td>Jun-06</td>
<td>762</td>
</tr>
<tr>
<td>Jul-06</td>
<td>680</td>
</tr>
<tr>
<td>Aug-06</td>
<td>694</td>
</tr>
<tr>
<td>Sep-06</td>
<td>606</td>
</tr>
<tr>
<td>Oct-06</td>
<td>715</td>
</tr>
<tr>
<td>Nov-06</td>
<td>520</td>
</tr>
<tr>
<td>Dec-06</td>
<td>547</td>
</tr>
</tbody>
</table>

### Figure 1: Tampa Bay Economic Analysis

The Tampa Bay Economic Analysis indicates a positive trend in the local economy. The unemployment rate was 13.2 percent in Hernando County, 12.3 percent in Hillsborough County, 11.2 percent in Pinellas County, and 11.0 percent in Pasco County. The unemployment rate in the Tampa Bay region has declined by 43 percent to 12.3 percent in September 2010, peaking at 23.8 percent in July 2006. The index has declined by 43 percent to 12.3 percent in September 2010, peaking at 23.8 percent in July 2006. The index has continued on page 3.
It may be reasonable to expect defense spending facing a lower tax bracket than his secretary’s (the greater deductions) will enable the government to further reduce the tax side can make the U.S. a far more attractive investment for multinational firms. Yet, it is also true that a higher tax rate will encourage American workers to take advantage of the opportunities that growing education and technology offer. 

Lawrence Katz of Harvard University reported that the Great Compression, the ratio of college to high school graduates, fell 4 percent each year — a very high rate of decline. The rate of growth of educational attainment (as measured by the average years of education) fell significantly. The rate of growth of educational attainment has consistently grown from generation to generation. During the periods of the Great Depression and the Second World War, the U.S. faced a daunting future if it were to continue its growth at the same rate as the rest of the world. This growth was achieved by continuing to educate and train its workforce. However, the U.S. faces a more immediate challenge today. The U.S. is not the end of the story. Technological change and globalization are influencing the economy in ways that are not yet fully understood. We must continue to invest in education and training if we are to maintain our competitive advantage in the global economy.

The need for more education is not just for the American economy but also for the global economy. The U.S. is a major trading partner for many other countries, and it is important that we maintain our leadership in this area. The U.S. is also a major investor in developing countries, and it is important that we continue to support these efforts.

There is, however, a risk that the U.S. may be stuck for awhile in a ‘new normal’, where the government policies, have each played a role in increasing inequality. Education not only directly raises a nation’s productivity and labor force potential, but it also increases the country’s dependence on foreign sources of finance, while reducing its dependence on domestic sources. 

The rate of growth of educational attainment is estimated to be approximately 4 percent each year — a very high rate of decline. The rate of growth of educational attainment has consistently grown from generation to generation. During the periods of the Great Depression and the Second World War, the U.S. faced a daunting future if it were to continue its growth at the same rate as the rest of the world. This growth was achieved by continuing to educate and train its workforce. However, the U.S. faces a more immediate challenge today. The U.S. is not the end of the story. Technological change and globalization are influencing the economy in ways that are not yet fully understood. We must continue to invest in education and training if we are to maintain our competitive advantage in the global economy.

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The Great Divergence — Inequality in the United States

Inequality in the United States is not the end of the story. Technological change has increased the demand for skilled workers, but it also increases the supply of highly skilled workers. Therefore, income inequality only increases if the rise in the demand for skilled labor exceeds the rise in the supply of skilled labor.

Thus, inequality is too high. Economists Claudia Goldin and Lawrence Katz of Harvard University report that after the 2001 growth in inequality, educational attainment has consistently grown faster than wages for most of the 2000s, suggesting that education is the driving force. In fact, a key factor of the rise in inequality is significant differences in educational attainment with workers with more education having more job opportunities.

The rise in the U.S. income inequality has also played a vital role in future economic growth.

The future of U.S. income inequality and the economy is uncertain. There is a risk that the U.S. will suffer from a “new normal” characterized by slow growth and poor employment prospects for those with low education and financial institutions (i.e., low-wage workers). This may not only impair government revenue collection in the future but also lead to higher unemployment for discouraged workers and lower economic growth.

For more significant, however, is the long-term challenge posed by entitlement spending. Although it accounted for about half of all federal spending in 2013, the growth of Social Security and Medicare spending is projected to be much higher in the future. This growth in entitlement spending will further contribute to the reduction in the overall economic growth rate.

Financial Market Reform

The Great Recession of 2007-2009 and the resulting financial crisis highlight the need for financial market reforms. The Federal Reserve (i.e., the central bank) has taken steps to stabilize the financial system and prevent another crisis. However, the effectiveness of these measures is uncertain.

Policy Options

There are several policy options to address the structural issues. The first option is to reduce the federal budget deficit. However, this may not be feasible in the short term due to economic conditions.

The second option is to invest in education and training. This can help increase the productivity of the labor force and reduce inequality. However, this option may not be feasible due to budget constraints.

The third option is to adopt structural reforms such as tax reform and labor market reforms. However, these options may not be feasible due to political reasons.

Conclusion

The Great Divergence — Inequality in the United States

England

Italy

Spain

Germany

IS AMERICA HEADED TOWARD A FUTURE DEBT CRISIS?

By Vivekanand Jayakumar, Ph.D

The recent past has evidenced the unsustainable growth of federal debt, including budget deficits, as well as structural budget deficits that are driven by the faltering economy and the Great Recession of 2007-2009.

If the U.S. economy attains good nominal economic growth and the growth of income inequality does not increase, the U.S. would be able to reduce its budget deficit and improve its fiscal position.

While faster real economic growth is essential to achieve a fiscal turnaround, the risks of another fiscal crisis cannot be ignored. Therefore, policymakers must take necessary steps to address the fiscal imbalance and ensure long-term economic growth.

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