THE EUROZONE DEBT DEBACLE: A CRISIS FORETOLD?

By Viorel/Andal'z Plevakovich, Ph.D.

I. THE EUROZONE DEBT DEBACLE

A Crisis Foretold? A Crisis Widens

Data from the Bureau of Economic Analysis (BLS) and the Department of Labor (DOL) show that the Tampa Bay area is adding nonfarm payroll jobs—by the thousands—over the last 24 months. Although the housing industry has yet to make a recovery, overall employment levels reveal that the Tampa Bay area has added 63,943 jobs (107.8%) since the second half of 2009. This is now growing at a rate of 1.3% per month reflecting the second most rapid employment growth among 100 metropolitan areas (Table 2.1). It is expected that the future employment to be less than 2% on average over the term, a fiscal compact under consideration for a European monetary union.

The euro crisis is affecting the so-called M2S (Monetary, Italy, Greece, Spain) and the eurozone implant to prevent the second most important currency in the world—the Euro—is going to become the biggest crisis ever at the world economic stage. This article highlights the historical roots that undergird the current common currency regime that makes a region crisis inevitable in the Business and it evaluates the serious problems affecting several member countries. Economists have long been aware of the inherent vulnerabilities of a common currency system, but the eurozone lets national monetary, budget and labor mobility policy and fiscal integration. While financial integration grew significantly, regulations were not aligned across countries and no common depository insurance system was put in place. The European Central Bank (ECB) and policymakers downplayed or ignored some of the clearly evident warning signs that exist amongst the states within the U.S. federal currency area. Nevertheless, traditional identity-driven monetary union are as irrelevant as the imbalances that exist amongst the states within the U.S. federal currency area. The economic-driven ‘European Project’ aimed at the world economy. This article highlights the historical flaws that undergird the common currency naturally implied similar risk diversification in productivity, current account balances and fiscal transfers.

Where We’ve Been and Where We’re Going: A Crisis Foretold? 

II. TRENDS ON THE TOPIC: WHERE WE’RE BEEN AND WHERE WE’RE GOING

A Crisis Foretold? 

A Crisis Foretold?

A Crisis Foretold?

A Crisis Foretold?

A Crisis Foretold?

A Crisis Foretold?

A Crisis Foretold?

A Crisis Foretold?

A Crisis Foretold?

A Crisis Foretold?

A Crisis Foretold?

A Crisis Foretold?

A Crisis Foretold?

A Crisis Foretold?

A Crisis Foretold?

A Crisis Foretold?

A Crisis Foretold?

A Crisis Foretold?

A Crisis Foretold?

A Crisis Foretold?
By John Robert Stinespring, Ph.D.

The reviews are not the only way to see extraordinary performances, and the timeless and long road finds this summer. This August marks the fourth consecutive one with an unemployment rate in the U.S. above 9 percent. In 1982, this was first collected in 1982. Meanwhile, labor-market unemployment is likely to be at least 7 percent below its general level more than two years with the recovery. In response, the Federal Reserve has implemented extraordinary policies that have brought interest rates to historic lows and the Fed’s balance sheet to unprecedented highs. On this front, the U.S. government has raised more than $7 trillion in fiscal stimulus through the American Recovery and Reinvestment Act of 2009, the Paulson rescue fund, and the Federal Reserve itself. The 2007-2008 financial crisis to the Fed’s balance sheet to unprecedented levels, and the Fed’s balance sheet to unprecedented highs. On the fiscal side, the U.S. has added $7 trillion in stimulus since 2009.

Rogoff shows the average country experiencing a 5.5 percent decline in real stock prices, an example of quantitative easing, a policy of large-scale asset purchase programs designed to lower long-term interest rates through purchases of long-term Treasury securities and the targeting of specific assets, such as housing, through purchases of Mortgage-Backed Securities (MBS). By June 2016, the Fed sold $2.3 trillion in long-term debt, MBS, and Treasury notes. An additional $500 billion round of quantitative easing was completed by the end of the second quarter of 2011. In their latest attempt to lower long-term rates further, the Fed is setting a $200 billion of additional U.S. Treasury bonds and mortgage-backed securities in March 2012 with the intention to “rewind” interest rates to “normal” levels.

In the summer of 2007, the Fed decreased the federal funds rate to near zero and then increased to near 4%

Figure 2.1: RGDP Growth and Unemployment

<table>
<thead>
<tr>
<th>Year</th>
<th>RGDP Growth</th>
<th>Unemployment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>2.2%</td>
<td>5.5%</td>
</tr>
<tr>
<td>2007</td>
<td>1.5%</td>
<td>5.2%</td>
</tr>
<tr>
<td>2008</td>
<td>1.2%</td>
<td>4.9%</td>
</tr>
<tr>
<td>2009</td>
<td>3.9%</td>
<td>4.8%</td>
</tr>
<tr>
<td>2010</td>
<td>3.7%</td>
<td>4.3%</td>
</tr>
<tr>
<td>2011</td>
<td>3.4%</td>
<td>4.1%</td>
</tr>
<tr>
<td>2012</td>
<td>2.9%</td>
<td>3.9%</td>
</tr>
</tbody>
</table>

Source: Bureau of Economic Analysis

2006 2007 2008 2009 2010 2011 2012

Although the unemployment rate in June 2012 was 8.2 percent, the Fed continued to purchase additional assets because it anticipated that, in normal periods, decline in tandem. The performance of inflation, the Core PCE Index (the PCE Index that excludes food and energy). As the Fed pushed its conventional monetary policy tools to the limit by lowering the federal funds rate to near zero and then increasing to near 4%, it responded to the crisis by lowering the interest rate further, known as “Operation Twist,” the Fed purchased $1.5 trillion in mortgage-backed securities from private and mortgage-backed securities from government agencies.

The response to the crisis by lowering the interest rates further, known as “Operation Twist,” the Fed purchased $1.5 trillion in mortgage-backed securities from private and government agencies. An additional $700 billion American Recovery and Reinvestment Act of 2009 was the largest in U.S. history. This stimulus package included not only $700 billion and $500 billion in government purchases and transfers ranging from group to group and local government to local government, but also on a large scale and how the Obama administrations believed that these government expenditures could fit the fiscal aggregate demand left by the financial crisis in private enterprises.

Each dollar of government purchases and tax cuts was reported to reduce the Obamanomics’ “multiplier” to the 1.5 to 2.1 range whether it was small, and during the financial crisis, the Obama administrations believed that these government expenditures could fit the fiscal aggregate demand left by the financial crisis in private enterprises.

Each dollar of government purchases and tax cuts was reported to reduce the Obamanomics’ “multiplier” to the 1.5 to 2.1 range whether it was small, and during the financial crisis, the Obama administrations believed that these government expenditures could fit the fiscal aggregate demand left by the financial crisis in private enterprises.

Each dollar of government purchases and tax cuts was reported to reduce the Obamanomics’ “multiplier” to the 1.5 to 2.1 range whether it was small, and during the financial crisis, the Obama administrations believed that these government expenditures could fit the fiscal aggregate demand left by the financial crisis in private enterprises.
The Eurozone Debt Dilemma: At Ocean’s End?

...smaller states such as Ireland or Portugal, where productivity was shrinking and their export industries growing, were hit harder. The result was a significant and rapid downturn in overall GDP and a significant increase in unemployment. The eurozone was hit by a significant recession, and the unemployment rate rose to 10 percent in many countries. This was followed by the unemployment rate rising to 10.3 percent. The financial crisis caused a recession, but the recovery was slow and the unemployment rate remained high. On the fiscal side, the U.S. government spent unprecedented amounts of money on stimulus packages to try to keep the economy growing. However, the immediate effect of these policies was to increase the budget deficit and the national debt. The government spent more money than it took in in taxes, leading to a significant increase in the national debt. This increase in the national debt is a significant concern for the future of the economy.

The Eurozone Debt Dilemma: At Ocean’s End?

...smaller states such as Ireland or Portugal, where productivity was shrinking and their export industries growing, were hit harder. The result was a significant and rapid downturn in overall GDP and a significant increase in unemployment. The eurozone was hit by a significant recession, and the unemployment rate rose to 10 percent in many countries. This was followed by the unemployment rate rising to 10.3 percent. The financial crisis caused a recession, but the recovery was slow and the unemployment rate remained high. On the fiscal side, the U.S. government spent unprecedented amounts of money on stimulus packages to try to keep the economy growing. However, the immediate effect of these policies was to increase the budget deficit and the national debt. The government spent more money than it took in in taxes, leading to a significant increase in the national debt. This increase in the national debt is a significant concern for the future of the economy.

The Eurozone Debt Dilemma: At Ocean’s End?

...smaller states such as Ireland or Portugal, where productivity was shrinking and their export industries growing, were hit harder. The result was a significant and rapid downturn in overall GDP and a significant increase in unemployment. The eurozone was hit by a significant recession, and the unemployment rate rose to 10 percent in many countries. This was followed by the unemployment rate rising to 10.3 percent. The financial crisis caused a recession, but the recovery was slow and the unemployment rate remained high. On the fiscal side, the U.S. government spent unprecedented amounts of money on stimulus packages to try to keep the economy growing. However, the immediate effect of these policies was to increase the budget deficit and the national debt. The government spent more money than it took in in taxes, leading to a significant increase in the national debt. This increase in the national debt is a significant concern for the future of the economy.

The Eurozone Debt Dilemma: At Ocean’s End?

...smaller states such as Ireland or Portugal, where productivity was shrinking and their export industries growing, were hit harder. The result was a significant and rapid downturn in overall GDP and a significant increase in unemployment. The eurozone was hit by a significant recession, and the unemployment rate rose to 10 percent in many countries. This was followed by the unemployment rate rising to 10.3 percent. The financial crisis caused a recession, but the recovery was slow and the unemployment rate remained high. On the fiscal side, the U.S. government spent unprecedented amounts of money on stimulus packages to try to keep the economy growing. However, the immediate effect of these policies was to increase the budget deficit and the national debt. The government spent more money than it took in in taxes, leading to a significant increase in the national debt. This increase in the national debt is a significant concern for the future of the economy.

The Eurozone Debt Dilemma: At Ocean’s End?

...smaller states such as Ireland or Portugal, where productivity was shrinking and their export industries growing, were hit harder. The result was a significant and rapid downturn in overall GDP and a significant increase in unemployment. The eurozone was hit by a significant recession, and the unemployment rate rose to 10 percent in many countries. This was followed by the unemployment rate rising to 10.3 percent. The financial crisis caused a recession, but the recovery was slow and the unemployment rate remained high. On the fiscal side, the U.S. government spent unprecedented amounts of money on stimulus packages to try to keep the economy growing. However, the immediate effect of these policies was to increase the budget deficit and the national debt. The government spent more money than it took in in taxes, leading to a significant increase in the national debt. This increase in the national debt is a significant concern for the future of the economy.

The Eurozone Debt Dilemma: At Ocean’s End?

...smaller states such as Ireland or Portugal, where productivity was shrinking and their export industries growing, were hit harder. The result was a significant and rapid downturn in overall GDP and a significant increase in unemployment. The eurozone was hit by a significant recession, and the unemployment rate rose to 10 percent in many countries. This was followed by the unemployment rate rising to 10.3 percent. The financial crisis caused a recession, but the recovery was slow and the unemployment rate remained high. On the fiscal side, the U.S. government spent unprecedented amounts of money on stimulus packages to try to keep the economy growing. However, the immediate effect of these policies was to increase the budget deficit and the national debt. The government spent more money than it took in in taxes, leading to a significant increase in the national debt. This increase in the national debt is a significant concern for the future of the economy.

The Eurozone Debt Dilemma: At Ocean’s End?

...smaller states such as Ireland or Portugal, where productivity was shrinking and their export industries growing, were hit harder. The result was a significant and rapid downturn in overall GDP and a significant increase in unemployment. The eurozone was hit by a significant recession, and the unemployment rate rose to 10 percent in many countries. This was followed by the unemployment rate rising to 10.3 percent. The financial crisis caused a recession, but the recovery was slow and the unemployment rate remained high. On the fiscal side, the U.S. government spent unprecedented amounts of money on stimulus packages to try to keep the economy growing. However, the immediate effect of these policies was to increase the budget deficit and the national debt. The government spent more money than it took in in taxes, leading to a significant increase in the national debt. This increase in the national debt is a significant concern for the future of the economy.
THE TAMPA BAY ECONOMY: AUGUST UPDATE

By Brian T. Kench, Ph.D.

The Tampa Bay metropolitan statistical area (Hillsborough, Pasco and Pinellas counties) continues to recover from a severe economic downturn. Through June 2012, economic data for Tampa Bay continues to reflect a recovery.

Sales tax revenue in Tampa Bay totaled $25.5 billion in June 2012, a 3.4 percent increase from June 2011 (see Figure 1.1). The year-over-
year change in total sales averaged 2.8 percent per month for the first half of 2012, which is slower than the first half of 2011 by 2.4 percent.

Since August 2011, the year-over-
year change in gross sales has averaged 5.9 percent per month.

Recent data, in figure 3.2, reveals that beginning September 2011, average payroll jobs in Tampa Bay have increased for 20 months, on a year-over-year basis. A similar trend exists for Florida and the United States. Although the pace of job creation has slowed in recent months, it remains relatively consistent in Tampa Bay.

Figure 3.2 illustrates the duration of job losses in Tampa Bay for the 2007-2009 recession relative to the 1980-1982 and 1990-1991 recessions. The figure illustrates how the recession has impacted the labor force in Tampa Bay. As of June 2012, 18 months have passed since the recession began in December 2007 and the area remains net negative 130,000 jobs, which is 6.3 percent of December 2007 employment level. Although Tampa Bay is slowly adding payroll jobs, many more months, fiscal years and job sectors in Tampa Bay observed the number of monthly payroll jobs that existed before the recession.

This unemployment rate measures the ratio of those unemployed and looking for work divided by the labor force. In Tampa Bay, the unemployment rate (UNR) was 8.8 percent in June 2012, which is higher than the national unemployment rate (NAV) of 8.3 percentage points; and it was equal to the unemployment rate (UNR) for the state of Florida. In the same month, the unemployment rate (UNR) was 11.1 percent in Hernando County, 10 percent in Pinellas County and 11 percent in Pasco County (see Figure 2.7).

Although the unemployment rate in June 2012 decreased in Tampa Bay, the rate did not dip below pre-recession levels. This is a good sign. As an economic indicator, it encourages additional demand (as measured by the unemployment statistic) while reducing cost of living and providing workers with increased earning capacity.

Also, consumption, often debt fueled, flourished. The Fed pushed its conventional monetary key drivers. In response, chastened financial off, and/or financial sector bailouts were the key drivers. In response, chastened financial

The stage was thus set for a self-fulfilling puts additional pressure on the balance sheets of already troubled banks in Greece, Spain and Portugal. Table 1.3 indicates the extent of non-productivity enhancing investments (real estate in Spain and Ireland, Olympic stadiums in Greece, etc.). Unit labor costs rose sharply in many of the periphery countries were in fact unsustainably large.

Furthermore, heightened risk that one or more countries in the Eurozone, such as Greece, Portugal and Ireland, might be driven into default, was real in the eyes of investors and financial institutions. As shown in Figure 1.2, the yield spread between German bonds and bonds of troubled countries increased significantly in the spring of 2010, even as the spread narrowed between German bonds and bonds of other more creditworthy countries. This phenomenon was indicative of a higher relative risk concerned with bonds issued by troubled countries.

This is not consistent with the current economic data that continues to indicate that a哮 economiy continues to advance.

Finally, the US labor market is improving at a relatively steady pace and can be expected to continue to improve over the next two years in light of improved economic data. The month-long financial panic ended October 2008, and Tampa Bay has experienced a relatively robust economic recovery, including a 2.4 percent increase in real government debt.

The combination of this “bank bailout” and a 35.5 percent decline real stock prices, even going into reverse.

The month-long financial panic ended October 2008, and Tampa Bay has experienced a relatively robust economic recovery, including a 2.4 percent increase in real government debt.

The month-long financial panic ended October 2008, and Tampa Bay has experienced a relatively robust economic recovery, including a 2.4 percent increase in real government debt.

The month-long financial panic ended October 2008, and Tampa Bay has experienced a relatively robust economic recovery, including a 2.4 percent increase in real government debt.

The month-long financial panic ended October 2008, and Tampa Bay has experienced a relatively robust economic recovery, including a 2.4 percent increase in real government debt.

The month-long financial panic ended October 2008, and Tampa Bay has experienced a relatively robust economic recovery, including a 2.4 percent increase in real government debt.
The Eurozone Debt Dilemma: A Crisis Foretold?

U.S. Trends in Monetary and Fiscal Policy

Where We’re Going

Where We’re Going

Where We’re Going

Where We’re Going

Where We’re Going

Where We’re Going

Where We’re Going

Where We’re Going

Where We’re Going

Where We’re Going

Where We’re Going

Where We’re Going

Where We’re Going

Where We’re Going

Where We’re Going

Table 2.1: CBO Estimates of the Effects of the Stimulus Package

<table>
<thead>
<tr>
<th>Year</th>
<th>Change in Unemployment (millions of people)</th>
<th>Employment (millions of people)</th>
<th>Spending (Billions of $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>-0.2</td>
<td>0.2</td>
<td>1.8</td>
</tr>
<tr>
<td>2010</td>
<td>-0.5</td>
<td>0.5</td>
<td>3.3</td>
</tr>
<tr>
<td>2011</td>
<td>-1.4</td>
<td>1.4</td>
<td>6.8</td>
</tr>
<tr>
<td>2012</td>
<td>0.1</td>
<td>0.1</td>
<td>0.9</td>
</tr>
</tbody>
</table>

Write to Prof. Stinespring at jstinespring@ut.edu.
The Tampa Bay Economy: August Update

continued from page 4

as persons not satisfied with their job seek other employment opportunities, both electoral phase upon pressure on the unemployment rate.

Figure 3.5 shows Standard & Poor’s Case- Shiller housing price index (HPI) for Tampa Bay.
The index is based on observed changes in home sale prices. The HPI for the year ending June 2012 was 137.2, an adjusted HPI set its maximum value of 232.05 in May 2006. Since that time, the HPI fell 41.3 percent over 5 years to its lowest post-bubble reading of 152.08 in September 2011. Since the subsequent eight months the Tampa Bay HPI has increased 4.9 percent to its May 2012 reading of 157.16.

Figure 3.6 shows the absolute number of permits issued in the first-half of 2012 exceeded those issued in the first-half of 2011. In the third quarter of 2012, the Tampa Bay area averaged 380 permits per month — an 8.5 percent decline from average monthly permits relative to the 2009 peak. However, in the first six months of 2012 permits have increased to 492 on average. Although the housing industry remains weak in Tampa Bay, the bottom of the market has likely passed.

In summary, recent data continues to point in a positive direction. Sales in Tampa Bay continues to grow on a year-over-year basis. The area in addition northern payroll jobs — the year- over-year change in northern payroll jobs has been positive for 26 months unemploment rates increased in June, but simultaneously continued their downward trend. While the Tampa Bay labor market is in recovery mode. And the housing market seems to be strengthening. The Case-Shiller HPI has cleared 4 percent since September 2011 and May 2012, and core city residential permits for new homes are increasing. Despite these positive indicators, it will continue to take years for Tampa Bay to recover from the damage left behind by the Great Recession.

Write to Prof. Kench at bkench@ut.edu.

Figure 3.4: Tampa Bay Unemployment Rates
Source: Bureau of Labor Statistics

<table>
<thead>
<tr>
<th>Year</th>
<th>Unemployment Rate (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>3.6</td>
</tr>
<tr>
<td>2008</td>
<td>7.3</td>
</tr>
<tr>
<td>2009</td>
<td>10.2</td>
</tr>
<tr>
<td>2010</td>
<td>10.6</td>
</tr>
<tr>
<td>2011</td>
<td>8.9</td>
</tr>
</tbody>
</table>

Figure 3.5: S&P Case-Shiller HPI for Tampa Bay (SA), January 1988 - April 2012
Source: Standard & Poor’s

Figure 3.6: Number Residential Building Permits: January 1990 - June 2012
Source: U.S. Department of Housing and Urban Development

Table 1.3: Eurozone Statistics
Source: Eurostat

<table>
<thead>
<tr>
<th>Year</th>
<th>Gross Debt (percent of GDP)</th>
<th>Unemployment Rate (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>93.3</td>
<td>8.8</td>
</tr>
<tr>
<td>2008</td>
<td>71.6</td>
<td>9.5</td>
</tr>
<tr>
<td>2009</td>
<td>68.3</td>
<td>7.8</td>
</tr>
<tr>
<td>2010</td>
<td>92.5</td>
<td>4.1</td>
</tr>
<tr>
<td>2011</td>
<td>118.6</td>
<td>3.9</td>
</tr>
</tbody>
</table>

Figure 3.7 shows the absolute number of permits issued in the first-half of 2012 exceeded those issued in the first-half of 2011. In the third quarter of 2012, the Tampa Bay area averaged 380 permits per month — an 8.5 percent decline from average monthly permits relative to the 2009 peak. However, in the first six months of 2012 permits have increased to 492 on average. Although the housing industry remains weak in Tampa Bay, the bottom of the market has likely passed.

In summary, recent data continues to point in a positive direction. Sales in Tampa Bay continues to grow on a year-over-year basis. The area in addition northern payroll jobs — the year- over-year change in northern payroll jobs has been positive for 26 months unemploment rates increased in June, but simultaneously continued their downward trend. While the Tampa Bay labor market is in recovery mode. And the housing market seems to be strengthening. The Case-Shiller HPI has cleared 4 percent since September 2011 and May 2012, and core city residential permits for new homes are increasing. Despite these positive indicators, it will continue to take years for Tampa Bay to recover from the damage left behind by the Great Recession.

Write to Prof. Kench at bkench@ut.edu.

Figure 3.4: Tampa Bay Unemployment Rates
Source: Bureau of Labor Statistics

<table>
<thead>
<tr>
<th>Year</th>
<th>Unemployment Rate (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>3.6</td>
</tr>
<tr>
<td>2008</td>
<td>7.3</td>
</tr>
<tr>
<td>2009</td>
<td>10.2</td>
</tr>
<tr>
<td>2010</td>
<td>10.6</td>
</tr>
<tr>
<td>2011</td>
<td>8.9</td>
</tr>
</tbody>
</table>

Figure 3.5: S&P Case-Shiller HPI for Tampa Bay (SA), January 1988 - April 2012
Source: Standard & Poor’s

Figure 3.6: Number Residential Building Permits: January 1990 - June 2012
Source: U.S. Department of Housing and Urban Development

Table 1.3: Eurozone Statistics
Source: Eurostat

<table>
<thead>
<tr>
<th>Year</th>
<th>Gross Debt (percent of GDP)</th>
<th>Unemployment Rate (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>93.3</td>
<td>8.8</td>
</tr>
<tr>
<td>2008</td>
<td>71.6</td>
<td>9.5</td>
</tr>
<tr>
<td>2009</td>
<td>68.3</td>
<td>7.8</td>
</tr>
<tr>
<td>2010</td>
<td>92.5</td>
<td>3.9</td>
</tr>
<tr>
<td>2011</td>
<td>118.6</td>
<td>4.1</td>
</tr>
</tbody>
</table>
Wealth requires constant nurturing. There’s the work of accumulating it and the diligence required to preserve it. Planning for the future, or for the future of your company, is serious business. Thomas Financial specializes in serving the financial security needs of the fortunate few hundred.

Rick Thomas,
The University of Tampa, Class of ’72
5550 W. EXECUTIVE DR., SUITE 500
Tampa, FL 33609
Phone (813) 273-9416
www.thomasfinancial.com

Securities offered through M Holdings Securities, Inc. a registered Broker/Dealer. Member FINRA/SIPC.
Thomas Financial is independently owned and operated.