on point

Sovereign Debt: A Greek Drama

This issue's feature on the sovereign debt crisis in Greece and its far-reaching implications is a vivid reminder of how the world truly has become more interconnected. The story's writer, research analyst Andrew Flowers, said he took note of how, in a country with plenty of history, history has repeated itself. "I was struck by how old such crises are and how frequently they have occurred. In a truly excellent book, *This Time Is Different*, by Kenneth Rogoff and Carmen Reinhart, I read about just that," Flowers said. "In there, the authors claim that Greece has been in default for more than half of the years since 1800." Flowers also saw another salient issue in the flexibility of labor markets—the ability to hire and fire employees easily and negotiate wages smoothly. "Among economists, most point to the United States as having relatively flexible labor markets but fault many European economies for being more rigid," he said. "These structural problems are very hard to solve and so are really hampering the recovery in Europe."

Continued on page 12

The Gulf Oil Spill and Southeast Fishing: A Follow-Up

In an earlier article, "Southeastern Fishing Faces Strong Currents" (*EconSouth* Q1 2010), we explored some of the pressures faced by the region's fishing industry. Now the industry is facing a threat of uncertain proportions from the BP oil spill off the coast of Louisiana.

The April explosion and collapse of the Deepwater Horizon oil rig, which claimed the lives of 11 workers and left crude oil spewing into the Gulf of Mexico, pose a potentially significant threat to the coast's environment and economy. The disaster is already affecting important economic engines such as commercial fishing and seafood-related businesses, recreation, and tourism. However, the severity of the damage is virtually impossible to estimate at this point, says Alex Miller, an economist at the Gulf States Marine Fisheries Commission. Its impact depends on many factors, including ocean currents, weather conditions, the duration of the leak, the effect of the dispersants being used, and the eventual success of containment and clean-up efforts. One thing is certain, however—the longer oil continues to gush from the ruptured well, the more severe the environmental and economic impact.

The disaster could have a potentially devastating effect on the fishing industry. At press time, slightly more than 22 percent of federal waters in the Gulf were closed, causing commercial and recreational fishing in some areas to grind to a halt. Further, the closures could last for some time depending on how the situation unfolds, says Julie Anderson, a fisheries specialist at the Louisiana Sea Grant and the Louisiana State University Agricultural Center.

The oil spill could also negatively affect fish populations in the Gulf, but it will probably take years to determine the extent of the damage, Anderson said. Oil is spilling into the Gulf during prime spawning season for many species, threatening fish eggs and larvae, which are highly sensitive to the toxins. The oil also threatens the delicate wetlands that make up most of the Louisiana coast. Oil has already made its way into the marshes, which are crucial incubators for many lucrative fisheries such as shrimp, crab, oysters, and other marine life. As the oil seeps into the marshes it smothers or poisons the vegetation, in the process destroying the root structure that holds everything together.

The Atlanta Fed is closely following the oil spill and will continue to monitor its effects on the regional economy. Visit the Atlanta Fed's Web site at www.frbatlanta.org for analysis and commentary. ∎

On Point Continued from page 1

One of the more visible reminders left in the wake of the recession is the number of vacant shopping centers and retail outlets, a mark of the impact on commercial real estate. In the article "Stiff Headwinds Blow Through Retail Spaces," staff writer Charles Davidson explores the factors that came together to result in so much unused square footage. In researching the story, Davidson said two characteristics of retail real estate were especially striking. "One is the impermanence of retail development today," he said. "Big chains and shopping center developers don't view a new center or store as something that will last forever, or maybe not even 10 or 15 years—they have to keep moving to stay in the right place geographically for the moving target of consumers' fickle tastes. The second characteristic is that retail real estate is highly localized. Metro Atlanta currently has one of the highest retail vacancy rates in the country. Empty space abounds in some pockets, while other areas teem with shoppers sampling the latest retail concepts."

Despite the recession's end nearly a year ago on paper, long unemployment lines persist. In his article "Out of the Workplace . . . and Struggling to Get Back In," staff writer Ed English explores a growing phenomenon of recession: long-term unemployment. English looks at some of the structural shifts in the U.S. economy and their profound impact on the workforce. He said the article brought home some of the lessons learned by an earlier generation of Americans: "As a baby boomer, I and many of my contemporaries viewed our Depression-era parents as overly cautious spenders and unnecessarily risk-averse investors. Now that the long-term unemployed make up nearly half the unemployment rolls, there's a growing respect for the former generation's wisdom. Without a nest egg and manageable debt levels, the structural shifts in employment can be devastating for many workers."

As the economic recovery progresses, in coming issues *EconSouth* will continue to examine the aftereffects of recession from a variety of perspectives, giving readers a fresh take on what the economy has endured. We will also follow up on past articles, when new developments change the course of an economic topic, such as the impact of the Gulf oil spill. ▮

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