Economic Development in the South in 2012 September 2, 2012

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Overall: Voting Against Their Economic Interests

- The South has greater poverty rates and lower per capita incomes than the United States and has since the Civil War.
- In general, the Democratic Party policies have benefitted the South because of anti-poverty programs, economic development agencies (like the Tennessee Valley Authority and the Appalachian Regional Commission), education and infrastructure investments, and special aid to the disadvantaged in education and other programs.
- Republican policies, especially since the Reagan era, have not helped the South, because they were based on lowering income taxes (which helped the South less) and cutting social, education, and economic development programs (which hurt the South more).
- In many ways, the South has increasingly voted against its own economic interest since the Goldwater and Nixon eras. Voting behavior, especially among white southerners, seems to have been governed by issues like race, religion, gun rights, and other socio-cultural concerns.

The Sunbelt: Basis of Boom after WWII

- The South made tremendous progress in the post-WWII era, closing the per capita income gap from about 50% of the US average in the Depression to over 90% by 1990.
- This progress occurred because of a greater integration of the Southern economy into the US and, then, global economies, the industrialization of the rural and small town South, the explosive growth of its metropolitan regions, and policies of branch plant recruitment based on financial incentives and low cost structures in mass production.
- Another reason for closing the income was the exportation of the poor—the great outmigration of millions of poor southern blacks to the cities of the North.
- There was also tremendous net migration into the South because of its climate and job opportunities, at first mostly white workers and professionals and, later, minorities, eventually including African Americans.
- Many southern states launched innovative economic development policies that went beyond branch plant recruitment, such as the Research Triangle Park and Bio-Technology Center of North Carolina, other technology parks, and international recruitment of industries.

Globalization and Technology: Weaknesses Revealed

- The development, however, was uneven in the South, with huge pockets of poverty, unemployment, and low education attainment. This dichotomy began to be referred to as "the two Souths"—the prospering metropolitan and Atlantic Seaboard regions, and the stagnating or declining rural and Deep South areas.
- The fifty year trend of closing the per capita income between the South and the US halted in about 1990 at roughly 90%.

- The historic disparity between the South's robust investments in higher education and meager investments in elementary and secondary education created a bifurcated work force: globally competitive at the top and undereducated and low skilled at the bottom.
- The twin phenomena of technology diffusion and globalization doomed many parts of the South's economy which was based on cost advantages in mass production. As had happened in agriculture a century before, technology and automation reduced the labor content of manufacturing, while the competition for low costs went global and became a bottomless pit. The long and seemingly inexorable loss of manufacturing jobs began in the seventies and has continued until today. For example, in the 1960s, the percentage of the North Carolina work force in manufacturing was about 35%. Today it is about 12%.
- The metro areas of the South were much better positioned to deal with this new reality, with their universities, airports, telecommunications, and better educated people. The rural areas were left behind, further exacerbating the problem of the "two Souths."
- Desperate for jobs, states embraced more and more the questionable policy of incentive-based industrial recruitment. North Carolina, for example, which had never really embraced that policy, passed laws embracing it in 1996. As a result, more southerners work in branch plants of companies domiciled outside the region or US than in any other region.

The Great Recession

- Unlike prior recessions, the Great Recession devastated the South as much or more than any other region.
- In North Carolina, for example, the Great Recession not only continued to inflict damage on already declining sectors, but also on more "new economy" sectors like banking, transportation, and construction.
- Budget shortfalls have impacted investments in the pillars of long-term economic development, like infrastructure, higher education, elementary and second education, and health and human services.
- As of July, six southern states had unemployment levels higher than the national average, with several significantly higher: North Carolina (9.6%), South Carolina (9.6%), Georgia (9.3%), and Mississippi (9.1%).
- Currently, every southern state, except Virginia, has a poverty rate in excess of the national average.