

North Carolina at the Crossroads

A Presentation by John Beck

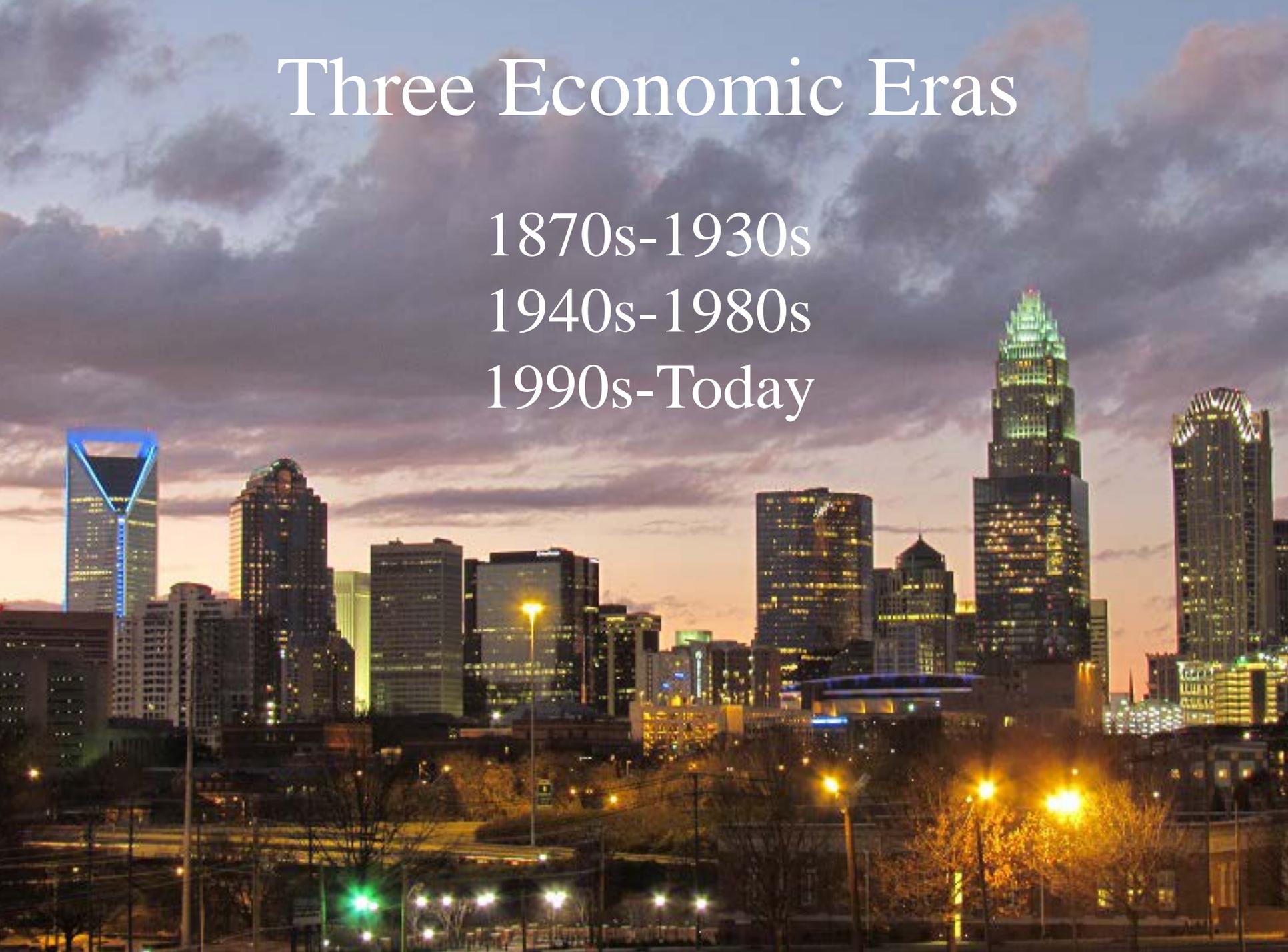


Three Economic Eras

1870s-1930s

1940s-1980s

1990s-Today



First Era, 1870s-1930s Agriculture Was Dominant

More than 40% of the people lived on farms, and the small towns of the state existed primarily to serve farming.



Farming was labor intensive and not much different in the 1930s than it had been in the 1830s. **Mules and human muscle powered farming.**





Nearly half of the farm population was **tenants or sharecroppers**, and many of these people were among the poorest people in the developed world.



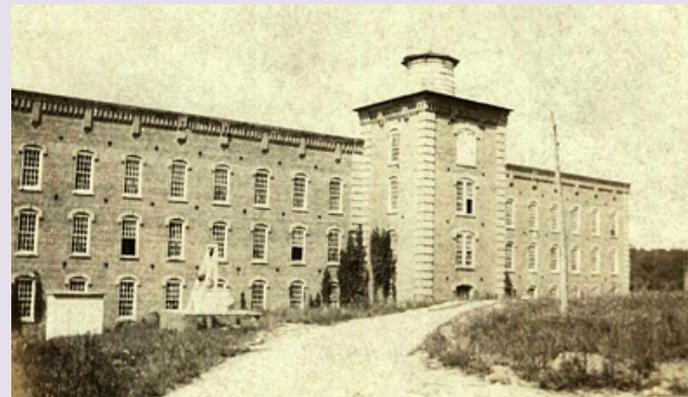
North Carolina Was Also an Industrial State



Ozark Mill, Gastonia.

Across the **Piedmont** in places like Greensboro, Lenoir, Burlington, and Gastonia, factories were built in the late **1800s and early 1900s** processing **tobacco** and making furniture and textile products.

It would be **textile mills** that would be the most important. “By the mid 1920s...the Piedmont had eclipsed New England as the world's leading producer of yarn and cloth.” **North Carolina was the leading textile state.** *From Like A Family*



Glencoe , Burlington, NC

An Improvement Over Sharecropping, but Still a Life of Poverty



Child mill workers in Gaston County

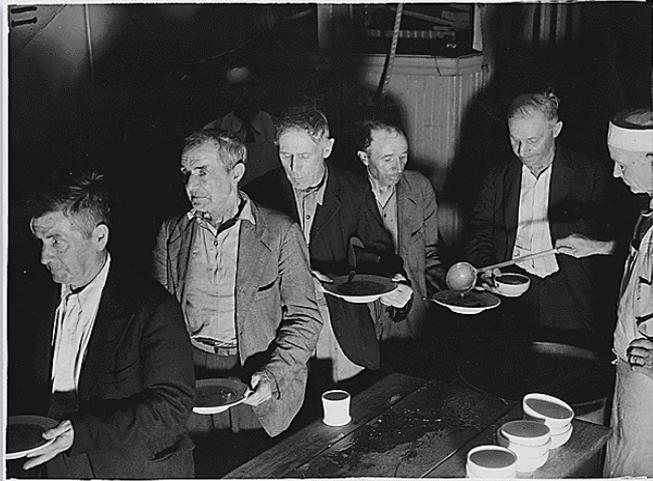
For the most part, only whites worked in the textile industry, and this would be true until the late 1960s. Most mill workers lived in houses rented to them by mill owners in mill villages.

While mill work was a step up for people accustomed to the poverty of sharecropping, mill workers were still poor. **Mill hands worked 12 hour days, and it often took the labor of an entire family to keep the family fed and clothed.** Many mill families subsisted on the “3 Ms” (meat, meal and molasses), and nutritional diseases were common, **pellagra** especially.



The Great Depression and World War II Set in Motion Tremendous Change

The Second Era, 1940s-1980s



Agriculture Mechanized

Tractors replaced mules and hundreds of thousands of people left farming and moved to the cities and towns. Many left the state as part of the “Great Migration.” Sharecropping declined.

A Case Study: Number of Farms in 3 NC Counties, 1935-1997

Year	1935	1950	1978	1997
Granville	3278	3335	1190	637
Vance	2561	2404	658	232
Warren	3187	3162	591	282

Farm Operators and Field Hands

	1940	1978	1992
Granville	5766	1921	1056
Vance	3597	911	1165
Warren	4578	789	556

A Case Study: The Decline of Sharecropping (Tenancy) in 3 NC Counties, 1935-1978

	1935		1950		1978	
	No. of Tenant Farms	% of All Farms	No. of Tenant Farms	% of All Farms	No. of Tenant Farms	% of All Farms
Granville	2073	63.2	2029	60.8	259	21.8
Vance	1643	64.1	1507	62.7	159	24.2
Warren	1818	57	1479	46.8	83	14

A New Era of Industrialization Began



Groundbreaking for
New IBM Facility at
RTP, 1965

After World War II, traditional industries in North Carolina modernized and expanded, and **state and local governments vigorously recruited industries and businesses from outside the region.** They used low taxes, a non-union labor force, special incentives such as tax credits and later state-subsidized worker training at the growing community colleges, to recruit these firms. This has been called “**the great buffalo hunt.**”

The Research Triangle



North Carolina was a pioneer in high tech economic development with a cooperative private/state/county effort called the Research Triangle Park in the 1950s. The Park was established on land between Raleigh, Durham and Chapel Hill. The expertise of neighboring universities was a major selling point.

The Federal Role in Building a New Economy

The federal government poured billions of dollars into North Carolina to support farm programs, build highways, aid education, and make payments for Social Security and later Medicare, Medicaid, and Food Stamps. Major **military** bases were built or expanded in North Carolina. **Today, a substantial percentage of the jobs and income in eastern North Carolina (east of I-95) comes from the military.**

For most of the post World War II era (including today), federal funds that flowed into the state actually exceeded what North Carolinians paid in taxes to the federal government



North Carolina Becomes Part of the Sunbelt

Greensboro, NC Population

Census year	Population
1870	497
1880	2,105
1890	3,317
1900	10,035
1910	15,895
1920	19,861
1930	53,569
1940	59,319
1950	74,389
1960	119,574
1970	144,076
1980	155,642
1990	183,894
2000	223,891
2008	258,671

Much of the best (high paying) industry that located in the South during the decades following World War II tended to locate in Texas, Florida, and **Piedmont** areas like Atlanta, Charlotte, and Greensboro **where an industrial and urban base was already established.** These areas began to take off with growing populations and better jobs, and by the 1970s people started referring to the Southeast and Southwest as the “Sunbelt.”



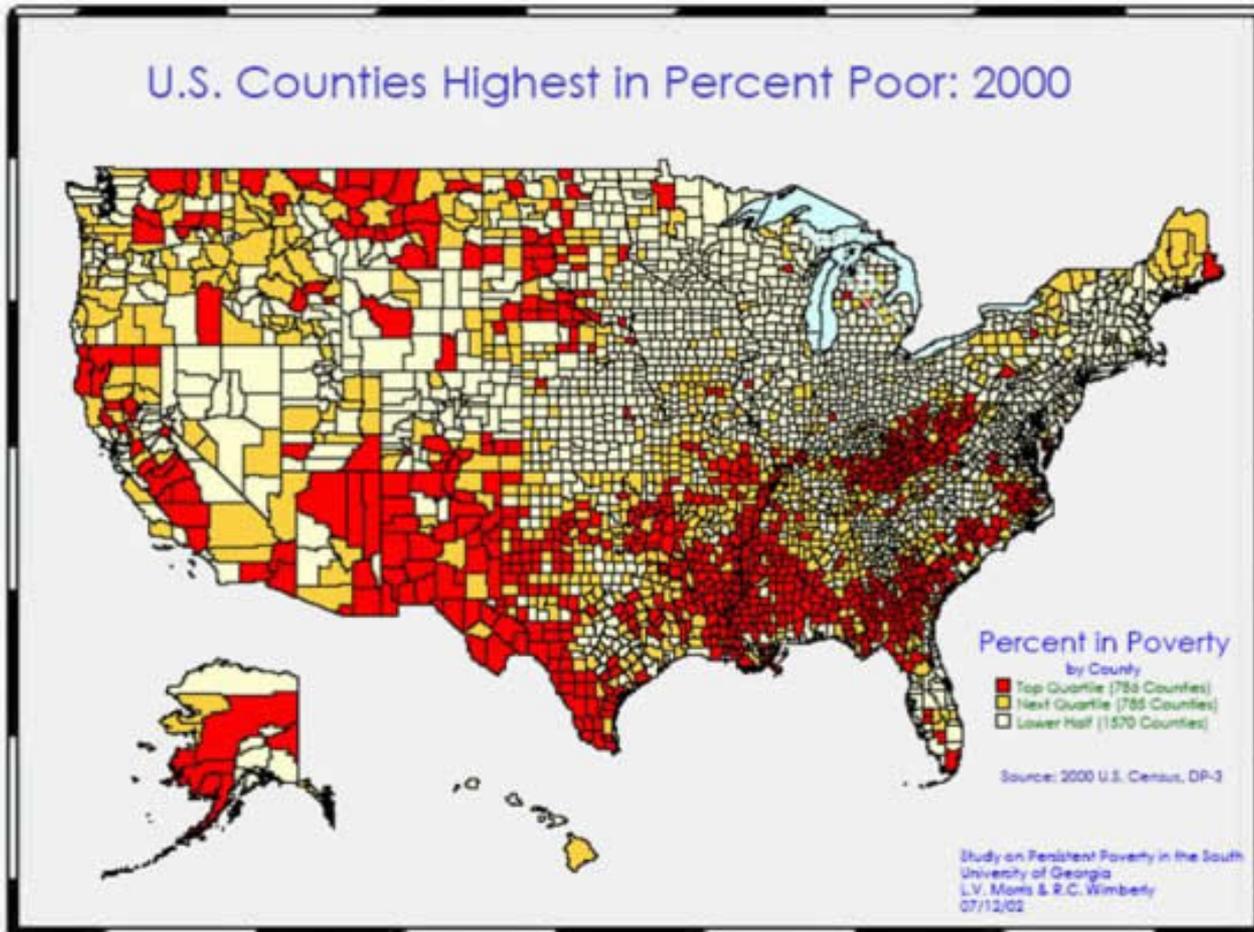
Most (75%!) of New Sunbelt Jobs Were in Metropolitan Areas

# of jobs, in 1978 and 1997	% Change
Orlando 374,684 938,944	150.6%
Austin-San Marcos 290,736 726,712	150.0%
West Palm Beach-Boca Raton 254,293 562,630	121.3%
Raleigh-Durham-Chapel Hill 354,638 756,420	113.3%
Atlanta 1,177,999 2,418,795	105.3%
Tampa-St. Petersburg 644,433 1,283,460	99.2%
Dallas-Fort Worth 1,619,271 3,105,250	91.8%
Nashville 445,059 815,101	83.1%
Jacksonville 363,753 660,385	81.5%
San Antonio 492,546 870,683	76.8%
Charlotte-Gastonia-Rock Hill 528,405 909,908	72.2%

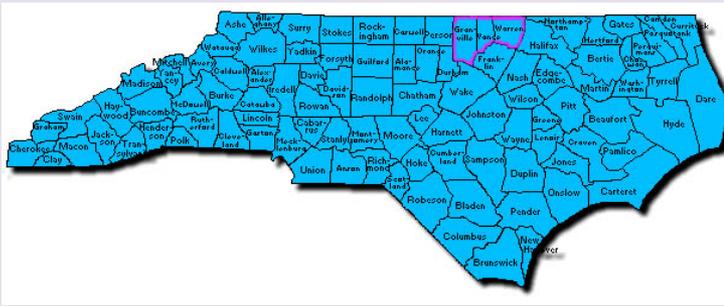
Suburbs of Metropolitan Areas Were the Centers of Sunbelt Prosperity



However, Not all of North Carolina Enjoyed Sunbelt Prosperity: The “Other” South



The Sunbelt South is suburban, prosperous, and predominantly white. The other, less prosperous South is **rural**, **small town** and **center city** and has a higher percentage of minorities.



Two Souths: Rural Poverty in the “Other South”

Vance and Warren Family Income, 1980, 1990, 2004

	1980		1990		2004	
	Median Family Income	% Below State Median	Median Family Income	% Below State Median	Median Family Income	% Below State Median
Vance	\$14117	15.7	\$25800	20.4	30,498	25.4
Warren	\$12008	28.5	\$21900	32.4	27,812	31.9
N.C.	\$16792	---	\$32400	---	40, 863 (US 44,344)	

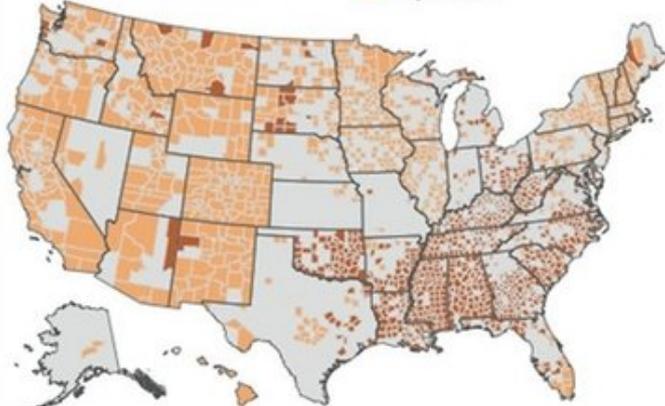
The Health Consequences of the Other South: Strokes, Heart Attacks, Diabetes and Shorter Lives

South has highest obesity, diabetes

Many counties in the South were in the top 20th percentile for both diabetes and obesity, while the West was on lower end.

Percentile for obesity and diabetes from 2007 survey:

Lowest 20% Inbetween Highest 20%



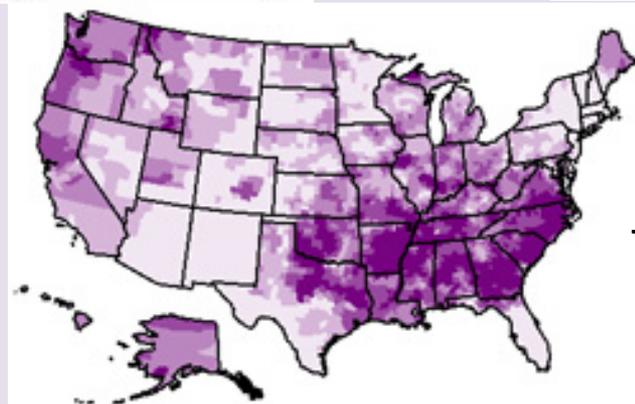
SOURCE: Centers for Disease Control and Prevention

AP



Life Expectancy for Poor Women Declines

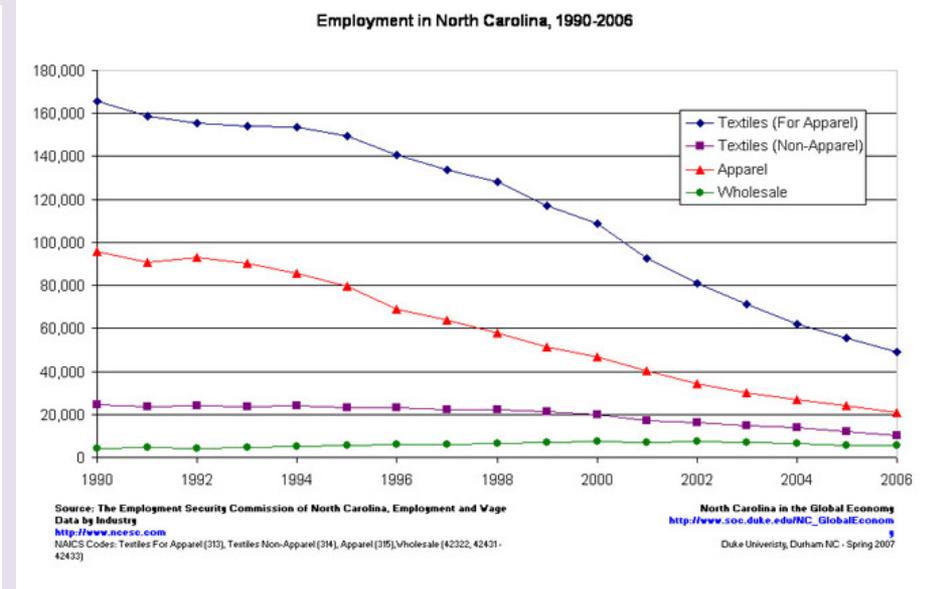
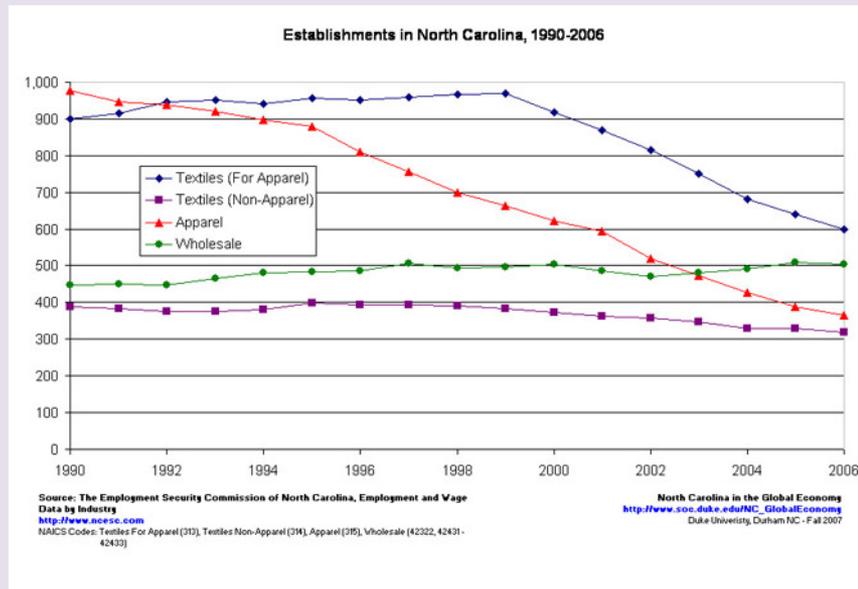
Change in years of life expectancy in US counties from 1987 to 2007



The Southern "Stroke Belt"

In the Third Era (1990s-Present), Traditional Industries Declined

North Carolina's "Big Three"--Textiles, Tobacco, Furniture



For textiles and furniture, advances in “globalization” (NAFTA etc.) accelerated in the mid 1990s and brought a precipitous decline in both industries

NC Job Changes, 1990-2004

Agriculture -17%



Manufacturing -40%



Construction +29%

Services +34%



Data from Mike Walden, "The Changing North Carolina Economy."

New Industries Arose Leading Some Experts to Speak of a “New Economy”



Novozymes
Products
(Biotech.)



Charlotte,
(Banking)



Quintiles, Durham (drug research)



Duke
Hospital
(Medicine)

New Public/Private Partnerships: The North Carolina Research Campus in Kannapolis



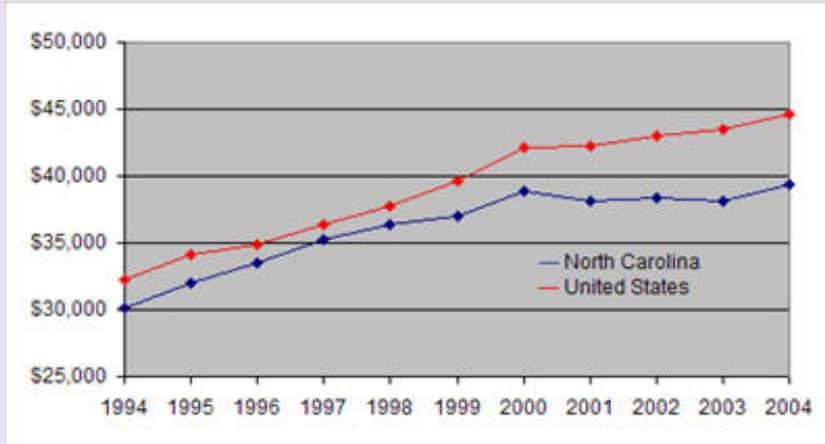
“The North Carolina Research Campus is a private-public venture created to foster collaboration and further advancements in the fields of biotechnology, nutrition and health. While the research subjects may often be microscopic in size, the goals of NCRC are global in scale.” It’s goal is to become the “world’s epicenter of nutrition and disease research.” David H. Murdock has invested 1.5 billion dollars. Public investment is hundreds of millions and counting.

Quotes from the NCRC website

Troubling Signs from the “New” Economy

Four Big Problems

- 1. New industries may pay well but don't employ as many people as old industries.**
- 2. Other South** continues to struggle (few jobs, low income, poor health)
- 3. Service sector jobs often pay less** than the jobs that disappeared and are **often part-time.**



Median NC Household Income

- 4. Declining Income** In 1999, median household income in NC was **93.3%** of the national average. By 2009, it had fallen to **83.6%**. People in poverty in the state had risen to 16% of the population by 2009 from 12% a decade earlier. **The “Other South” struggled the most.**

In 2009, median household income in Mecklenburg County was \$53,158; Wake County was \$63,770. Rural Warren County was \$31,834 and former industrial center Gaston County was under \$40,000 and less than the state average.

An Example: The Changing Economy in Gaston County

The Decline of Corporate/Industrial Employment and the Growth of Small Businesses

Jobs in Gaston County

	1970 (no.)	% of total	2006 (no.)	% of total
Wage and Salary Jobs	93,924	91.6	74,883	75.9
Proprietors	5864	8.4	23,713	24.1



Source for this data on Gaston County data on this and subsequent slides--*A Socioeconomic Profile, Gaston County, North Carolina*, Headwater Economics, 2009, http://headwaterseconomics.org/profiles/p_Gaston_County_North_Carolina.pdf

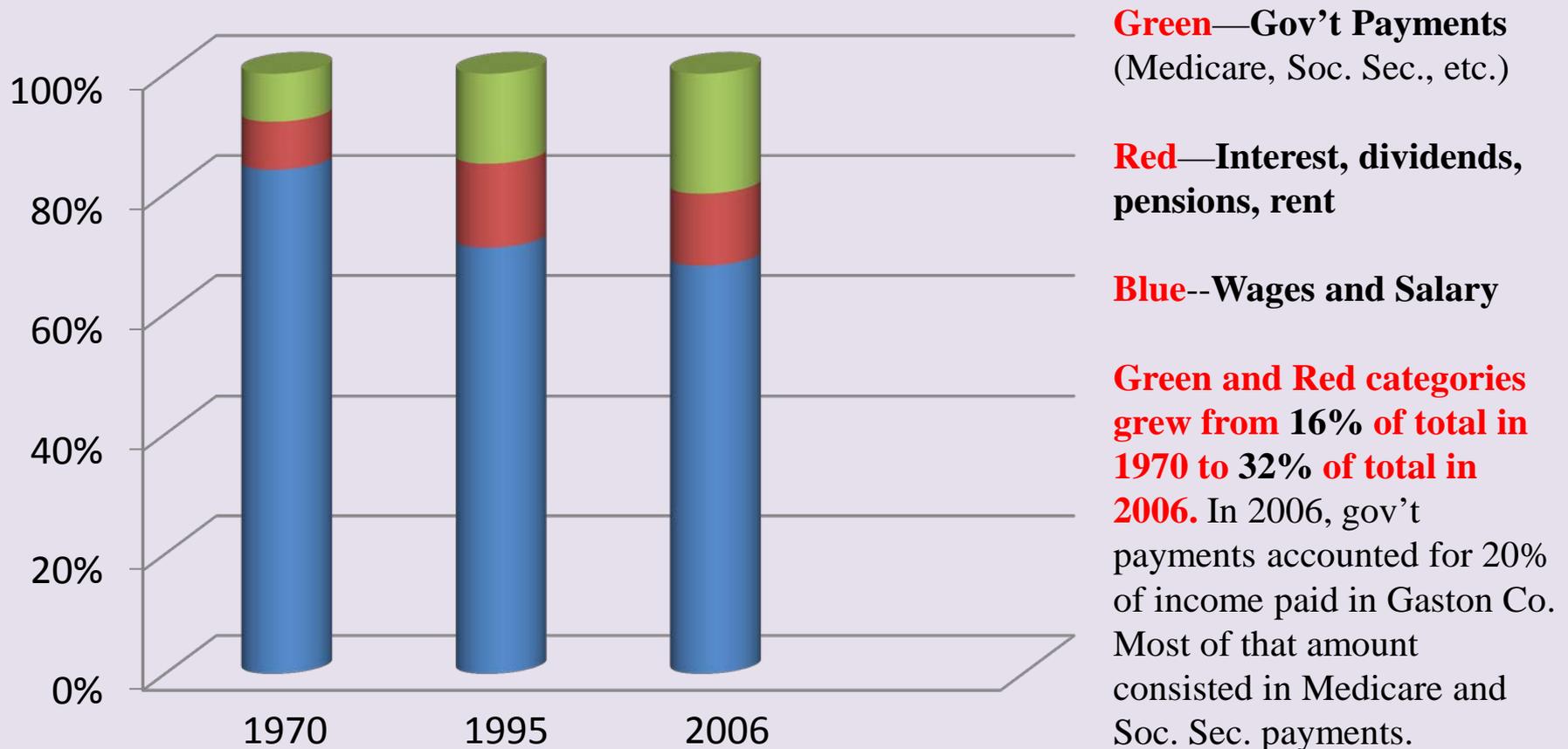
Income in the “New” Economy: The Limitations of the Small Business Sector as a Source of New Jobs

Many of the Gaston proprietors are working part-time at their businesses. While the number of proprietors quadrupled between 1970 and 2006 their share of total income in Gaston only grew from roughly 6% of total income paid in 1970 to 8% in 2006 **so most of those 1000s of new proprietors were making very little money.**

These businesses are also very susceptible to economic downturns.



The Growth in Non-Labor Sources of Income—Gaston County as an Example



The Way Forward: Different Perspectives

The Liberal/Progressive Approach

Education—Better K-12 education with higher levels of funding, pre-K programs, higher standards and more completions; increasing the number of people attending colleges and universities

Highways and other “infrastructure” improvements (water, sewer, roads and mass transit, Internet access, etc.)

Government incentives For businesses, tax rebates, training subsidies, etc.) Extra help for “rising” industries like biotechnology and poor areas

Government transfer payments to farmers, the poor, the elderly, students, etc.

Government/private partnerships like Research Triangle Park, NC Research Campus, Global TransPark

The Conservative Approach

Cut taxes on individuals and businesses to spur private investment

Scale back government regulations of business and the environment

To improve K-12, **privatize or at least “incentivize”** K-12 education (charter schools, etc.)

Scale back funding commitment to public universities

Scale back transfer payments and government services. Privatize some/many government services

Free market solutions to the “Other South” problem