The Crystal Ball of 'Balanced Growth'

While the investigative press has probed the declining North Carolina image and low social indices, the business, travel, and lifestyle writers have emphasized the growing attractions of the state, part of the wondrous growth sweeping the region: the Sunbelt phenomenon. In the same issue of *Newsweek*, you might read of the increase in per capita income in the South and over a few pages be struck by the low industrial wages still being paid. Where does the truth lie?

North Carolina, with 5,577,000 people, is the 11th largest state; in the South, only Florida and Texas are bigger. Yet just five cities—Charlotte, Durham, Greensboro, Raleigh, and Winston-Salem—have over 100,000 people. The population grew 12 percent from 1950 to 1960, and 11.4 percent from 1960 to 1970, but during both decades there was a net out-migration (-8.1 and -2.1 percent, respectively). From 1970 to 1976, however, the growth rate slackened to 7.6 percent, and for the first time there was an in-migration of 2.4 percent (the Sunbelt phenomenon). As the state grew larger, the urban population rose from 31 to 44 percent. But still, more than 50 percent of the people in the nation's 11th largest state live in rural areas.

Socio-economic evolution in North Carolina combined with the state's geography to keep the population dispersed. In the coastal plain, numerous small farms produced tobacco and vegetables. Industry sprung up in the Piedmont, along the river forks and eventually in clusters of cities along the best road systems. In the mountains, furniture plants located near the forests, small farmers scratched out a living, and tourism grew as the nation—and the N.C. Division of Travel and Tourism—discovered the Smokies. This dispersal produced a complex, even paradoxical, economic base.

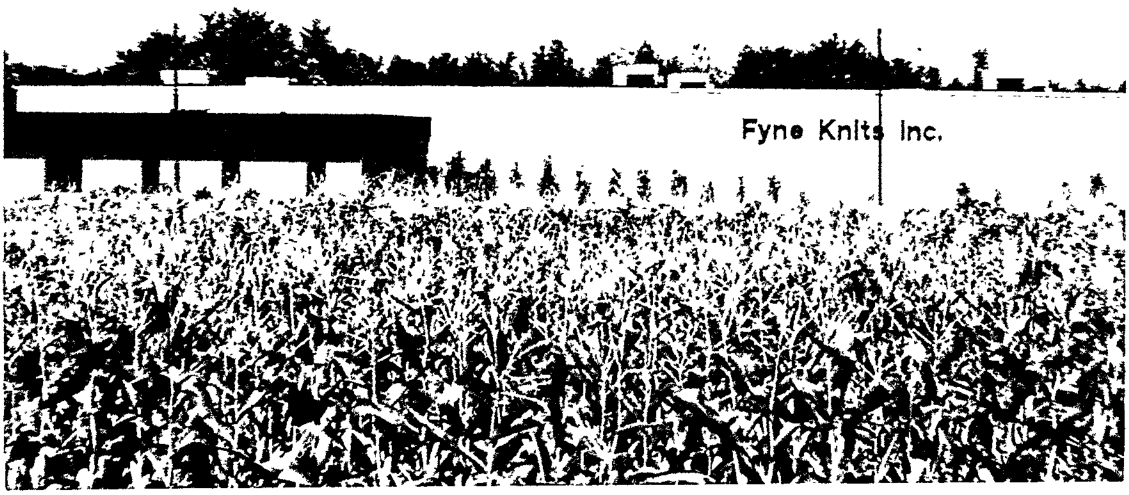
In 1969, the latest year for which census data is available, North Carolina had more farms than any Southern state except Texas, Tennessee, and Kentucky. But during the 1970s, the state was also the eighth largest industrial producing state and had the highest percentage of people working in factories of any state (32 percent of all 1977 employment). North Carolina leads the nation in textiles, tobacco, and furniture production. But the low wage textiles and apparel sectors (44 percent of the state's 1977 manufacturing force) have kept North Carolina's average industrial wage in the national cellar, a constant 72 percent of the national average since 1972 (May, 1980 ranking, 50th at $5.23/hour).

Since Gov. Hodges began an industrial recruitment campaign in the 1950s, every administration has at least given lip service to improving the industrial mix. In the Holshouser and Hunt years, the "balanced growth" concept has received more attention and publicity than in any administration since Hodges'. The theory is often either oversimplified or made to sound unnecessarily complex. Let's recruit higher-wage industry so we can close the wage gap, the simplistic version goes, but let's retain our unique small-town dispersion, thus avoiding the creation of sprawling cities and urban blight. The complex version is often rendered in language that only professional planners can understand.

Planting time in eastern North Carolina. This Depression-era "mule method," while uncommon today, has not yet disappeared "down east."

Photo from Howard Odum Papers, Southern Historical Collection, courtesy of Billy Barnes

Photo by Billy Barnes



Balancing growth in eastern North Carolina with knitting mills and corn.

What lies behind such explanations is a set of complex questions. Can higher-wage industries from other states be recruited on an equal basis to agricultural areas, to rural counties that already contain some low-wage industry, and to urban areas? Or does "balanced growth" result more often in lower-wage industry moving intrastate, migrating from North Carolina's urban areas into rural locations, while higher-wage industry recruited from outside the state moves into metropolitan concentrations?

Gov. Hunt and his chief policy developer, Arnold Zogry, are the leading advocates for the "dispersed urbanization" tactic that is a fundamental characteristic of "balanced growth." Critics of the policy range from Labor Commissioner John Brooks, who says that the most rural areas form the least competitive labor markets, to North Carolina National Bank Senior Vice President Frank Gentry, who feels dispersing economic growth out of metropolitan regions is inefficient and will hurt the state's economy.

Framing economic development too exclusively by balanced growth discussions, however vigorous the debates, can artificially narrow a broader range of policy questions. For example, balanced growth could be a way of absorbing displaced tobacco workers (small farmers, tenants, and sharecroppers) into low-wage industry (especially apparel plants). At the same time, a low-wage base in more urban counties might be upgraded (especially with the electronics industry in the Research Triangle area). If the plan could work in this way, the state might then increase the percentage of its workers in higher-wage sectors and increase the state's average wage.

This "conventional wisdom" scenario raises at least three serious questions. First, can "balanced growth" successfully upgrade the industrial mix? According to Mr. Zogry's Division of Policy Development, the average weekly wage in North Carolina in *high paying industrial sectors* actually declined (in real dollars) from 1962 to 1976 (*Balanced Growth in North Carolina: A Technical Report*, December, 1979). Secondly, even if industry does become more concentrated in higher-wage sectors in the future, will a low-wage base actually spread across more portions of the state, specifically into the most rural areas? Finally, and perhaps most importantly, are interrelated issues, such as the transitions within North Carolina's agricultural economy, not being addressed directly but being buried by attention to balanced growth, especially the landing of high-wage electronics firms?

Public policy analysts have attempted to go beyond narrow discussions of "balanced growth" in a variety of ways. Recent studies by demographers and planners, for example, have recast the traditional triad of coastal plain, Piedmont, and mountains. In 1975, UNC geographers suggested in their *North Carolina Atlas* that the state's counties be divided into four types: Piedmont industrial, dispersed urban, coastal plain agricultural, and recreational fringe (the extreme eastern and western counties). The authors determined their divisions through aggregate data, using many of the same poverty indicators that appear in the county-by-county data on pages 28 and 29. The poorest counties were the recreational extremes; slightly better-off were the coastals, then the dispersed urbans. The Piedmont industrial counties had the highest economic and social indices. In 1979, the North Carolina Center for Public Policy Research published two studies on economic development and industrialization (*Which Way Now?* and *Making North Carolina Prosper*) in which the authors urged policy makers to develop county definitions more relevant to economic growth such as urban, urban fringe, and rural.

Irrespective of methodologies and theories, a few fundamental questions remain to be answered: Can North Carolina achieve a higher wage and reduce poverty but not accelerate an urban sprawl? Can state policy makers affect where industry relocates? Is additional industry advantageous to a state that's a national leader in industrial output per capita yet remains at the bottom in wages?

As recently as 1975, the Raleigh Chamber of Commerce discouraged unionized industries (the Miller Brewing Company and the Xerox Corporation) from coming to the area. In nearby Smithfield, the Chamber resolved that higher wages for a proposed industry would be "disruptive" to the local labor market. In 1978, Gov. Hunt helped break this pattern by encouraging Philip Morris, which is unionized in Virginia, to locate in Cabarrus County, where Cannon Mills officials were discouraging the plant. But Hunt has not taken the more difficult political step of recruiting unionized firms to the state, even after UNC regional planner Emil Malizia in a 1975 study for the state correlated the state's low wage rate with the low percentage of union contracts.

Less than seven percent of the state's work force is unionized, the lowest rate in the country. In 1974, the Textile Workers Union won a much-proclaimed victory among 3,400 J.P. Stevens millworkers in Roanoke Rapids. But the enlarged Amalgamated Clothing and Textile Workers Union has not been able to negotiate a contract. A national boycott and company-wide organizing campaign have repeatedly called attention to the Stevens' lawbreaking record, and liberal groups have offered support to the textile workers. But the campaign has moved at the pace of a 12-hour shift. In June, 1980, six years after the Roanoke Rapids election, the 4th U.S. Circuit Court of Appeals found Stevens guilty of bargaining in bad faith. Despite recent rumors of a settlement, there is still no contract.

Photo Courtesy of N. C. Department of Commerce

A rally in Cabarrus County: Gov. Hunt is sitting to the speaker's immediate left.

Supporters of the J.P. Stevens textile workers marching in New York City before the 1977 stockholders meeting. (L to R): New York City Council President Paul O'Dwyer, Mrs. Coretta Scott King, former Stevens worker Mrs. Ola Harroll, civil rights leader Bayard Rustin. (The annual meeting moved the next year to Greenville, S.C.)

Photo courtesy of *Labor Unity*

Other unions are undertaking scattered campaigns in North Carolina. The Teamsters are building a broader base in both industrial and public employee arenas. And the AFL-CIO's Industrial Union Department has helped the tiny Furniture Workers Union gain a foothold with a contract at a Thomasville Furniture Industries plant in West Jefferson, a mountain community in Ashe County. But a different type of worker group—one without the handicap in North Carolina of being a union—has proved to be the most successful in communicating its concern to state officials.

Basing its appeal on health hazards, and using the traditional organizing tool of collective action, the Carolina Brown Lung Association has demonstrated that workers' organizations can affect power alignments within the state's governmental and industrial structures. In 1980, Gov. Hunt appointed a special commission to determine why workers' compensation cases take so long to resolve (an average of over two years), the state courts handed down several landmark decisions favoring the claimant, and the General Assembly broadened coverage to include workers disabled by byssinosis prior to 1963. The most dramatic development, though, may have occurred in May of this year, when the textile industry placed full-page ads in the state's newspapers saying that smoking—rather than cotton dust—was the primary cause of lung problems, quoting as their evidence the U.S. Surgeon General's report on the hazards of tobacco. Not since Buck Duke and R.J. Reynolds competed two generations before had the state's most powerful industrial blocs fought their battles before the public.

But industrial workers voice only one group of wage earner's concerns. The service sector—from policemen and garbage workers to teachers, secretaries, and government employees—pose special problems for union organizers, employers, and policy makers as well. From 1970 to 1976, the fastest growing job category in the South was services, increasing by 32 percent. But in North Carolina, services grew by only 24 percent, barely higher than the national rate. At the same time, the state was increasing its over-dependence on the manufacturing sector. The "balanced growth" strategy attempts to pull much of the new industry into rural clusters of towns, but ironically, the service sector expands more quickly from growth in metropolitan areas rather than in small cities.

As North Carolina's service sector does expand, albeit slower than the rest of the region, unions face the additional problem of a state law prohibiting contracts between public employee organizations and units of government. Efforts by organized labor and the North Carolina Civil Liberties Union (which contends that the law prohibits the constitutional guarantee of freedom of association) to change this law have met massive resistance in the legislature.

Beyond State Policies—Rebates and Recession

Factors other than state policies may determine what income levels and employment opportunities North Carolinians will have in future years. Many Northern companies—part of the Sunbelt phenomenon—are locating where they can get the most local help.

A Massachusetts-based electronics firm, Data General Corporation, for example, recently built a plant in rural Johnston County. At the company's urging, Johnston Technical Institute began a digital electronics course to train its workers. Now the Wake County Commissioners have rezoned an Apex site from residential to industrial and have agreed to spend $540,000, according to the *News and Observer*, to help Apex build a water line for another Data General plant. Announcing the new plant, the company's North Carolina manager said, "We are a totally non-union company and intend to stay that way."

Electronics manufacturing will boost wages

Traditional weave loom in North Carolina mill.

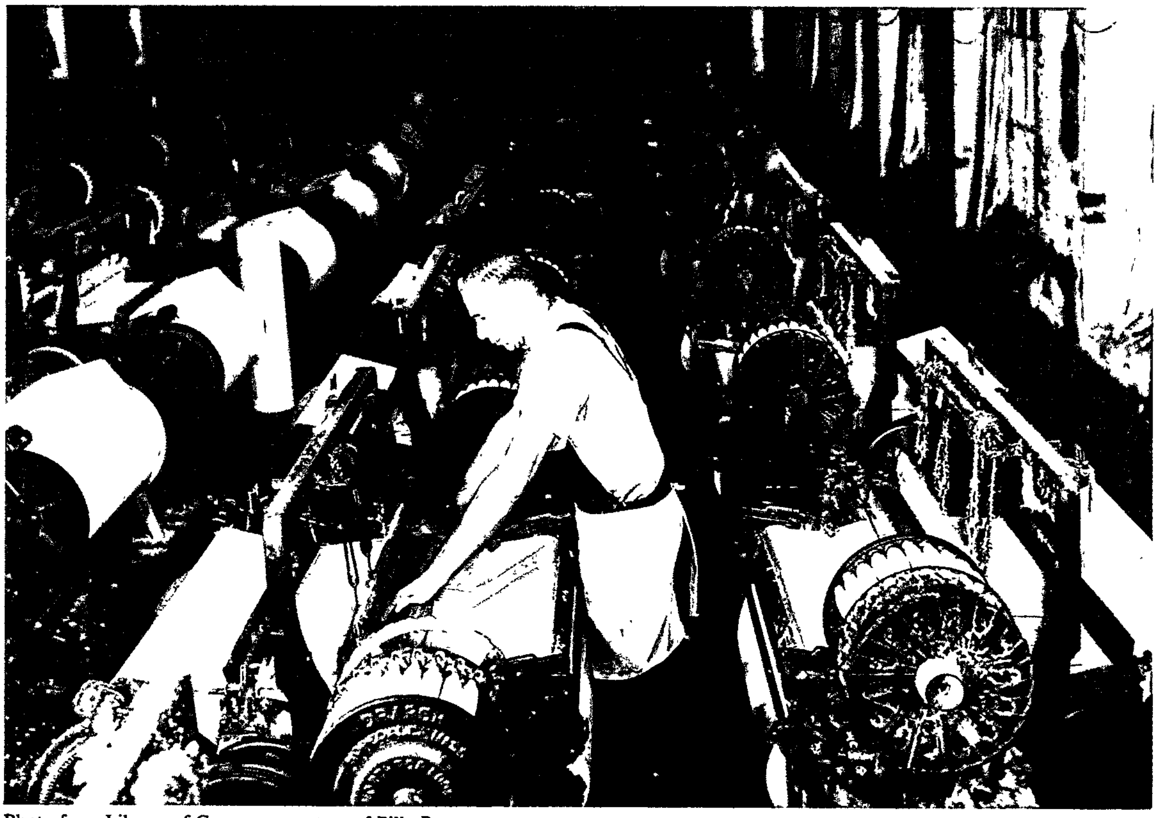
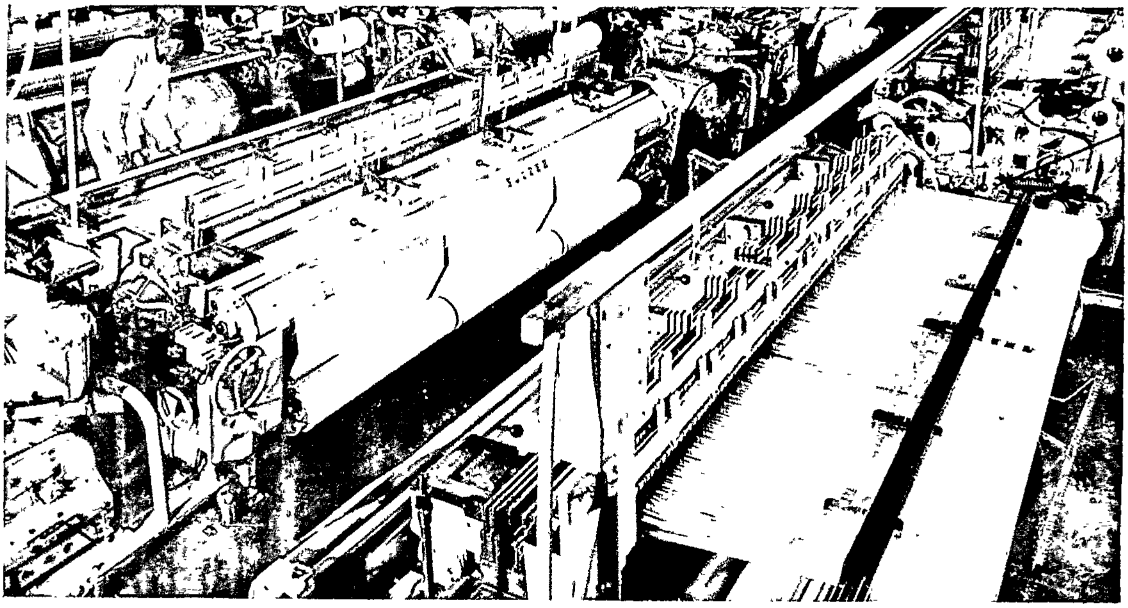


Photo from Library of Congress, courtesy of Billy Barnes



Shuttleless looms installed in a Burlington Industries fabrics plant in the early 1970s. By 1973, Burlington had 1,187 of these looms, according to *Textile World.*

slightly and add some jobs, but will new industries take up the slack from the textile industry? During the 1974-1975 recession, unemployment in textiles reached an astronomical 30 percent for several months. The state's overall 10.2 percent unemployment rate was the highest since the Employment Security Commission began keeping records in the last years of the Depression. What happened in the recovery is well illustrated by Alamance County, a Piedmont industrial county dominated by textiles and Burlington Industries' first corporate home.

In 1974, Alamance County had an unemployment rate of 5.6 percent. In 1975, unemployment grew to 9.5 percent, dropping only to 9.0 percent and 8.1 percent in 1976 and 1977, respectively. At the same time, the percentage of the county's nonagricultural workers in manufacturing decreased from 60 percent in 1970 to 50 percent in 1977, a 17 percent decrease.* While Alamance County has recovered to some extent, electronics and auto assembly plants have been responsible, not textiles. The percentage of workers in textiles has dropped from 46 to 39 percent, a *15 percent decrease.** Three out of every 20 textile workers were never rehired after the recession. Or as Luther Hodges, Jr. put it before a Congressional committee, "Burlington (Industries) has fewer workers today than it had when the recession began...yet production capacity and productivity were improved." In July, 1980, one of every seven Burlington Industries employees—10,000 out of 67,000—worked in a foreign country.

Capital investments—such as the shuttleless, air-jet looms from West Germany—are replacing people. "The textile industry is becoming more automated," says Dame Hanby, associate dean in the N.C. State School of Textiles. "That really is the future of the industry." In 1974, 300,000 North Carolinians worked in textiles; now only 249,000 weavers and spinners and balers are left.

The textile industry is more prepared for the recession of 1980 than it was in 1975. Inventories and work forces have been kept to a minimum, for example, to avoid large layoffs. Even so, the 1980-81 slump might accelerate the replacement of people with machines. "I would call it (textiles) a capital intensive industry now," Charles Dunn, the director of the N.C. Textile Manufacturers Association, said recently. "They (the companies) are going in the direction of investment in machinery as fast as they can get the capital together," continued Dunn. "So much of the industry's economy is international. If we can modernize and remain more efficient, we can compete."

Others would argue that textiles remains labor intensive. In any case, the percentage of the state's work force is shrinking dramatically in the very industry that lifted North Carolina onto its feet a century ago. Yet the state has designed no serious job retraining plan specifically for displaced workers. And in the spring of 1980, unemployment in the state topped six percent, the highest level since 1975.

* *These figures illustrate* **rates of change,** *not net change. On percentage of workers in manufacturing: a decrease of 10 percent (60-50) results in a 17 percent decrease* [(60-50)÷60]. *On percentage in textiles: a decrease of 7 percent (46-39) results in a 15 percent decrease* [(46-39)÷46].