

## You Decide: Why are some states recovered faster?

By Dr. Mike Walden, North Carolina Cooperative Extension: The economic world doesn't treat everyone and everything equally. We clearly see this in the on-going debates about income inequality, CEO pay, the minimum wage and taxes. Another way we see this is in economic geography. For example, in North Carolina, for several decades we have watched urban counties adding jobs and incomes at a much higher rate than rural counties.

Another area of economic inequality that has been observed is in the speed of recovery from the Great Recession. The economy has been improving during the last five years, but it hasn't been improving at the same pace for all states. States like North Dakota and Texas have been gaining much faster than states like Nevada and Maine. Fortunately, North Carolina's gains have been above average on several economic measures.

This is good news for our state, but it raises the question of why. Why has the speed by which states have come back from the recession varied? How much of a state's recovery is "baked in" by its economic structure? How much can be influenced by state spending and tax policies? And, for this particular recovery, how much was influenced by spending from the American Recovery Act (aka, the \$900 billion stimulus)? These are questions important to everyone – but particularly to policymakers – so I tried to answer them. My results are published in The Journal of Regional Analysis and Policy. Here I will summarize the major findings and implications and let you judge their relevance.

I looked at the first four years of the economic recovery (2009 to 2013), which was the latest time period when I began the research. I analyzed two measures of economic improvement: the growth rate in payroll jobs and the growth rate in total income ("gross domestic product" in economics lingo). My first discovery confirmed an idea that economists have had for a long while – that the kinds of businesses and industries in a state have a major impact on the state's economic path. Specifically, states with a large proportion of their economy in energy production, financial services and motor vehicle and parts production had a faster recovery in total income, and states with a larger proportion of their economy in financial services and motor vehicle and parts production had a faster recovery in payroll jobs. The energy sector influenced income but not jobs, because of the sector's relatively low usage of labor. These findings help explain why North Carolina's recovery has been better than that of many other states. While the state does not have a developed energy exploration sector, it is ranked high on financial services and motor vehicle parts. Both of these economic sectors suffered mightily in the recession, but they have bounced back very robustly.

It's not a surprise that I found states with faster population growth during the recession had a better economic recovery after the recession. This makes logical sense. People are the fuel behind economic growth. States adding people – even in lean economic times – will need more businesses and jobs serving their needs. Again, this revelation is part of the reason behind North Carolina's rebound. For several decades the state has been a leader in attracting households from other states. Although the number of people making interstate moves slowed during the recession, North Carolina was still among the top states in attracting new residents.

There has been much debate about how changes in tax and spending policies impact a state's turnaround from a recession. Some say cutting taxes will speed a recovery, while others say additional government spending will accomplish the same goal.

My results were very clear on these questions. I found that states which enacted income tax reductions – both individual as well as corporate – had faster rebounds from the recession. But I also found that states receiving a larger amount of federal stimulus funds had faster recoveries. I did not find that changes in state sales or gasoline taxes had any impact on the rate of economic growth from the recession. Many economists say this is exactly what would be expected. Cutting income taxes puts more money in the pockets of households and businesses and thus gives them greater confidence to spend. Also, federal money spent supporting public salaries or business activity can help re-ignite an economy.

North Carolina received the 12th highest amount of federal stimulus money, which – based on my results – helped the state's recovery. But there were some changes from 2009 to 2012 that resulted in modest increases in the state's income taxes as North Carolina worked to balance its budget and maintain essential services.

My study is certainly not the last word on why states snap back from recessions at different rates. The next recession may be entirely different than the Great Recession, so other factors may be at work then. Still, my general conclusions that economic structure, population growth, income tax policy and federal spending programs are the main determinants of a state's economic rebound have a reasonable ring to them. But – as always – you decide.

Dr. Mike Walden is a William Neal Reynolds Distinguished Professor and North Carolina Cooperative Extension economist in the Department of Agricultural and Resource Economics of North Carolina State University's College of Agriculture and Life Sciences. He teaches and writes on personal finance, economic outlook and public policy.



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### Morven Elementary School Honor Rolls

Morven Elementary School has released their Honor Rolls for the third 9 weeks.

#### A HONOR ROLL

- Third Grade** India Hamilton, Destiny Robinson
- Fourth Grade** Jacqueline Cherry, Nyla Edwards, Aryah Willoughby
- Fifth Grade** Edwin Horne
- Sixth Grade** Arianna Delts, Trinity Marant

#### A/B HONOR ROLL

- Third Grade** Nyasia Melton, Amy Mendoza-Hernandez, Jayshawn Stewart, Marquel Wall, Siyanna Webster, and JaMaya Wright
- Fourth Grade** Amirra Flowers, Maleyah Lowery, Yahir Pineda-Ibarra, Kharysma Rorie, and Elijah Thomas
- Fifth Grade** Jazzlyn Dean, Tristian Rivers, and Trinity Spencer
- Sixth Grade** Olivia Bacon, Zalyn Henderson, Justice Ingram, Teyona Leak, Evans Little, Undra Little, Lamorris Maye, and Taliyah Sharp

### Mrs. Lou Hinson Honored at Gathering

The Joy Sunday School Class of the Lilesville Baptist Church along with their spouses honored their teacher, Mrs. Lou Hinson, at a luncheon at Wendys on April 14. Juanita Williams presented her with an appreciation plaque entitled, "No one can take your place."

Door prizes were won by Don Smith and Joanne Kime. The food was enjoyed with a delicious dessert made by Joyce McIntyre.

### 50+ Club Meeting is May 11

The next 50+ Club meeting is set for Monday, May 11 at 10:30 a.m. in the Little Theater at the Hampton B. Allen Library. You are invited to come and enjoy the music of JoAnn Aycoth, Robbie Griffin, David Napier, Dr. Leon Smith and Bobby Perry. The program includes southern gospel and country music. Everyone is invited to join in and bring a friend. For more information please call 704-694-5177.

### Circles of Hope Hot Dog Fundraiser

Anson County Circles of Hope will hold a hot dog fundraiser from 10:30 a.m. until 2 p.m. on Friday, May 8, at First Presbyterian Church in Wadesboro. Each plate includes two grilled hot dogs with buns, a bag of potato chips, fixin's (ketchup, mustard, chili, slaw and onions) and dessert for \$6. Drinks are available to dine-in customers only.

Orders of 10 or more will be delivered free. Please place your order by Wednesday, May 6 by calling 704-994-2333.

All proceeds will benefit the Circles of Hope initiative to end poverty in Anson County. For more information, call 704-994-2333.



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**FEDERAL PROJECT PUBLIC NOTICE**

The Anson County School System annually receives funds from the Federal Government through the North Carolina Department of Public Instruction sanctioned for assistance in meeting the needs of economically disadvantaged students, technology learning needs of students, children with special needs and for children in local institutions for neglected or delinquent children. The school system is in the process of reapplying for these funds and amending these programs.

These programs include Title I (Compensatory Education/ESEA Basic Education Program), Title II (Improving Teacher Quality), Title II, Part D (Enhancing Education through Technology), Title V (Abstinence Education Program), the Individuals with Disabilities Education Act (IDEA-Part B, Public Law 108.446) Project.

The above named projects are presently being amended and/or renewed. The projects describe the special education, media and technology, compensatory education programs that Anson County Schools proposes for Federal funding for the 2015-16 school year. Interested persons are encouraged to review amendments and or revisions to these projects and make comments/requests concerning the implementation of these Federal Programs. All comments will be considered prior to submission of these projects to the North Carolina Department of Public Instruction in Raleigh, North Carolina. The projects are open to the public for review and comments during May 11 - May 15, 2015 in the offices of Howard McLean, Associate Superintendent of Curriculum, and Nancy Diggs, Exceptional Children's Program Director, located at 320 Camden Road, Wadesboro, NC 28170.

Participation in programs receiving the Federal funds will require supervision by appropriate school personnel as delegated by the school system's Superintendent and/or his designee.

Private schools wishing to participate in the planning phase should notify the Anson County School System of their wishes to participate. Please call the office of Howard McLean, Associate Superintendent of Curriculum, at (704)694-4417, extension 01600 and Nancy Diggs, Exceptional Children's Program Director, at (704)694-4417, extension 01700. Private schools please notify the school system of your existence.