

The World's Fourth Largest Economy

It has been called the “locomotive powering the nation’s economy.”

Today, the American South is not only vibrant and dynamic; it is also highly industrialized and becoming a magnet for in-migration and business investment from all parts of the globe. Since the 1980s, the region has achieved record prosperity as it continues to outpace the nation in nearly every economic indicator.

Journalist Peter Appleborne has made a convincing case in *Dixie Rising* that the South has finally put defeat in the Civil War behind it and is now a “rising” region that is shaping American values, politics, and culture.

With such phenomenal growth, the South has come extremely far in an incredibly short period of time—essentially one generation. Dixie has picked itself up by its bootstraps and has fully transformed its economy through industrialization, urban growth, establishment of higher quality of life opportunities, and the pursuit of equality for all races.

“Array the major regions of the United States on whatever economic, demographic, political or cultural variable you wish, and usually the South (in the past) stood alone at one end of the continuum. Sometimes the Northeast occupied the other end, sometimes the West, but almost invariably, you found the South out there on its own: less wealthy, less healthy, more rural, more religious, more pessimistic, more conservative, less ‘American’ than the other regions,” John Reed Shelton of the Roper Center explained about the region’s past in “The South’s Three Personas.”

But if the South has most often been the exception to the “American rule,” it has in the past 50 years started to contradict this historic perception. Bear in mind that the South now leads the nation in total population, job creation, and virtually every other economic category. It is the most industrialized part of the nation with eight of the top ten states in terms of manufacturing growth located in this region.

Once the land of agriculture and textiles, in today’s South the people making industrial machinery and electronic equipment substantially outnumber those producing textiles or sewing apparel. Automobile and printing plants virtually equal textile mills as sources of employment. Also in the last five decades, the number of people employed in agriculture has dropped from nearly half to less than five percent of the South’s total workforce.

The South’s cities today are places of vibrant energy and boundless confidence linked by high-tech commerce and communication. Atlanta, for example, is home to the world-changing CNN 24-hour news network, the world’s biggest soft drink company, and one of the world’s busiest airports. Charlotte is among the biggest financial centers in terms of banking assets. Dallas-

Ft. Worth is practically the center of the North American universe. Memphis has become America's distribution capital. Mid-size as well as smaller cities have also mushroomed. Two out of three Southerners are now urban or suburban dwellers and even in rural areas, many people work in industry.

For good reason, individuals and companies are beating a path to the South's door.

Searching for a better life and a better living, individuals from young professionals to retirees are recognizing the *Southern advantage* like never before. Millions of people have moved to the South from the nation and the world. Formerly "less wealthy" than other areas, personal income in the South is now more than 90 percent of the national average with prevailing trends headed upward. And with the lower cost of living and taxation (when compared to other sections of the country), Southerners can enjoy a much higher level of affluence. The South has achieved a whole new level of popularity—with native-born Southerners, with self-proclaimed Southerners (also known as transplants), and with people who are returning after pursuing opportunity in other regions.

For businesses on the fast track, a Southern location enables companies across most every channel or sector to find the type of success they've never experienced—the kind that happens quicker, lasts longer, and costs less. A wealth of advantages such as reduced tax burdens, lower operating costs, a great work ethic, outstanding training programs, and the predominance of Right-to-Work protections are attracting all sizes of companies in record numbers.

In fact, the question for most companies is no longer whether they should locate in the South; it's whether they can afford not to!

Attesting to the South's benefits are scores of homegrown companies. Among the market leaders that have grown up in the region are Delta Airlines, CNN, FedEx, Dell, and Compaq. Even the world's number-one company, based on 2002 revenues, Wal-Mart, was born and bred in the South. The decidedly business-friendly climate has also attracted foreign investment from companies like BMW, Mercedes, Nissan, Toyota, and Hyundai. This in addition to attracting the headquarters of entrenched Northern presence firms like American Airlines, J.C. Penney, and UPS.

While the South's rise to greatness may surprise those who thought of the region as unsophisticated or backwoods, Southerners have worked diligently to dispel that perception by aggressively pursuing economic expansion as well as opportunity in any form. During the last 50 years every wall that stood between the American South and economic prominence has been demolished not with the swiftness of the Berlin Wall but with patience and perseverance that were the result of pure determination. The region has finally shed the baggage that weighed it down for so long and the pace of change is quickening as the South moves onto the world economic scene as a sizeable force of value and viability. Perhaps most stunning, the American South is now considered the world's fourth-largest economy (behind the U.S. as a whole, Japan, and Germany).

What I'd like to "drop" on you now I call the South's "bombshells." These economic and social accomplishments powerfully dispel the longtime misconceptions about the South—perhaps even some that you've personally held. They will help you gain the full picture of how far the region has come. They also serve as a testament that the Southern region of the U.S. is one of the most attractive places to live and work on the planet.

Now for the bombshells:

Bombshell #1

“The South has doubled its population in only 30 years”

Many people don't realize how fast the South has grown. We continue to experience an in-migration of folks from all parts of the world; “imports” as we often refer to them.

Right after World War II, the South, Northeast, and Midwest all had about the same population. In fact, the 1950 U.S. Census shows that the Midwest had a population of 44.6 million, the Northeast 42.3 million, and the South 43.3 million. In 1950, the West was the only region that was not comparable. It had a population of just 19.4 million.

As of 2001, according to the U.S. Census the Midwest and Northeast each had a population of around 55.5 million. In just 52 years, the West has shot past those two regions with 63 million persons. The South's population growth in 50 years has been extraordinary. In 2001, the South had a population of 107 million persons, or about the same as the population of the Midwest and Northeast combined.

The reason for this population explosion? America can't seem to get enough of the South—from its weather to its music to its cooking. Census Bureau statistics indicate that more Americans will migrate to the South in coming years than to any other region of the country. Interregional migration currently happens more often in the South as the thriving economy attracts non-Southerners and out-migration has slowed.

Until recently, most people who lived in the South were born there; but now the South has used its warm hospitality and quality of living to attract newcomers, proving itself as an appealing place to put down roots. As we enter the twenty-first

century, larger and larger numbers of Southern residents were born outside the South. Texas has now surpassed New York as the second most populous state with Florida not far behind.

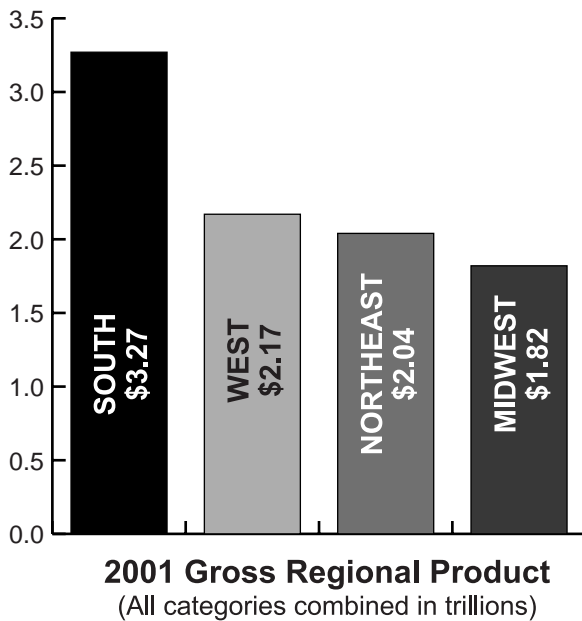
The South's population explosion has been due in large part to two crucial inventions. 1) The air conditioner, which has made the summers tolerable. 2) The mechanized cotton-picker, that removed the need for cheap agricultural labor and prompted Southern state governments to relentlessly recruit industry to employ their people. Additionally, you can't discount the value of Southern hospitality in attracting population growth. Studies have found that Southerners more often smile at strangers, are more likely to help a blind person cross the street, and are more likely to pick up someone's dropped coin and hand it back to them.

Bombshell #2

“The South currently holds the top spot in EVERY ‘Gross Regional Product’ category”

In 1996, the American South topped the Northeast, Midwest, and West in every Gross Regional Product category identified by the federal government but one. The South led all regions in the value of production in manufacturing, construction, farms/forestry, transportation, wholesale trade, retail trade, and government categories. The only category where the South did not outperform all other U.S. regions was the FIRE sector (finances, insurance, and real estate).

But that changed in 2000, when the South produced a FIRE GRP of \$250.6 billion, while the Northeast's total was \$248 billion that year. What this means is that the South leads all U.S. regions in every Gross Regional Product category, something I'm sure Franklin Roosevelt couldn't even have imagined when he



Source: U.S. Statistical Abstract 2002

launched the New Deal and the Tennessee Valley Authority in the 1930s in an effort to “prime the pump of the most impoverished region of this great nation.”

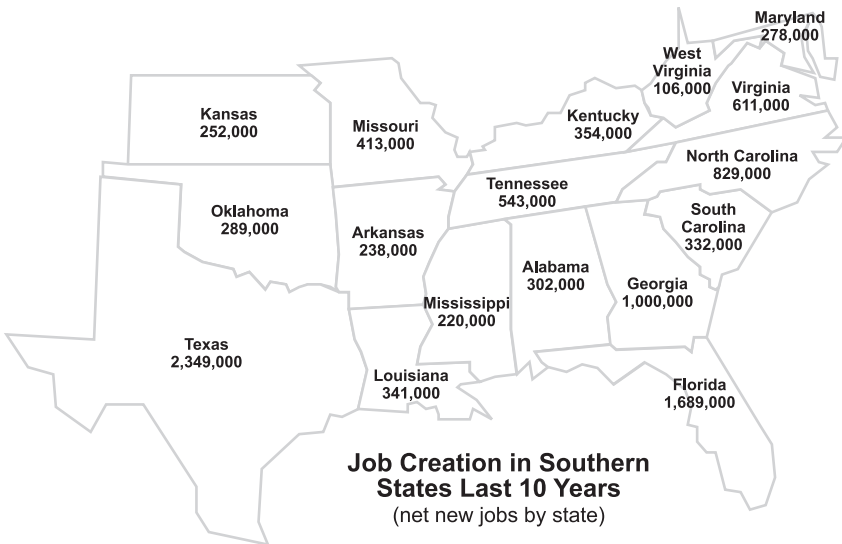
Bombshell #3 “The South leads the nation in job creation”

If you are looking for a job, nowhere else in the country has a more plentiful supply than the South. From 1992-2001, the United States saw the creation of 22,015,000 net new jobs. That’s an astounding figure, a 10-year total that can’t be rivaled in the history of the nation’s economy. The South’s contribution to the

total number of jobs created in this country over the last 10 years is even more astounding. From 1992-2001, the South has created 10,146,000 net new jobs. That means roughly half of all the jobs created nationwide during the 1990s were created in the South.

It's important to note here that these job-creation figures are especially impressive in light of my observation that the South is bearing the brunt of the impact of the North American Free Trade Agreement (NAFTA). The region has lost more than its share of jobs as manufacturers have moved to Mexico in search of pennies-on-the-dollar wage rates which no U.S.-based operator can match.

Even in a challenging economy, the South appears to be less hard hit than other regions in terms of jobs. As America entered



the twenty-first century things were tough all over, but the South once again continues to buck this trend. A set of Labor Department data aptly named JOLTS, for job openings and labor turnover statistics, reveals that between mid-2001 and May 2002, job openings in the Northeast fell by 250,000, or about 29 percent. The Midwest fared even worse, with job openings plunging by 313,000, or 31 percent, during the same period. The South shone by comparison, since it had the most job openings to start with (1.5 million) and lost the fewest (122,000, or about 8 percent).

The South was led by Texas, which created a net new job total of 2,349,000 between 1992 and 2001. Florida is the South's second largest generator of jobs over the last 10 years with 1,689,000. Georgia created an even 1,000,000 and North Carolina came in with 829,000 net new jobs since 1992.

Bombshell #4

“When it comes to education levels, the South is on course to surpass all other regions”

Over the last 10 years, the South has made significant gains on the national averages in educational attainment.

For comparison, let's look at 1992. That year, the U.S. average of high school graduates was at 75.2 percent. Meanwhile, the South's average high school graduate rate was nearly five points behind the U.S. average, at 70.8 percent.

Today, the gains the South has made in educational attainment are readily apparent. In 2001, the national high school graduation rate was 84.1 percent. Now, less than two points behind is the South's high school graduation rate of 82.2 percent. This figure represents nearly a three-point gain in 10 years.

Mirroring the increase in high school educational attainment in the South is the rise in the number of Southerners who hold college degrees of four years or more. The current U.S. average is 25.6 percent. The current average in the South of residents with four-year degrees or more is 23 percent, or a scant 2.6 percent difference from the U.S. average. This rise in college-educated Southerners has produced a large base of independent thinkers and innovators.

The increase in educational attainment in select Southern states since World War II is tracked by The Southern Regional Education Board (SREB). SREB was founded in 1948 at the request of Southern leaders in business, education, and government. Reflective of how serious the South has been about improving its education levels, SREB was the nation's first compact for education. Over the years it has worked to improve every aspect of education from early childhood education to doctoral degrees and beyond.

Bombshell #5

“The South has one of the lowest African-American poverty rates and is the leading region for in-migration of this ethnic group”

When embarking on this research, we tried to find poverty rates for African-Americans in 1963, the year that Martin Luther King gave his “I have a dream” speech at the Lincoln Memorial. This speech was pivotal in that it clearly brought to the world's attention the plight of the African-American segment of our population. To me, 1963 was a natural baseline. Shockingly, no data exists from which to study trending. The federal government didn't begin tracking African-American poverty until 1966, even though white poverty had been tracked with some accuracy since

the 1930s. In 1966, 42 percent of African-Americans in the U.S. were at or below the poverty level. While I could find no state data which would give me a Southern percentage of African-American poverty, one could easily estimate that such poverty in the South was at least 20 percentage points higher than the national average.

In 1992, poverty levels of African-Americans in the South remained alarmingly high at about one in three. But since 1992, such poverty in the American South has dropped dramatically. In 1994, for the first time ever, African-Americans in the South were faring better than those in the Midwest and about the same as those in the Northeast in terms of poverty rates. Jump to 2002, and 21 percent of African-American Southerners are at or below the poverty level. That figure is, for the first time in history, lower than other regions of the U.S. In fact, African-American poverty in the Northeast (22.5 percent) and Midwest (24.4 percent) is higher than that found in the South. These figures don't even account for the lower cost of living in the South, which could subtract another two percentage points!

The South was the part of America where slavery lasted longest and died hardest. Now, the region attracts African-Americans in huge numbers. Its schools are less segregated and more African-Americans hold public office here than anywhere else in the country. With half of the U.S. African-American population, the South now elects a large percentage of African-Americans as public office holders. For businesses looking to set up shop in the South, if you hear that the South is a bastion of African-American poverty, don't believe it. African-American Southerners have picked themselves up in the last four decades and are surpassing their brothers and sisters to the North in personal and household gains. The facts (U.S. Census Bureau) are hard to dispute.

Bombshell #6

“Diversity is ALIVE! The Southern stereotype is dying!”

In just the last 10 years, many born-and-raised Southerners, especially those in rural areas, small markets, and mid-markets, have grown accustomed to seeing folks from different countries at the most popular restaurant in town, speaking a language other than English. Ten years ago, this was an initial shock to many of those Southerners. Today, it is routine.

In larger markets but not the South’s largest, such as Birmingham, Greenville, Jacksonville, Memphis, San Antonio, Louisville, and Richmond for example, the languages and accents heard and spoken over the last 10 years have changed from a Southern drawl almost exclusively. Now you hear a myriad of dialects from New Yorkese, to Bostonian, to those strange sounds that come forth from the mouths of folks from the U.S.A.’s Great White North “Minnesewta and WisCahnsin.” Throw in Asian, African, Middle Eastern, and Spanish influences and the South’s most important markets for the next decade have now earned their diversity degrees just since the early 1990s.

As for the South’s mega-markets—there were seven with two million or more in population at the beginning of the twenty-first century: Baltimore-Washington-Northern Virginia, Houston, Dallas-Fort Worth, St. Louis, Atlanta, Tampa Bay, and South Florida—they have continued to diversify their population base as they have for the last 20 to 30 years. In the case of Baltimore and St. Louis, this diversity began more than 100 years ago.

Bombshell #7

“The tide of public opinion, what I consider the ‘final frontier,’ has finally turned in the South’s favor”

While the sudden diversity of the South's population over the last 10 years has created new challenges, one byproduct of those challenges centers on the fact that the national media no longer "hammer" the South as they once did. Since the Civil War ended, the national media, once exclusively based in non-Southern locales, pounded the South every chance they could. I recall reading that a few years ago a popular California-based sports radio personality said on his show, "You folks are idiots down there. That's why no one lives down there" (the South). I guess he doesn't realize the South is home to 107 million people, a mere 44 million more than the number living in his region.

Let me give you some hard evidence of what I'm writing about. Take a look at the adjoining line art. This came from *The New York Times* right after Mercedes announced it was establishing its first North American assembly plant in Alabama. It is no wonder that such satirical cartoons were conspicuously absent when Honda (1999), Nissan (2000), and Hyundai (2002) announced they were investing billions in Mississippi and Alabama.



This bombshell is HUGE because instead of the South being perceived as outside the nation's mainstream, the tide of public

opinion has changed. The national media are increasingly portraying the South as mainstream. I firmly believe that perception IS reality and if you subscribe to this belief too, you'll agree that the media's new presentation of the South is helping to drive the region's success.

Bombshell #8

“The automotive industry has joined the party”

Nothing has “primed the pump” quite like the automotive industry's incredible job and investment record in the South over the last 10 years. It accounts for hundreds of thousands of high-paying jobs in the region. To give you an example of how many jobs have been created by the expanding Southern automotive industry, all you have to do is go back to the late 1970s. Back then, Tennessee was home to around 20 automotive suppliers. Today, over 900 automotive suppliers are operating in the Volunteer State.

Part of what has attracted this huge supplier base to Tennessee is the presence of a major manufacturer. In 1983, Nissan selected Smyrna for its first U.S. vehicle assembly plant to build several of its top-selling models and employ 5,400. The company went on to announce a second Tennessee facility in Decherd in 1997 with a subsequent expansion in 2000.

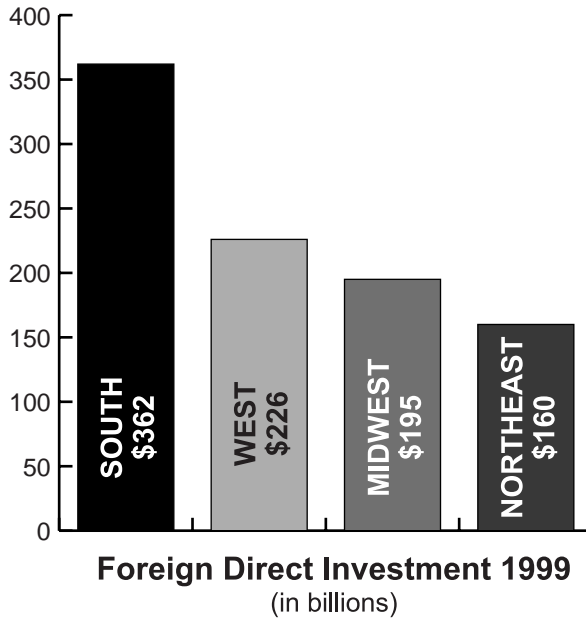
Maybe you've heard South Carolina's story. BMW chose the Palmetto State for its first North American assembly plant in 1992. That facility has since expanded several times. Mississippi garnered Nissan two years ago and has announced an expansion of the plant prior to its opening. Kentucky has also been very proficient in attracting automotive facilities, as has virtually every other state in the South. Several Southern states now rank among the highest in the U.S. in terms of automotive production.

And then there's Alabama. No state in the American South has seen its auto industry grow and expand like Alabama's has over the last 10 years. While Tennessee, Kentucky, and North Carolina currently have more suppliers, Mercedes and Honda are in the middle of massive expansions and Hyundai is just beginning to construct its newest North American plant here. There is no doubt in my mind that automotive suppliers will be flocking to Alabama in the next few years and don't forget that Toyota has just established a large engine plant in Huntsville.

Bombshell #9
“The South leads all other U.S. regions
in foreign direct investment”

Foreign investment, particularly from Japan and Western Europe, continues to pour into the South faster than any other region in America. Each year since the early 1990s, the total foreign investment gap has widened between the South and the three other U.S. regions. Today, the South is home to 40 percent of the \$925 trillion dollars invested by foreign companies in the U.S. (1999 figures). Yes, that's a full 40 percent today—especially impressive when you consider that the South is comprised of only 17 of the 50 states. In 1992, the foreign investment in the South represented 35 percent of the nation's total.

Why is being the No. 1 region for foreign investment in the No. 1 economy in the world such an accomplishment? Foreign companies can choose any location in the U.S. in which to invest their time, resources, and energies. While that's sometimes the case with domestic companies, many are tied to their locations for a variety of reasons. So, if the majority of foreign companies are opting for one region over another year after year, it is proof of that region's ever-growing attractiveness.



Source: U.S. Statistical Abstract 1999

One of the primary reasons foreign companies have chosen the South over other regions is the South's low union-participation rate and that fact that 14 of the 17 states in the South have Right-to-Work laws on the books.

Bombshell #10
“The South is THE MAJOR political force”

Politically, the South possesses great influence. As of 2002, the third Southerner in a row occupies the Oval Office. In fact, you have to go back to 1980 to find a non-Southern President.

This influence isn't limited to the Presidency. Southerners by and large have been running the federal government as of the beginning of the twenty-first century. From the Senate Majority Leader to Speaker of the House, Southerners hold major positions of influence.

Another interesting point is that the region has virtually abandoned the Democratic Party, to which it was once almost completely loyal. The South is now reshaping American politics and propelling the GOP (the party of Abraham Lincoln, the Union, and Reconstruction!) into majority. The white South today is becoming more and more Republican—the party of conservatism—in its politics, and it is Southerners who seem to be the **most** conservative members of the Republican Party. Indeed, it is Southern Republicans who have led the attack on the welfare state.

Electoral votes are another big story. As of 2000, the South held 195 of the total 270 votes needed to elect a President. Presidential candidates must woo the South if they want to be successful.

If the last 50 years are any indication of what the South can do, watch out!

All in all, the South has entered the twenty-first century remarkably strong. Just as the mythical Phoenix rises from the ashes, the South has risen from its challenging past more confident than ever with a long and growing list of advantages for companies and families alike.

As a recent article in *The Economist* magazine explains, “The mood is different in the South . . . Few Southerners worry as many Northerners do about whether they can afford the houses, college education and other luxuries of their fathers. Instead they are on an economic roll; such a strong one indeed, that they are pulling the rest of the country with them.”

Even after coming so far so fast, the South's momentum is still powerful and it continues to build. That's the Southern way! We master momentum to embrace change. Southerners have transitioned from reacting to the outside forces of change imposed upon them, to becoming agents of change for the future.

If you are a corporate leader or business owner looking for a low-cost, pro-business location with a culture that will back your success 100 percent, read on. We'll detail the South's incredible attributes for profitable business operations.

If you are an individual climbing the corporate ladder, it is vital to determine where that ladder can best be leaned. We'll examine how living in the South can positively impact your career and the quality of your family's life.

To fully appreciate the South's economic momentum and potential, we'll start with an understanding of the past. We'll examine how the region has gone from poverty to prosperity in 50 years and where we'll go from here. But first, we'll define the "South."