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CHANGES IN THE LOCUS OF ECONOMIC GROWTH IN THE SOUTH

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THROUGHOUT MOST OF THE TWENTIETH CENTURY, THE UNITED STATES HAS BEEN CHARACTERIZED BY A MASSIVE EXODUS OF PEOPLE FROM THE RURAL AREAS TO THE CITIES. FOLLOWING WW II, THERE WAS INCREASED EMPHASIS UPON THE EXPANSION OF AGRICULTURAL PRODUCTION, AND NEW TECHNOLOGIES WERE INTRODUCED INTO FARMING. CAPITAL WAS SUBSTITUTED FOR LABOR IN AGRICULTURAL PRODUCTION AT AN UNPRECEDENTED RATE. THE STRUCTURAL CHANGES ASSOCIATED WITH THE INTRODUCTION OF THE NEW TECHNOLOGY IN FARMING BROUGHT ABOUT A RAPID DECLINE IN THE NUMBER OF FARMS AND THE NUMBER OF SMALL BUSINESSES IN SERVICE CENTERS FOR RURAL AREAS. THE RESULTANT FLOW OF PEOPLE FROM THE RURAL AREAS TO THE MAJOR METROPOLITAN CENTERS OF THE UNITED STATES CONSTITUTED ONE OF THE LARGEST MIGRATIONS IN HISTORY.

DURING THE 1950s AND 1960s, ECONOMISTS AND SOCIOLOGISTS WARNED THAT MANY OF THOSE WHO WERE MIGRATING FROM THE RURAL AREAS TO THE NATION'S METROPOLITAN CENTERS POSSESSED FEW MARKETABLE SKILLS AND THAT THEY WOULD FACE SERIOUS ADJUSTMENT PROBLEMS AFTER MIGRATION. BUT, THERE WAS A STRONG HISTORICAL PRECEDENT FOR AMERICAN CITIES TO RECEIVE IMMIGRANTS FROM ABROAD AND TO PROCESS THEM FOR EMPLOYMENT IN INDUSTRY. INDEED, AMERICAN CITIES TRADITIONALLY WERE THE MAJOR POINTS OF ENTRY FOR IMMIGRANTS FROM OTHER NATIONS WHO CAME TO THIS COUNTRY IN SEARCH OF PRODUCTIVE ROLES IN THE AMERICAN ECONOMY. THE PREVAILING VIEW WAS THAT THE CITIES ALSO COULD ASSIMILATE AND EMPLOY THE WAVES OF MIGRANTS FROM RURAL AREAS.

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<sup>1</sup> IN THIS PAPER I HAVE SUMMARIZED MAJOR FINDINGS OF PAPERS PREPARED FOR THE PANEL ON METROPOLITAN AND NONMETROPOLITAN GROWTH OF THE PRESIDENT'S COMMISSION FOR A NATIONAL AGENDA FOR THE EIGHTIES.

## RECENT CHANGES IN METROPOLITAN AREAS

THE MIGRATION OF BLACKS AND HISPANICS INTO AMERICAN CITIES IN THE THIRD QUARTER OF THE TWENTIETH CENTURY HAS MANY PARALLELS WITH THE MASSIVE MIGRATION INTO THESE SAME CITIES FROM OTHER NATIONS IN THE LATE 19th AND EARLY 20th CENTURIES. THE ANALOGY, HOWEVER, PROVED TO BE UNSOUND. INDEED, AT THE SAME TIME THAT THE FLOW OF BLACKS AND HISPANICS FROM THE HINTERLANDS OF AMERICA INTO THE METROPOLITAN AREAS WAS OCCURRING, A SECULAR DECLINE OF THE INNER CITY ALREADY WAS IN PLACE. THIS DECLINE STARTED MORE THAN ONE-HALF CENTURY AGO. IT GREW OUT OF CHANGES IN THE INDUSTRIAL STRUCTURE OF OUR OLDER CITIES AND FLIGHT FROM THE INNER CITY TO THE SUBURBS. THE WAVES OF IMMIGRANTS COMING TO THIS COUNTRY IN THE LATE 19th CENTURY AND THE EARLY PART OF THE 20th CENTURY LOCATED LARGELY IN THE MAJOR URBAN CENTERS, AND MANY OF THEM FOUND EMPLOYMENT IN LARGE-SCALE MANUFACTURING PLANTS THERE. RECENTLY, THERE HAVE BEEN PRONOUNCED CHANGES IN THE INDUSTRY MIX IN METROPOLITAN AREAS. MANUFACTURING HAS DECLINED IN RELATIVE IMPORTANCE, AND NEW PRODUCTION TECHNOLOGY IN MANUFACTURING HAS CREATED INCENTIVES FOR LARGE SCALE SUBSTITUTION OF CAPITAL FOR LABOR. AS A RESULT MANUFACTURING INDUSTRIES ARE NO LONGER ABLE TO EMPLOY LARGE NUMBERS OF MIGRANTS. INDEED, THEY ARE UNABLE TO RETAIN THEIR CURRENT LABOR FORCE. THE CHANGES HAVE BEEN SO LARGE THAT ONE AUTHOR CONCLUDED THAT "THE ERA OF MASSIVE CENTRALIZED INDUSTRIALIZATION IS OVER AND LARGE, DENSE CONCENTRATIONS OF PEOPLE AND FIRMS HAVE BECOME TECHNOLOGICALLY OBSOLETE."<sup>2</sup>

DURING THE 1970's, NET MIGRATION METROPOLITAN AREAS EXCEEDED 2.7 MILLION PEOPLE.<sup>3</sup> THE INNER CITY EXPERIENCED A REDUCTION IN POPULATION, EVEN IN THE

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<sup>2</sup> KASARDA, J.D., "THE IMPLICATIONS OF CONTEMPORARY REDISTRIBUTION TRENDS FOR NATIONAL URBAN POLICY," P. 31

<sup>3</sup> KASARDA, J.D., P. 31

NATION'S MOST RAPIDLY GROWING METROPOLITAN CENTERS. CENTRAL CITIES WITH MORE THAN ONE MILLION POPULATION ALSO EXPERIENCED A SUBSTANTIAL DECLINE OF EMPLOYMENT IN MANUFACTURING, WHOLESALE AND RETAIL TRADE.

EVEN AS EARLY AS THE MID-1960s ECONOMIC CONDITIONS IN MANY OF THE NATION'S CITIES HAD BECOME DEPLORABLE, AND IMPROVEMENT OF CONDITIONS IN THE GHETTOS BECAME A KEY ELEMENT IN THE WAR ON POVERTY. THE EFFORT FAILED MISERABLY. TODAY, THERE IS LITTLE QUESTION THAT THE MINORITY POOR IN THE NATION'S OLDER CITIES ARE WORSE OFF THAN THEY WERE IN THE 1960s. MOREOVER, DURING THE PAST TWO DECADES, THERE HAS BEEN A SHARP REDISTRIBUTION OF POVERTY FROM THE NON-METROPOLITAN AREAS TO THE NATION'S LARGEST CITIES, AND PARTICULARLY TO THE DECLINING OLDER CITIES IN THE MANUFACTURING BELT. DURING THE 1970s, THE NUMBER OF BLACKS LIVING IN POVERTY IN THE CENTRAL CITIES INCREASED APPROXIMATELY 40%. CLEARLY, THE CITIES ARE NO LONGER SERVING AS A ZONE OF PASSAGE FROM THE RURAL HINTERLANDS TO INDUSTRIAL EMPLOYMENT. INDEED, FOR A HIGH PERCENTAGE OF MINORITIES, AND ESPECIALLY FOR YOUNG BLACK MALES, THE OLDER CITIES HAVE BECOME A DEADEND.<sup>4</sup>

IN SPITE OF AN INTENSIVE NATIONAL URBAN DEVELOPMENT PROGRAM TO TRANSFORM CITIES FROM CENTERS OF PRODUCTION OF MATERIAL GOODS TO ARCHITECTURALLY EXCITING, CULTURALLY RICH PLACES, SERVING AS CENTERS OF CONSUMPTION AND SERVICE, STEADY MIGRATION OF JOBS FROM THE INNER CITY CONTINUES. IT HAS NOW BECOME CLEAR THAT MUCH MORE THAN COSMETIC CHANGES WILL BE REQUIRED TO RESTORE THE ECONOMIC VITALITY OF AMERICA'S METROPOLITAN CENTERS AND TO PROVIDE PRODUCTIVE AND SATISFYING LIVES FOR THE MILLIONS OF MINORITIES NOW LIVING IN THE HUGE ENCLAVES OF POVERTY CONSTITUTING THE INNER CITIES. MANY OF THESE CITIES CANNOT EXPECT TO GENERATE SATISFYING EMPLOYMENT OPPORTUNITIES FOR THE LARGE NUMBER OF PEOPLE NOW ENTRAPPED IN THEIR GHETTOS.

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<sup>4</sup> NORTON, R.D., "RE-INDUSTRIALIZATION AND THE URBAN UNDERCLASS," P. 3

## THE REVERSAL OF FLOWS BETWEEN METROPOLITAN AND NON-METROPOLITAN AREAS

IN THE LATE 1960s AND EARLY 1970s, NET MIGRATION REVERSED AND PEOPLE BEGAN TO EXIT THE MAJOR METROPOLITAN CENTERS IN LARGE NUMBERS. THE DRAMATIC REVERSAL OF THE FLOW OF MIGRANTS PRODUCED RAPID POPULATION GROWTH IN THE NON-METROPOLITAN AREAS OF THE NATION. THE MOST RAPID INCREASE IN POPULATION OCCURRED IN TOWNS WITH BETWEEN 2,500 AND 10,000 POPULATION. IN CONTRAST WITH THE PREVIOUS DECADES, THE HIGHEST RATES OF GROWTH WERE IN RURAL COUNTIES WITHOUT URBAN CENTERS, AND THE RATE OF GROWTH OF COUNTIES VARIED INVERSELY WITH THE SIZE OF COUNTIES.

IT SHOULD BE EMPHASIZED, HOWEVER, THAT NOT ALL RURAL COUNTIES GAINED POPULATION. THE FARM POPULATION CONTINUED TO DECLINE DURING THE 1970s. IN FACT, MORE THAN 500 NON-METROPOLITAN COUNTIES CONTINUED TO LOSE POPULATION DURING THIS PERIOD.<sup>5</sup> THE DECREASE WAS GREATEST IN THE GREAT PLAINS AND CORN BELT STATES. THERE IS SUBSTANTIAL EVIDENCE, HOWEVER, THAT RECENT MIGRANTS FROM THE RURAL COUNTIES DID NOT FOLLOW THE TRADITIONAL LONG DISTANCE MIGRATION PATTERNS TO THE MAJOR METROPOLITAN CENTERS OF THE NATION. RATHER, THE MIGRATION FROM FARMS AND FROM RURAL COUNTIES WAS TO NEARBY TOWNS AND CITIES.

MOBILITY OF CAPITAL HAS HAD IMPORTANT EFFECTS UPON THE AMERICAN ECONOMY. GLICKMAN HAS SHOWN THAT THE PHYSICAL RELOCATION OF CAPITAL REPRESENTS ONLY ABOUT 2% OF ALL PRIVATE SECTOR EMPLOYMENT CHANGE.<sup>6</sup> THERE ARE, HOWEVER, NUMEROUS OTHER WAYS IN WHICH DISINVESTMENT CAN OCCUR IN ONE AREA WHILE CAPITAL IS RELOCATED TO ANOTHER AREA. IN ADDITION TO THE CLOSING OF A PLANT, CAPITAL CAN BE TRANSFERRED THROUGH DEPRECIATION OF THE PLANT WITHOUT MODERNIZING IT, THROUGH TRANSFER OR MANAGEMENT OR OTHER KEY RESOURCES, AND THROUGH INVESTMENT OF THE PROFITS OF ONE PLANT IN ANOTHER.

<sup>5</sup> PARKER, M.H., FUTURE AND CONTINUING PROBLEMS AND OPPORTUNITIES IN NON-METROPOLITAN AMERICAN: THE PROSPECT FOR THE 1980s, P.2.

<sup>6</sup> GLICKMAN, N.J., INTERREGIONAL TRADE, CAPITAL MOBILITY AND ECONOMIC GROWTH, P. 45.

THERE IS EVIDENCE OF A SUBSTANTIAL INCREASE IN MOBILITY OF CAPITAL BETWEEN METROPOLITAN AND NON-METROPOLITAN AREAS DURING THE PAST FEW YEARS. FOR EXAMPLE, BETWEEN 1962 AND 1978, 56% OF ALL NEW MANUFACTURING JOBS PRODUCED IN THIS COUNTRY WERE OUTSIDE THE METROPOLITAN AREAS.<sup>7</sup> MODERN DEVELOPMENTS IN COMMUNICATION AND TRANSPORTATION TECHNOLOGY AND THE SIMPLIFICATION OF PRODUCTION PROCESSES THROUGH COMPUTERIZATION HAVE ENABLED CORPORATIONS TO DECENTRALIZE TO AN UNPRECEDENTED DEGREE. THE NEWER TECHNOLOGIES THAT ARE BEING APPLIED IN MATURE INDUSTRIES ENABLE THESE INDUSTRIES TO OVERCOME THE PULL OF AGGLOMERATION AND TO DISPERSE. AS INDUSTRIES MATURE AND PRODUCTION PROCESSES ARE SIMPLIFIED AND STANDARDIZED, INDUSTRIAL ACTIVITY IS FREED FROM ITS INITIAL ORIGINS, AND MARKET FORCES BRING ABOUT RELOCATION THROUGH LONG-RUN TRANSFERS OF CAPITAL. ON BALANCE, OVER THE LAST DECADE THE MOBILITY OF CAPITAL HAS FAVORED SMALL CITIES AND TOWNS RELATIVE TO THE MAJOR METROPOLITAN CENTERS.

#### INTERREGIONAL SHIFTS IN ECONOMIC ACTIVITY

NOT ALL REGIONS HAVE BEEN AFFECTED IN THE SAME MANNER OR TO THE SAME EXTENT BY STRUCTURAL CHANGES IN THE AMERICAN ECONOMY. ACCORDING TO KASARDA "THE MOST STRIKING INTERREGIONAL POPULATION REDISTRIBUTION TREND DURING THE 1970s WAS THE HEAVY NET POPULATION GAINS THE SOUTH EXPERIENCED WITH RESPECT TO THE NORTH-EAST, THE NORTH CENTRAL REGIONS, AND THE WEST."<sup>8</sup> BETWEEN 1970 AND 1978 NET MIGRATION INTO THE SOUTH AS 2.8 MILLION. IT SHOULD BE EMPHASIZED THAT THIS IS IN SHARP CONTRAST WITH THE NET MIGRATION OUTFLOWS WHICH THE SOUTH EXPERIENCED RELATIVE TO EACH OF THE OTHER THREE REGIONS DURING EACH DECADE BETWEEN 1900 AND 1960.

THE WEST ALSO EXPERIENCED POSITIVE NET MIGRATION EXCHANGES WITH THE REST OF THE COUNTRY, WITH A TOTAL GAIN OF MORE THAN A MILLION PERSONS BETWEEN 1970

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<sup>7</sup> NORTON, R.D. op. cit. P. 8

<sup>8</sup> KASARDA, J.D., op. cit. P. 2

AND 1978. DURING THE SAME PERIOD, THE NORTH CENTRAL REGION HAD A NET LOSS OF POPULATION EXCHANGE WITH OTHER REGIONS OF 1.8 MILLION PERSONS AND THE NORTHEAST SUFFERED THE GREATEST LOSS OF ANY REGION, LOSING MORE THAN 2 MILLION PEOPLE.

ALTHOUGH THE REVERSE FLOW OF MIGRANTS FROM THE METROPOLITAN AREAS OF THE NORTHEAST AND NORTH CENTRAL STATES TO THE SOUTH CONTAINED MANY BLACKS, IT SHOULD BE EMPHASIZED THAT FEW OF THEM RETURNED TO THE FARMS FROM WHICH BLACKS HAD MIGRATED IN EARLIER DECADES. INSTEAD, MANY BLACKS WHO ARE MIGRATING TO THE SOUTH ARE EMPLOYED IN THE PROFESSIONS AND HAVE CHOSEN TO LOCATE IN TOWNS AND CITIES. OF THE SEVENTEEN BLACKS CURRENTLY IN THE MISSISSIPPI LEGISLATURE, FOR EXAMPLE, ALL BUT THREE LEFT THE STATE EARLIER AND SUBSEQUENTLY RETURNED.

THE MOVEMENT OF CAPITAL AMONG REGIONS ALSO HAS BEEN RAPID. BROWNE ESTIMATED THAT BETWEEN 1960 AND 1976 THE GROWTH RATE OF MANUFACTURING CAPITAL STOCK FOR THE UNITED STATES WAS 3.7%.<sup>9</sup> DURING THE SAME PERIOD, THE GROWTH RATE FOR CAPITAL IN THE FOUR MAJOR REGIONS OF THE UNITED STATES WAS AS FOLLOWS: NORTHEAST 2.7%, NORTH CENTRAL 3.1%, WEST 4.0%, AND SOUTH 5.1%. DURING THIS PERIOD, THE RATE OF GROWTH IN THE CAPITAL STOCK IN THE SOUTH WAS APPROXIMATELY TWICE THAT OF THE NORTHEAST.

IT SHOULD BE EMPHASIZED THAT WE ARE CONSIDERING RATES OF GROWTH RATHER THAN INCREASES IN CAPITAL STOCK PER SE. NEVERTHELESS, THE CHANGES WERE OF SUCH MAGNITUDE THAT THEY WERE REFLECTED IN SUBSTANTIAL CHANGES IN EMPLOYMENT. BETWEEN 1967 AND 1976, FOR EXAMPLE, THE NEW ENGLAND, MIDDLE ATLANTIC, AND EAST, NORTH CENTRAL STATES LOST 1.5 MILLION MANUFACTURING JOBS WHILE THE SUNBELT STATES GAINED 900,000.<sup>10</sup>

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<sup>9</sup> BROWNE, L.E., "REGIONAL CAPITAL FORMATION" FEDERAL RESERVE BANK OF BOSTON, JUNE, 1979. CITED BY GLICKMAN

<sup>10</sup> GLICKMAN, N.J., op. cit. P. 49

ALTHOUGH THESE DATA SUGGEST A SUBSTANTIAL REDISTRIBUTION, IT SHOULD NOT BE INFERRED THAT CAPITAL MOBILITY IS A ONE DIMENSIONAL MOVEMENT. INDEED, NEW PLANTS ARE BEING ESTABLISHED IN EVERY REGION AT THE SAME TIME THAT OTHER PLANTS ARE BEING CLOSED. GLICKMAN EMPHASIZED THAT DISINVESTMENT IS OCCURRING THROUGHOUT THE NATION. WHAT IS IMPORTANT IS THE MAGNITUDE OF THE NET INVESTMENT. IT IS IMPORTANT, THEREFORE, TO EXAMINE THE RATIO OF JOBS LOST TO JOBS CREATED IN ORDER TO GAIN AN INDICATION OF THE NET EFFECT OF CHANGES IN CAPITAL MOBILITY. IN THIS SENSE, THE SOUTH AND WEST APPEAR TO BE FARING BETTER THAN THE NORTH CENTRAL AND NORTHEASTERN REGIONS. SIGNIFICANT INTERREGIONAL SHIFTS OF CAPITAL ARE OBVIOUS FROM THE FACT THAT FOR EACH 100 JOBS CREATED IN FROSTBELT STATES DURING THE PERIOD 1969 TO 1976, 111 WERE LOST AS A RESULT OF PLANT DISINVESTMENT. DURING THE SAME PERIOD FOR EVERY 100 JOBS CREATED IN THE SOUTH AND MOUNTAIN STATES, ONLY 80 WERE LOST, LEADING TO A NET INCREASE OF 20 JOBS.

IN CONTRAST WITH THE OLDER CITIES OF THE NATION, THE YOUNGER METROPOLITAN AREAS IN THE SOUTH AND WEST ARE CONTINUING TO EXPERIENCE INCREASES IN MANUFACTURING, WHOLESALE, AND RETAIL TRADE EMPLOYMENT. CHANGES IN EMPLOYMENT IN THE SERVICE INDUSTRIES TEND TO PARALLEL CHANGES IN EMPLOYMENT IN MANUFACTURING.

BLUESTONE AND HARRISON EMPHASIZED THAT BETWEEN 1969 AND 1976 IN MOST CASES THE AVERAGE SIZE OF PLANT CLOSING WAS GREATER THAN OF THOSE THAT OPENED.<sup>11</sup> THEY FOUND THAT MOST OF THE MANUFACTURING PLANTS CLOSING WITH MORE THAN ONE HUNDRED EMPLOYEES WERE LOCATED IN THE NORTHEAST. SOMEWHAT SURPRISING, HOWEVER, THEY NOTED THAT THE PROBABILITY OF A LARGE PLANT CLOSING WAS HIGHER IN THE SOUTH THAN FOR ANY OTHER REGION IN THE COUNTRY. CLEARLY, ALL REGIONS WERE EXPERIENCING DISINVESTMENT AS WELL AS INVESTMENT OF CAPITAL.

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<sup>11</sup> BLUESTONE, B. AND HARRISON, B., CAPITAL AND COMMUNITIES: THE CAUSES AND CONSEQUENCES OF PRIVATE DISINVESTMENT (WASHINGTON, DC: THE PROGRESSIVE ALLIANCE, 1980 CITED BY GLICKMAN, P. 52



## CHANGING INTERNATIONAL ECONOMIC RELATIONSHIPS

THE DISINVESTMENT IN LARGE PLANTS THROUGHOUT THE UNITED STATES UNQUESTIONABLY REFLECTS CHANGING ECONOMIC RELATIONSHIPS AMONG NATIONS. IT WAS EMPHASIZED ABOVE THAT INTERREGIONAL COMPETITION HAS RESULTED IN DRAMATIC CHANGES IN THE FLOW OF CAPITAL, LABOR AND GOODS ACROSS REGIONS. SIMILARLY, THE DEVELOPMENT OF THE MULTINATIONAL CORPORATION AND THE INTERNATIONALIZATION OF PRODUCTION HAVE LED TO AN INCREASED FLOW OF CAPITAL, LABOR, AND GOODS ACROSS NATIONAL BOUNDARIES.

DURING THE LAST TWO DECADES, WORLD TRADE HAS INCREASED GREATLY. THE SHARE OF INTERNATIONAL TRADE IN THE GROSS NATIONAL PRODUCT OF THE UNITED STATES DOUBLED.<sup>12</sup> AS A RESULT, INTERDEPENDENCE AMONG INDUSTRIAL NATIONS AND BETWEEN INDUSTRIAL NATIONS AND LESS DEVELOPED COUNTRIES HAS INCREASED SHARPLY.

THE COMPOSITION OF IMPORTS AND EXPORTS ALSO HAS CHANGED SIGNIFICANTLY. PERHAPS THE MOST NOTABLE DECREASES IN EXPORTS HAVE BEEN IN THE AREA OF MANUFACTURING. AT THE SAME TIME THAT U.S. EXPORTS OF MANUFACTURED GOODS WERE DECREASING, IMPORTS WERE INCREASING. THE IMPACTS HAVE BEEN PARTICULARLY PRONOUNCED UPON THE AUTOMOBILE, STEEL, AND RUBBER INDUSTRIES IN THE UNITED STATES, INDUSTRIES THAT ARE CONCENTRATED IN THE OLD MANUFACTURING BELT.

THE MAJOR INCREASES IN EXPORTS OF U.S. PRODUCTS HAVE BEEN IN THE AREAS OF AGRICULTURE, HIGH TECHNOLOGY AND FINANCE. GLICKMAN EMPHASIZED THAT THE LABOR FORCE EMPLOYED IN INDUSTRIES IN WHICH U.S. EXPORTS ARE EXPANDING IS MORE HIGHLY EDUCATED, YOUNGER, AND HAS A HIGHER PERCENTAGE OF WHITES.<sup>13</sup> ON THE OTHER HAND, THE PRODUCTS FOR WHICH IMPORTS ARE INCREASING ARE PRODUCED LARGELY BY UNIONIZED LABOR WITH A HIGH PERCENTAGE OF NONWHITE FEMALES. IN A RECENT STUDY, THE CONGRESSIONAL BUDGET OFFICE CONCLUDED THAT THE EXPANSION OF IMPORTS INTO THE UNITED

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<sup>12</sup> GLICKMAN, N.J., op. cit. P. 12

<sup>13</sup> GLICKMAN, N.J., op. cit. P. 27

STATES HAD HURT LOW TECHNOLOGY, ASSEMBLY PROCESS INDUSTRIES.<sup>14</sup> A LARGE PERCENTAGE OF THESE INDUSTRIES HAVE BEEN LOCATED IN THE OLD INDUSTRIAL CENTERS OF THE UNITED STATES, AND THESE REGIONS HAVE SUFFERED FROM THE INCREASED COMPETITION. IN CONTRAST, THE MIDWEST AND THE SUNBELT AREAS HAVE GAINED SUBSTANTIALLY FROM AN INCREASE IN AGRICULTURAL EXPORTS. MOST OF THE GAINS FROM THE FINANCIAL AND SERVICE SECTOR EXPANSION HAVE GONE TO THE LARGEST METROPOLITAN CENTERS IN THE NORTH.

FOREIGN INVESTMENT IN THE UNITED STATES ALSO IS BECOMING A MAJOR FACTOR IN THE LOCATION OF ECONOMIC ACTIVITY. MOST FOREIGN INVESTMENT IN NEW MANUFACTURING PLANTS IN THE UNITED STATES HAS BEEN IN THE SOUTHEAST AND FAR WEST.<sup>15</sup> ACQUISITIONS BY FOREIGN FIRMS ON THE OTHER HAND TEND TO OCCUR IN THE OLDER MORE ESTABLISHED INDUSTRIAL AREAS OF THE NORTH. FOREIGN INVESTMENT IN FINANCIAL INSTITUTIONS HAS BEEN CONCENTRATED IN FOUR LARGE U.S. CITIES IN THE NORTH AND WEST.

ANOTHER MAJOR FACTOR WHICH IS HAVING A SIGNIFICANT IMPACT UPON THE LOCUS OF PRODUCTION, AND WHICH MAY PROVE TO BE EVEN MORE POWERFUL IN THE FUTURE, IS THE GROWING INTERNATIONALIZATION OF PRODUCTION. TODAY, IT IS NOT UNCOMMON FOR COMPONENTS OF A PRODUCT TO BE MADE IN MANY COUNTRIES, ASSEMBLED IN OTHERS, AND THE PRODUCT SOLD IN STILL OTHER COUNTRIES. THE SIMPLIFICATION OF PRODUCTION THROUGH THE STANDARDIZATION OF PRODUCTION TECHNOLOGY HAS MADE IT POSSIBLE, INDEED PROFITABLE, TO TRANSFER MANY FUNCTIONS TO LOW WAGE COUNTRIES. INTERNATIONALIZATION OF PRODUCTION HAS NOW BECOME SO EXTENSIVE THAT BARNET RECENTLY REFERRED TO PRODUCTION TAKING PLACE IN "THE GLOBAL FACTORY."<sup>16</sup>

AS PRODUCTION PROCESSES IN LABOR INTENSIVE ENTERPRISES HAVE BEEN TRANSFERRED FROM THE U.S. TO LESS DEVELOPED COUNTRIES, A SHIFT OF CAPITAL HAS FOLLOWED. THERE

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<sup>14</sup> CONGRESSIONAL BUDGET OFFICE. U.S. TRADE POLICY AND THE TOKYO ROUND MULTILATERAL TRADE NEGOTIATIONS, WASHINGTON, DC U.S. GPO 1979. CITED BY GLICKMAN

<sup>15</sup> GLICKMAN, N.J., op. cit. P. 37

<sup>16</sup> BARNET, R.D., THE LEAN YEARS, NY: SIMON AND SCHUSTER. CITED BY GLICKMAN IN PAPER NATIONAL URBAN POLICY IN AN AGE OF ECONOMIC AUSTERITY, P. 7

IS NO QUESTION THAT THERE HAS BEEN A VERY SIGNIFICANT TRANSFER OF CAPITAL FROM THE UNITED STATES TO THE CARRIBBEAN AREA AND TO THE LESS DEVELOPED COUNTRIES OVER THE PAST DECADE. THESE CHANGES ALSO HAVE BEEN ACCOMPANIED BY AN INCREASE IN IMPORTS FROM THE LESS DEVELOPED COUNTRIES.

THE INTERNATIONALIZATION OF PRODUCTION ALSO HAS BEEN ASSOCIATED WITH THE EMERGENCE OF MULTINATIONAL CORPORATIONS. MANY OF THESE CORPORATIONS ARE CONGLOMERATES. EARLIER IN THIS PAPER IT WAS POINTED OUT THAT THERE HAD BEEN SUBSTANTIAL DISINVESTMENT OF CAPITAL IN MANY INDUSTRIES IN THE UNITED STATES OVER THE PAST FEW YEARS. THE RATE OF DISINVESTMENT IS GREATER IN THE CONGLOMERATES THAN IN ANY OTHER FORM OF BUSINESS.<sup>17</sup> MUCH OF THIS DISINVESTMENT REPRESENTS A SHIFT FROM THE UNITED STATES TO OTHER COUNTRIES.

THIS IS A PERIOD OF RAPIDLY CHANGING ECONOMIC RELATIONSHIPS, DOMESTICALLY AND INTERNATIONALLY. CHANGES IN PRODUCTION TECHNOLOGY AND IN THE RELATIVE PRICES OF RESOURCES ARE BEING ACCOMPANIED BY PRONOUNCED CHANGES IN THE LOCATION OF PRODUCTION AND OF POPULATION.

THE SOUTH HAS MADE SUBSTANTIAL RELATIVE ECONOMIC PROGRESS DURING THE PAST TWO DECADES. IT'S CITIES HAVE GROWN IN POPULATION AND ECONOMIC LOSS. MUCH OF THE RURAL SOUTH ALSO HAS EXPERIENCED AN ECONOMIC RENAISSANCE. IN FACT THE SOUTH LIKELY HAS GAINED MORE THAN ANY OTHER MAJOR REGION OF THE UNITED STATES. THERE CAN BE NO QUESTION THAT THE NORTH CENTRAL AND NORTHEASTERN STATES HAVE LOST RELATIVE TO THE SOUTH AND TO THE WEST. METROPOLITAN AREAS HAVE EXPERIENCED DECLINE RELATIVE TO SMALLER CITIES AND RURAL AREAS IN THE SOUTH AND ELSEWHERE. THE INNER CITIES OF THE MAJOR METROPOLITAN CENTERS HAVE EXPERIENCED POPULATION LOSSES IN THE SOUTH AND IN OTHER REGIONS. THERE HAS BEEN A SUBSTANTIAL MIGRATION OF CAPITAL TO THE SOUTH, AND IT IS CONTINUING.

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<sup>17</sup> BLUESTONE AND HARRISON, CITED BY GLICKMAN, N.J., op. cit. P. 52

IT WOULD BE A MISTAKE, HOWEVER, TO ASSUME THAT ALL OF THE BARRIERS TO ECONOMIC GROWTH IN THE SOUTH HAVE COME TUMBLING DOWN AND THAT INTERREGIONAL ECONOMIC EQUALITY WILL BE ACHIEVED IN THE NEAR FUTURE. THE FORCES AT WORK ARE MOVING US TOWARD AN EQUILIBRIUM. THEY ARE STRONG AND COMPELLING. BUT THE ADJUSTMENTS THAT ARE OCCURRING ARE NOT SHORT-RUN IN NATURE. THEY ARE LONG RUN PROBLEMS OF TECHNOLOGICAL CHANGE AND PLANT LOCATION. I EXPECT THE CHANGES THAT HAVE BEEN UNDERWAY FOR THE LAST 15 YEARS TO CONTINUE THROUGHOUT THIS CENTURY, BUT AT A REDUCED RATE.