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DISCUSSION: ECONOMIC GROWTH OF THE SOUTH VERSUS OTHER REGIONS: PAST TRENDS AND FUTURE PROSPECTS

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I commend Dr. Bluestone for his paper's major contribution to the complicated subject of economic growth. The title of the paper provides ample evidence that an "adequate" treatment of this subject would require the expertise of all economists, that they address the subject in an inter- and intra-temporal sense, and the resulting volume be condensed into a readable length. Bluestone's paper contains 28 pages.

A major contribution of his paper is that it provides detailed data about changes in employment that are, for all practical purposes, unavailable to researchers in universities. It is unfortunate that the possibility of disclosure prevented his inclusion of data for smaller geographic areas.

A major problem, and my strongest criticism of Bluestone's paper, is that the data are presented in percentages, and changes in percentages. It is most difficult to make meaningful (useful) interpretations of data expressed in percentages.

Comparisons of changes in percentage growth rates among regions, among metro areas, non-metro areas, and among industry sectors are difficult at best, and impossible at worst. For example, a 1-percent change in the employment rate in the Northeast may mean that actual employment has changed by 6 times as much as a 6-percent change in employment in the South!

Knowledge of base employment numbers is essential to understanding the employment changes reported in this paper. The author is strongly encouraged to provide the base figures used in computing the data reported, even if an additional publication outlet is required.

There are three general points that need to be made about economic growth. First, the trend toward increasing employment in the service-producing sector as opposed to the goods-producing sector has been interpreted in the past as a sign of maturity in a highly developed economy. However, current circumstances generate serious questions. Will expensive capital, especially energy, continue to be substituted for labor in the goods-producing sector? And, if so, what is the implication with respect to the cost of goods? What impact will the recent decline in

labor productivity have on increasing employment in the goods-producing sector in developed countries, and what will be the effect on costs (Eddleman et al.)? Unless changes occur, goods-producing employment will either continue its shift to developing countries, as others have suggested, or consumers will buy fewer goods at higher prices in the near future (Drucker; Hansen). Neither of these alternatives is particularly pleasing.

Second, the expected reduction in the rate of growth in manufacturing employment in the South—especially the Southeast, has happened. The observed increases in manufacturing employment in the South during the past 12–15 years may have been misinterpreted. By and large, the employment increases consisted of relatively unskilled, displaced farm labor, combined with capital, management, and other technological resources produced elsewhere, to make goods for export from the area. This was made possible because much displaced farm labor remained in rural areas and commuted to their new place of work. The economic impact of this employment on the local area was minimal, because the low wages did not stimulate the housing and related social overhead sectors. In many cases, the added wages would not have generated sufficient tax revenue to pay the social overhead cost of the employment if the labor had immigrated from outside the region.

Third, there is no longer surplus labor in the South available at cheap wages. Therefore, future growth of the labor intensive industry will be much more difficult to achieve.

Future economic growth in the South will embrace three resources in the area—labor, water, and climate. Labor must be educated to become highly skilled: This is a long-run, expensive social cost. The South's abundant water resources must be developed and employed to advantage. Perhaps, this essentially unused resource is the key to the region's economic future. The South must more fully capitalize on its favorable climatic resources. Its importance ranges from energy savings and agricultural potential, to the attribute of "a good place to live."

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