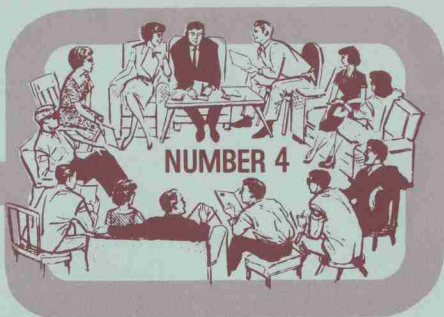


DECISIONS FOR PROGRESS



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FOR THE NORTH CAROLINA AGRICULTURAL EXTENSION SERVICE

Industry and Growth

Many states and local communities throughout the country are seeking industrial development as a means of employing people and their resources more productively. It is estimated that there are at least 14,000 organizations in the U. S. whose objective is to attract new industry and to assist existing industry.

There is unemployment and a great deal of underemployment in most North Carolina communities—in spite of the fact that 290,000 people left the state during the past 10 years to seek employment.

The pressure for more and better jobs is expected to increase during the 1960's because of a rapid increase in population and continued development of labor-saving techniques. It is estimated that 60,000 new jobs per week, on the average, will be needed to employ the manpower of the nation which will be available. These jobs cannot be found in agriculture since fewer workers are required to produce agricultural products.

Factors Influencing Industrialization

■ Numerous studies have been conducted to determine the factors considered by industry in deciding where to locate plant facilities. Many of the factors found to be important coincide with a list compiled by the Department of Conservation and Development in North Carolina. They are as follows:

1. Supply and quality of labor.
2. Markets.
3. Tax structure.
4. Availability and cost of finances.
5. Freight and passenger transportation facilities.
6. Industrial resources which include such things as (a) raw materials, (b) research facilities and (c) professional counseling service.
7. Community attitude and characteristics which include (a) doctors and hospitals, (b) school system, (c) housing, (d) shopping centers, (e) recreation facilities, (f) climate and weather, (g) hotels and motels,



North Carolina is favorably located with respect to consumer markets.

- (h) attitude of established businessmen and
- (i) special services.

Many of the factors considered by industry cannot be changed by public action. For example, the location of consumer markets is a factor that is more or less beyond the scope of community influence.

Fortunately, North Carolina is favorably located with respect to some of the large consuming centers. There are some factors that can be improved. For example, the quality of labor can be increased through education, including vocational training.

Such things as new roads and port facilities may be constructed to provide adequate transportation facilities. Research facilities such as those provided by the Research Triangle are examples of the type of changes that will strengthen the resource base of the state.

Community facilities and services may be improved. Many communities develop industrial sites and establish zoning ordinances to allow for expansion of specific plants. Some areas provide free land, buildings and low cost financing to attract new plants. Selling municipal bonds, at lower yields than corporate bonds, is a rapidly expanding method of providing low cost financing for new industry.

Discuss and Decide

North Carolina has been one of the pace-setters in the race to develop industry. Recently the state was presented an award by the American Society of Industrial Realtors for having the most effective industrial development program of any state in the country.

The main concern is to use industry to the best advantage in North Carolina to obtain economic growth. This involves a lot of study and planning. Let's examine the problem of economic growth as it relates to industry. Set some goals, examine some of the alternative courses of action and then make your decision as to the alternative or combination of alternatives which deserve emphasis.

The Problem

Incomes in North Carolina are low relative to other states. We have 34 counties that have been designated by the Area Re-development Administration as having substantial and persistent unemployment. Our problem is how to use our industry and our industrial potential to provide more and better employment opportunities for people and their resources and thus increase economic growth.

Goals

Professor Clinton Rossiter wrote in *Goals for America*, "While America is not a guaranty of success, it is a promise of opportunity; and we have no more pressing task in the decade before us than to see that the promise is made in good faith to all who live among us." Our major objectives should be consistent with this promise of opportunity, to provide job opportunities that allow each individual to employ his or her talents and resources to the fullest potential.

You may want to adopt certain intermediate goals for a given time period, such as the creation of a number of new jobs equal to the increase in labor force. These and other goals will contribute to the general objective of economic growth.

Alternatives

There are several things that we can do in North Carolina that will influence industrial development. A discussion of a few of the alternatives should help you decide which ones to stress or which ones to forget. Some alternatives might fit your community's situation while others may not. Analyze them carefully and evaluate them on the basis of their merit for your community as well as for the state and nation.

① Should we just maintain our present industry?

It is recognized that industrialization brings problems as well as benefits. Communities might have to add costly services—water facilities, sewage lines, a new disposal plant, additional school facilities, street improvements, bus lines, and other facilities. Some people resent the smoke or the labor influence in a community. They fear that strikes might disrupt the life of the community. There may be a problem of relief aid during a recession. The conclusion by many is that the benefits of increased industrialization could not possibly exceed the economic and social costs involved.

A decision not to increase industry in the state means that we may not be able to achieve the desired rate of economic growth. General over-production in the nation's agriculture and increasing development of labor-saving technologies make it unlikely that we can employ more people in agriculture and

at the same time increase incomes per person. A mass movement of people out of the state might allow those that remain to increase incomes by using more advanced techniques and controlling more resources. Is this an acceptable substitute for increased industrialization?

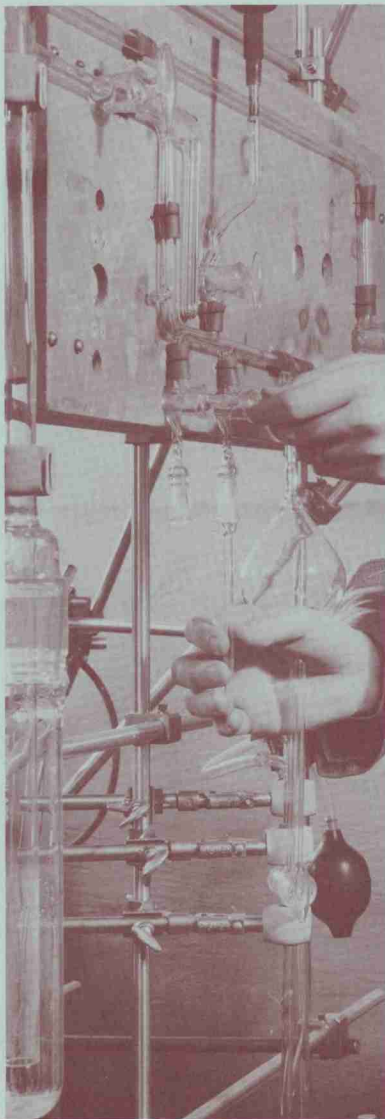
Maintaining the current industrial complex would not be an easy task. Other areas are increasing their efforts to attract industry, including those plants currently operating in North Carolina. If we abandon efforts to increase industrialization, we may, in fact, lose part of our existing industry.

② Should we develop new industry?

New industry, as the term is used here, includes plants constructed either by new firms within the state or old firms located in other states. A new industrial plant will contribute to higher incomes in a community if it results in the employment of resources that would otherwise be idle. This statement is equally true if resources are employed more productively than they would be otherwise. A U. S. Chamber of Commerce study shows that a typical plant employing 100 people will increase personal incomes in a community by \$590,000; bank deposits by \$270,000; and retail sales by \$360,000. Other studies show that one to two additional jobs result from every new job within a manufacturing plant.



DuPont locates a plant in Kinston, N. C.



Research is an important phase of industrial growth.

Before you decide that developing new industry might be a good idea for your community, you should examine the costs that may be involved. How does your community measure up to other communities with regard to the factors considered by new industry? Can the situation be changed such that the community will be competitive with other areas? If so, how much will it cost?

When everything possible has been done to make a community suitable for industry, it is likely that many plants can operate just as profitably in a number of other areas. This situation makes such things as advertising, political, and personal influence important in persuading industry to locate in specific communities.

The purpose of obtaining new industry should be kept in mind in considering this alternative. Obtaining new industry is not an end within itself but a means of obtaining general economic growth. This means that the expected returns (payrolls, taxes, and increased incomes to other businesses) to the community as a whole must be greater than the costs involved. There are numerous examples where public investment apparently increased incomes over the direct costs. A recent study revealed that in one southern Indiana community a \$160,000 investment in land and a building produced 200 jobs, a minimum \$40,000 monthly payroll, rent payment and other "multiplier" effects.

The risk of business failure is a cost that is often overlooked by communities seeking new industry. There is no guarantee that any specific business venture will succeed. Failure may leave a community with all of the old problems plus some that were created by the collapse of the new industry. Thorough study of the factors necessary for the success of a particular type of industry will reduce the importance of this risk factor.

An important factor in deciding whether to try to get new industry for your community is that *there is a tendency of most industry to concentrate in urban areas or areas where considerable industry is already established.* Some of the reasons for this include: (a) a pool of professional, skilled, and semi-skilled labor from which to draw immediately; (b) access to transportation centers of all kinds; (c) access to services such as financing, legal, and insurance; (d) access to industrial suppliers and maintenance people; and (e) larger and more varied social and cultural attractions.

It may pay some rural communities that



Benefits of industry extend beyond community boundaries.

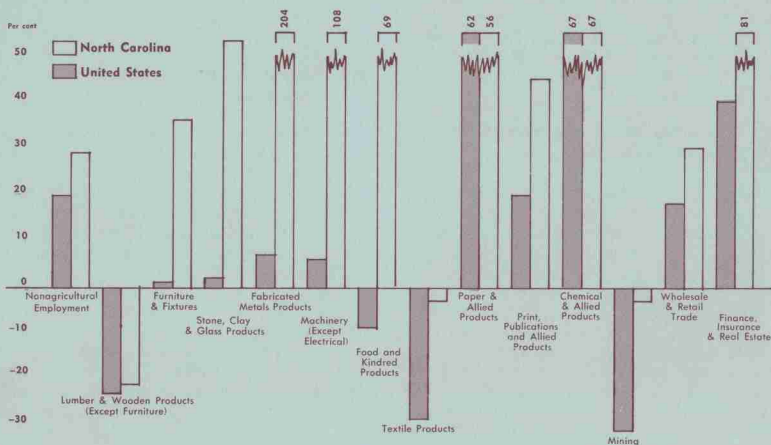
are weak in many of the factors required by industry to work with communities more favorably situated. Benefits of industry usually extend beyond the boundaries of any specific location. Labor is generally more mobile than many other resources. Industry is often classified as *labor-oriented*, *market-oriented*, and *raw-material oriented*. Trying to force all industry to become labor-oriented may slow down the industrialization process and limit the benefits that may be derived. The total bundle of resources available throughout communities all over the state needs to be taken into account if maximum

benefits are to be derived from industrialization.

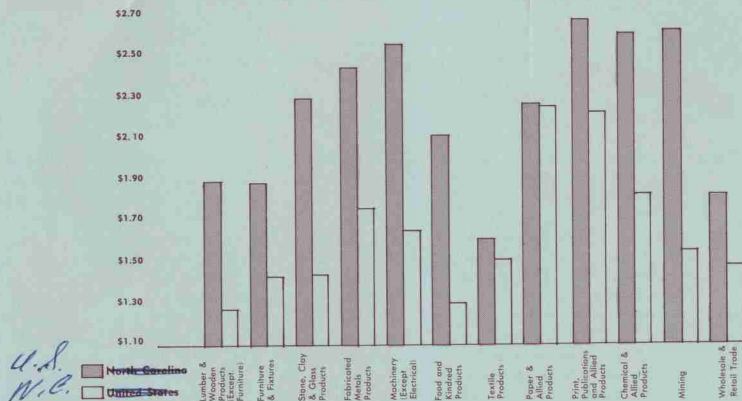
In evaluating the cost and returns of obtaining new industry, particular attention should be given to the *long-run growth potential* of those considered. Certain types of industry may have a rapidly expanding market for its product on a national level. A small plant coming into the state in this case may develop into a large industrial operation. Communities can afford to spend more time and money to attract this type of industry than an industry with a declining market for its product. A firm in an industry with a declining market can be expected to have a difficult competitive struggle in merely sustaining itself. In order for a plant in a declining industry to grow, it must take markets away from plants in other areas.

A high proportion of the industry that North Carolina communities have been getting in the last few years has good growth potential. Some of the most rapid growth industries in the nation in the past decade include: cigarettes; men and boys' clothing; paper and allied products; printing, publishing and allied industries; chemicals and allied products; finance, insurance, and real estate; and service and miscellaneous. Employment in most of these industries listed has grown more rapidly between 1950 and 1960 in North Carolina than it has in the nation as a whole.

Differences in employment in 1960 compared with 1950, U. S. and North Carolina.



Wage rates in 1960, U. S. and North Carolina.



There has been a good increase in relative high wage industries in North Carolina during the decade of the 1950's. Some of the highest wage industries include chemicals; printing, publishing and allied products; fabricated metals products; primary metal; paper and allied products; and wholesale trade. The average hourly wage in all of these industries is greater than \$1.50 in North Carolina.

There may be several other factors that you may want to discuss before deciding upon the feasibility of this alternative. You may want to discuss what type of industry would be most suited to your community. Which provides the greatest growth potential? The least cost in terms of new facilities? The least risk of failure?

③ Should we encourage transfer of industry from other areas?

Ordinarily, a manufacturing industry is not very mobile. They just don't move about from location to location as easily as people. However, even the largest industry will relocate if it can be shown that the long run profit potential is great enough.

The same type of incentives that encourage new industry to locate somewhere can be used to cause an established industry to relocate. The question is whether incentives should be directed toward established industries, and expanded enough so that it would

be profitable for them to relocate in your area?

One immediate hazard in encouraging established industries to move is that the ones most likely to move are the ones on the verge of failure. This risk might be reduced by careful selection of the industry.

The long-run effect in the nation of luring established industries could be costly and wasteful because states and communities would be in a dog-eat-dog competitive struggle to get these industries. Very few communities stress this alternative because they realize that their gain would be at the expense of some other area.

④ Should we assist existing industries to expand?

An examination of the possibilities of expanding existing local industries is the logical starting point in any program to employ local resources more productively. If the slack in employment could be taken care of within the existing industrial framework, very little disruption in the structure of the community would occur.

Existing industries will generally expand in the local area rather than move if the location factors are equal or better than in competing areas. Assuming these conditions exist, local industry will generally expand if conditions are changed in such a manner that it would be profitable. This means that

community efforts might be towards reducing costs, increasing prices or expanding markets.

Prices may be increased in many instances through advertising. The annual Trade Fair is an example of an effort by North Carolina to improve prices and expand markets for products produced by industry in the state. Industry may increase prices and expand markets in many instances by improving the quality of their products. Research by public agencies may be of valuable assistance in this case.

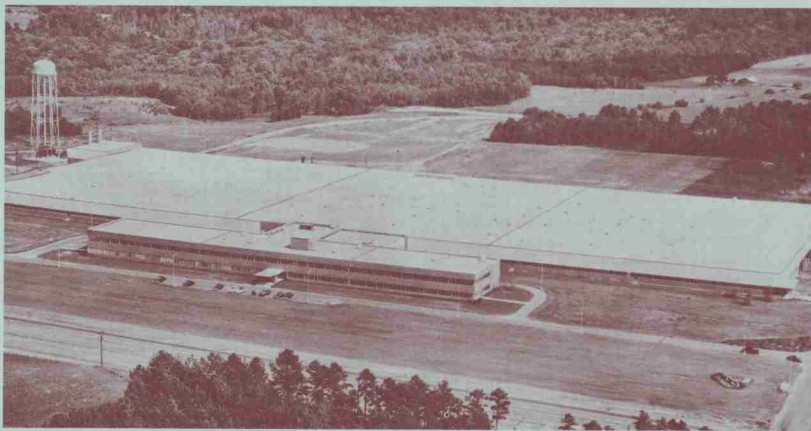
Costs may be reduced by industry through the use of better machine and management techniques. Education by public institutions may help accomplish this, along with research. It is possible that many existing firms do not have capital to expand. A community might incur less risk in providing investment funds to existing industry than to new firms, or expanding firms in other areas.

There are possibly many other ways that communities could help existing industry to expand. For example, a limitation to expansion of certain firms might be a shortage of raw material. When this raw product is some farm commodity, it may be possible to encourage or assist farmers to produce more.

In deciding upon this alternative it is again a matter of relating community costs to returns. Determine the problems of industry that prevent expansion, discuss the ways you might help solve these problems, and decide if it would be worthwhile.



Tourist attractions bring additional income to many areas in the state.



If conditions are right, an industry will expand facilities in its existing location.

Now What?

This discussion does not necessarily include all the alternatives for increasing economic growth through industry. Think of others and discuss them. One or all of the alternatives discussed may be appropriate for your community.

More than anything, you should realize the importance of careful study and planning before any decisions or specific actions are taken to bring industry into your area or encourage the expansion of existing ones.

Industrialization is not an end in itself, but a means of obtaining economic growth. The area that is more likely to use industry to the best advantage is the one that has (1) analyzed the local situation in a total economic context, (2) identified the needs and problems, (3) investigated problems of existing industry and the action needed to solve them, (4) looked at different industries to find the ones that suit the local situa-

tion, and (5) communicated factual and relevant information to individuals or firms who may be in a position to establish new or expand old industry in the area.

You and others can follow up this discussion by taking an active part in state and local industrial development programs. The action taken by these groups will affect you! Your taxes help support some industrial development activities and you will have to live with the changes that are likely to occur as a result of any industrial change.

If your community has not organized a group to assist area and state agencies in industrial development, an opportunity exists for you to examine the possibilities for such a group and initiate action to get it started, if it appears desirable.

The Department of Conservation and Development or the Agricultural Extension Service at N. C. State College, both in Raleigh, will assist your community in organizing a group or in developing a program for industrial development.

Pictures courtesy of the North Carolina Department of Conservation and Development.

This leaflet is one of a series designed for use by informal discussion groups. The subject matter is concerned with economic development of North Carolina. The series of five leaflets include: *No. 1. Why North Carolina Must Grow. No. 2. Manpower and Growth. No. 3. Education and Growth. No. 4. Industry and Growth. No. 5. Agriculture and Growth.*

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