You Decide: Does North Carolina follow a wilder economic ride?

By Dr. Mike Walden, North Carolina Cooperative Extension: I love the North Carolina State Fair. My wife will tell you that around June 1 I start the countdown to the opening of the fair. Everything about the fair – the farm animals, the exhibits, the food, the happy people, and even the rides – appeals to me. Maybe my "love affair" with the State Fair has something to do with my youth. My father would frequently take me to a local county fair where my favorite activity was riding the rollercoaster. Which brings me to the point of today's column: Our economy is very much like a rollercoaster. There are periods of time when the economy is improving – meaning the rollercoaster is rising – but these "ups" are followed by months or years when the economy is dropping – similar to the drop in the rollercoaster.

Economists have observed this up-and-down pattern in the economy for almost all countries and for as long as we have good statistics. We call the pattern the "business cycle." One complete cycle is composed of an "up" period and its corresponding "down" period. In economics jargon, the "ups" are termed "expansions" and the "downs" are labelled "recessions." In the United States in the last 70 years, there have been 12 of these business cycles. The average business cycle lasts about six years. Fortunately, the "up" part of the average cycle takes about five years, while the "down" part lasts around one year.

Everyone would like to be able to predict the business cycle. Knowing when a recession was about to hit would allow both households and businesses to better plan their spending and saving. Realizing a recession was around the corner would mean governments could more rapidly implement programs designed to cushion the blow of the downturn. And investors would better know when and where to move their money.

Unfortunately, although economists and others have tried – and continue to try – there has yet to be discovered any foolproof method of accurately predicting the movements of the business cycle. But there is one thing we know about the business cycle – it does not impact every place in the same way. Specifically, some states have milder business cycles – meaning the ups and downs in their economy are shorter - while other states experience bigger swings through the business cycle.

North Carolina is in the second category, and this can be clearly seen in the current business cycle. In 2006 and 2007 North Carolina's trend in economic growth was stronger than the nation's. Then the recession hit in 2008, and the drop in the state's economy was deeper for the next several years. North Carolina began to pull out of the recession in 2011, started to close the growth gap with the nation, and for the last two years the state's growth path has been stronger than the country's.

The wilder ride of the economic rollercoaster in North Carolina is not new. I've observed it for every business cycle since 1970. Now, of course, the big question is, why? Why is North Carolina's business cycle steeper and deeper? Stated another way, why do we have worse recessions than the nation but – once the economy is revived – stronger expansions? This is a question that economists – including yours-truly – have studied for several decades, and one of the best answers seems to be economic structure. Every state economy has a different mix of industries. Some industries have more volatile movements through the business cycle, while others have milder economic ups and downs.

An industry that clearly has a steeper and deeper economic ride is manufacturing, for two reasons. First, purchasing many manufactured products can be postponed. Say I want a new big-screen TV for my home, but I'm afraid I might lose my job. I'll delay buying that TV and get a few more years of viewing out of my current set. Yet once the economy improves, the second factor kicks in, an impact economists call "pent-up demand." Now all the manufactured products people wanted – but didn't buy during the recession – are bought. This means states with significant manufacturing sectors that suffered a big crash during the recession benefit from a buying surge in the expansion.

This phenomenon is important for North Carolina because manufacturing is still very important to the state's economy. One-fifth (20 percent) of North Carolina's economy is based on manufacturing, compared to 12 percent for the nation. So as manufacturing goes through bigger swings during the business cycle, so does North Carolina.

There's one other major reason for our state's more volatile business cycle – the movement of households from state to state. For decades North Carolina has been a magnet for people leaving their state and seeking a better life somewhere else. However, this movement slows to a trickle during recessions, then picks up during expansions. So once again, this factor contributes to more ups and downs in the state economy. Research shows two-thirds of any state's economic path is tied to national trends. The remaining one-third can make for a more stable state's economy or one with bigger booms and busts. North Carolina is in the second category. You decide if this is a plus or a minus!

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.

Michael Hawks Wins Feed My Lambs Raffle

This is a release from Feed My Lambs: Feed My Lambs, Inc. would like to say thank you to all those who supported our raffle fundraiser. Congratulations to Michael Hawks, the winner of our $300 Food Lion gift card. His name was drawn on November 20.

All proceeds go to support the services Feed My Lambs offers to the community. Pictured here are Feed My Lambs board member Carolyn Smith and Michael Hawks.

Work Related Fatalities Decline in North Carolina

Preliminary figures released today by the state Department of Labor show a decline in work-related fatalities in 2015. The Department of Labor tracks work-related fatalities that fall within its jurisdictional authority to conduct inspections. Fatalities declined from 45 in 2014 to 41 in 2015. The state figures exclude traffic accidents, which account for nearly half of all work-related deaths, as well as homicides and suicides that are investigated by law enforcement agencies, and fatalities investigated by federal OSHA and other exemptions in which the department does not have the authority to investigate such as on farms with 10 or fewer employees.

The federal figures, compiled by the U.S. Bureau of Labor Statistics with the cooperation of NCDOL, include all work-related fatalities. There were 128 fatalities in 2014, including 46 in traffic accidents and 16 from violent acts for which the department does not have the jurisdictional authority to conduct inspections. The federal figures for 2014, the latest figures available, can be found on the BLS website at *www.bls.gov*. BLS will provide preliminary fatality figures for 2015 in October of this year.

"There are many reasons why the department tracks only those work-related deaths within its jurisdictional authority," Labor Commissioner Cherie Berry said. "The department's figures can be broken down by county and are timely, whereas the federal workplace fatality figures are reported in aggregate form and cannot be broken down by county. The federal figures are also nearly a year behind and are out of date when we receive them. It is very important to follow workplace accidents as they are happening in real time to prevent similar deaths in other parts of the state. By tracking in real time, the department can also notify particular industries of any concerning patterns or trends identified or place additional emphasis through education and training in certain counties or regions where deaths are happening. We have to know where to focus our resources."