



Nearby successes don't disprove conservatism

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After years of trying but failing to block the implementation of conservative policies in Raleigh, the state's progressive movement has a new rhetorical theme: North Carolina's recent economic performance has been lagging behind that of our neighbors.

This claim is partially correct. South Carolina and Georgia have fared better on standard economic measures than North Carolina has. But I'm not sure why the Left think this fact constitutes an argument against the modern conservative policy mix of tax relief, regulatory relief, and fiscal restraint.

First the numbers. If we look at gross domestic product adjusted for price changes, North Carolina's real economy has grown by an annual average rate of 2.5 percent since the beginning of 2013. That's the 13th-fastest growth rate in the country, and above the national and Southeastern averages (both 2.2 percent). But real GDP grew faster, at 3 percent a year, in South Carolina and Georgia, and at 3.1 percent in the strongest economy in the Southeast, Florida.

With regard to employment, North Carolina has added more than 440,000 net new jobs since the beginning of 2013, an impressive growth rate of 11 percent that also exceeds the national and regional averages. But, again, the job-creation rates in South Carolina (12.6 percent), Georgia (13.5 percent), and Florida (16.6 percent) were even larger.

Before considering any policy implications from these facts, it's worth noting that two other neighbors, Virginia and Tennessee, haven't fared as well. Virginia, in particular, has posted comparatively dismal growth. Other nearby Southern or Atlantic Coast states such as Kentucky, West Virginia, Maryland, and Alabama have also lagged behind North Carolina.

Moreover, while GDP and total employment are important indicators, so is unemployment. North Carolina's labor market was particularly hard-hit by the Great Recession. The share of our workers who lost their jobs, gave up looking for new ones, or took part-time jobs because they

couldn't find full-time ones — what statisticians call “U-6 unemployment” — reached nearly 20 percent during the depths of the recession, and was still 16.3 percent in 2012.

Since then, our U-6 unemployment has dropped by half, to 8.2 percent in 2017. That was the sixth-best improvement in labor-market utilization in the country, and higher than in any other Southeastern state. The story of North Carolina's economic performance is, in other words, both more complicated and more impressive than progressive critics have presented.

More to the point, do they really want to point to the likes of South Carolina, Georgia, and Florida as economic models that rebut conservatism? These are deep-red states run by Republicans. Like North Carolina, they didn't expand Medicaid under the Affordable Care Act.

While North Carolina has enacted a series of regulatory reforms and broad-based tax reforms that, when fully implemented, will certainly free up our state's economy and boost our competitiveness, our neighbors aren't exactly paragons of left-wing policymaking. On the Cato Institute's “Freedom in the 50 States” index, Florida (6th), Georgia (12th), and South Carolina (19th) outrank North Carolina (24th) in economic freedom, which encompasses tax, expenditure, and regulatory measures.

Of course, making lists and eyeballing correlations doesn't really constitute proof of anything. State economies grow or falter for a variety of reasons, many have little or nothing to do with politicians or government action. Geography, industry mix, and international trade patterns matter a great deal.

When North Carolina conservatives defend our state's turn toward conservative policies, then, we don't just talk about recent economic trends. We point to a large and persuasive body of empirical research in which scholars, adjusting for these non-policy factors, have tested whether government taxes, expenditures, and regulations are linked to economic performance. Most of these studies concluded that conservative policy choices correlated with stronger economic growth, including two-thirds of the papers on corporate and personal income taxes.

It's a complicated issue, to be sure, and a few studies do point the other way. Expect progressives to cite them. That will prove the existence of selection bias, not disprove the value of fiscal conservatism.