



Focus on the South

February 6, 2013 Dr. Alejandro A. Chafuen

“Focus on the South, focus on the young.” I still remember the main message that Hon. Frank J. Shakespeare shared with over one hundred intellectual entrepreneurs 15 years ago in Argentina. Yet he was not speaking about “South” America; he was referring to the dynamics of politics and economics in the United States.

Born in 1925, Shakespeare had a distinguished career. In business, he was a senior executive at CBS and Westinghouse. In government, he was director of the U.S. Agency for International Development (USAID) and ambassador to the Holy See and to Portugal. In the world of think tanks and intellectual entrepreneurship, he served as chairman of the board of The Heritage Foundation. Ambassador Shakespeare described that when interacting with the world of policy, economics and ideas, European and other foreign policy makers, usually focus on the Washington-New York-Boston, Northeast region. Shakespeare was forecasting that economic and political power was going to continue to be moving south.

Since that keynote speech in 1998, the combined GDP of the South grew 18 percent more than the Northeast. The South today produces twice as much as the Northeast. World class car companies like Mercedes Benz, Volkswagen, Nissan, Hyundai, and BMW, have moved to the region. The two ports with most traffic in the U.S. are in the South (Louisiana and Houston). Their competitors in New York-New Jersey handle only one third of their volume.

Congressional representation followed a similar pattern. Since 1990, the South won 12 seats, from 149 to 161, and the Northeast lost 10, from 88 to 78. The least southern of the South Atlantic states—Delaware, Maryland and Virginia—saw no growth in congressional representation. The voice for free-enterprise in the Senate has, at least, four powerful voices from the south, Ted Cruz (Texas), Rand Paul (Ky.), Marco Rubio (Fla.), and Tim Scott (S.C.), who recently replaced Senator Jim De Mint.

In the recent Financial Times ranking of the top 100 full-time MBA schools, the Northeast had 13 schools, as did the South. Northeastern Ivy League schools still score higher, but the programs at Duke (Fuqua), University of Virginia, (Darden), and many others are gaining ground and respect. In its directory, State Policy Network (SPN), lists 96 think tanks in the South. I am not counting the 50 or so groups in Washington, D.C. The District of Columbia is technically, but not culturally, in the South. Even several of the 35 that exist in Virginia, are in the region I call “Washinginia”—the counties in

Virginia that live off Washington spending. SPN lists 41 market oriented-organizations in the Northeast, a similar amount per state than in the South.

When one takes into consideration personal as well as economic freedoms the South is also scoring better than the Northeast. In the index of human freedom developed by the Mercatus Center at George Mason University, nine southern states, score in the top 20. Seven of the nine Northeast region states, score in the bottom 20; three of them—New York, New Jersey, and Massachusetts—scoring in the bottom five. The 2012 North American Index of economic freedom released by the Fraser Institute puts southern states just ahead of the Northeast 6.5 versus 6.4 in a scale of 1 to 10. In contrast, Mercatus puts the South way ahead of the Northeast in its measure of economic liberty. Think tanks inspired by similar market-oriented approaches sometimes come up with very divergent results when measuring the same things. Of major importance for their scores on human and economic freedom is respect for Right to Work Laws. These laws secure the right of employees to decide for themselves whether or not to join or financially support a union. The South's 12 states are "right to work," but not a single state in the Northeast respects this fundamental human freedom.

At least in the coming years, the most powerful libertarian and conservative think tanks will not neglect the South. The new leaders of Heritage Foundation and Cato Institute—Senator Jim DeMint and John Allison, respectively—come from the Carolinas. They bring additional talents. Both worked and helped build successful for-profit businesses. DeMint in marketing and Allison in banking. American Enterprise Institute scholar Charles Murray noted that we now have a political class where many, if not most of its members, never worked for a relevant period of time in private business. The same has been happening in think tanks. But it is not the case for DeMint and Allison. They have real-life experience with the cost of regulations and the abuses of government interventionism.

I will leave for another column a lengthier analysis of the second recommendation of Frank Shakespeare: encouraging think tank leaders and boards to empower the young. Shakespeare reminded the audience that when Ed Feulner became president, he was only 36, Ed Crane was 33 when he co-founded and became president of Cato. Since that day, Heritage budget almost quadrupled, Cato more than doubled. Both organizations reach out to the young, but now require savvy management skills to maintain and grow their programs.

If they want to be more effective, policy leaders and intellectual entrepreneurs from the United States, Europe, and the Americas, should follow Heritage and Cato. They will have to include the business, academic, and political life of the South in their programs and outreach efforts.