

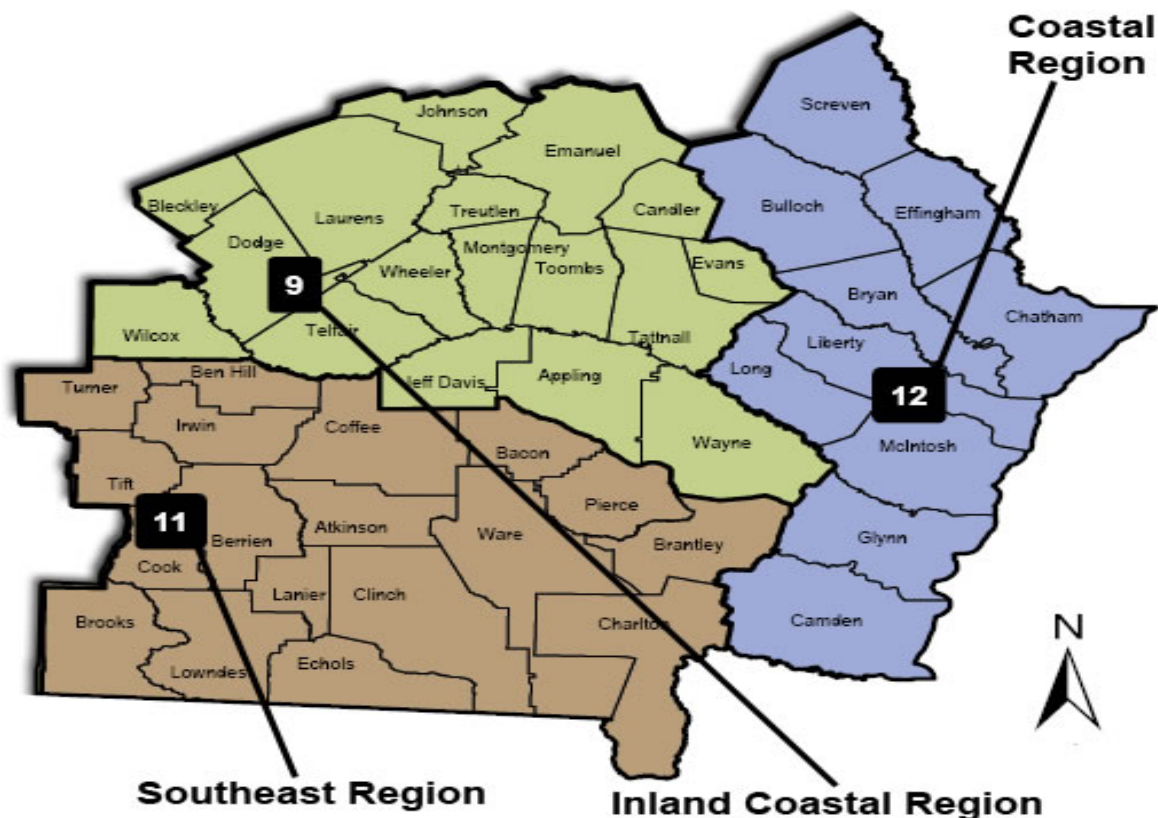
A Potentially Grim Outlook

by Dr. Phyllis W. Isley

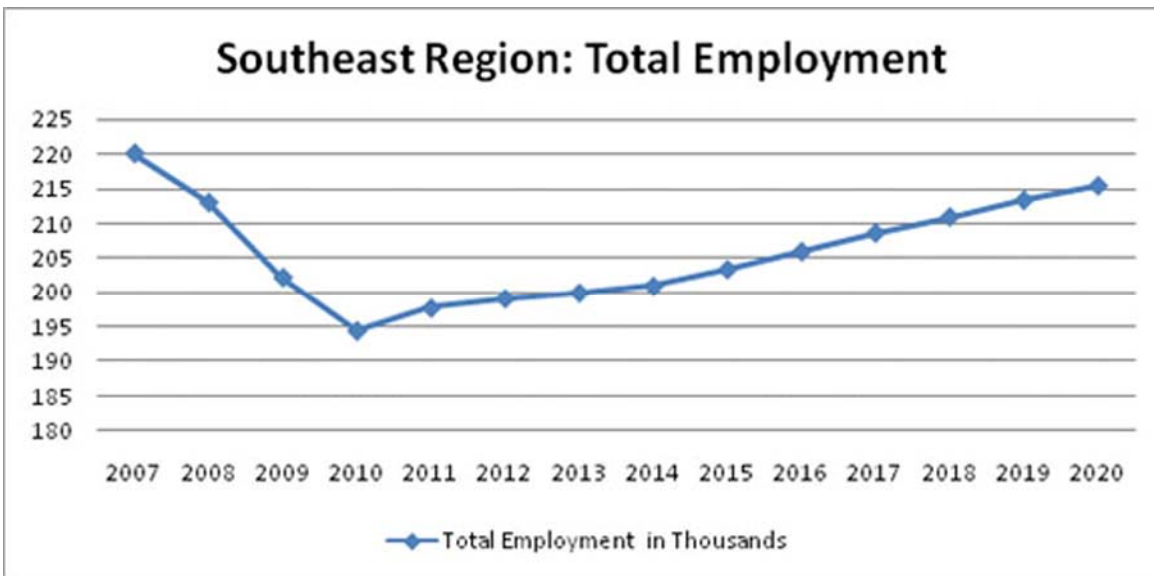
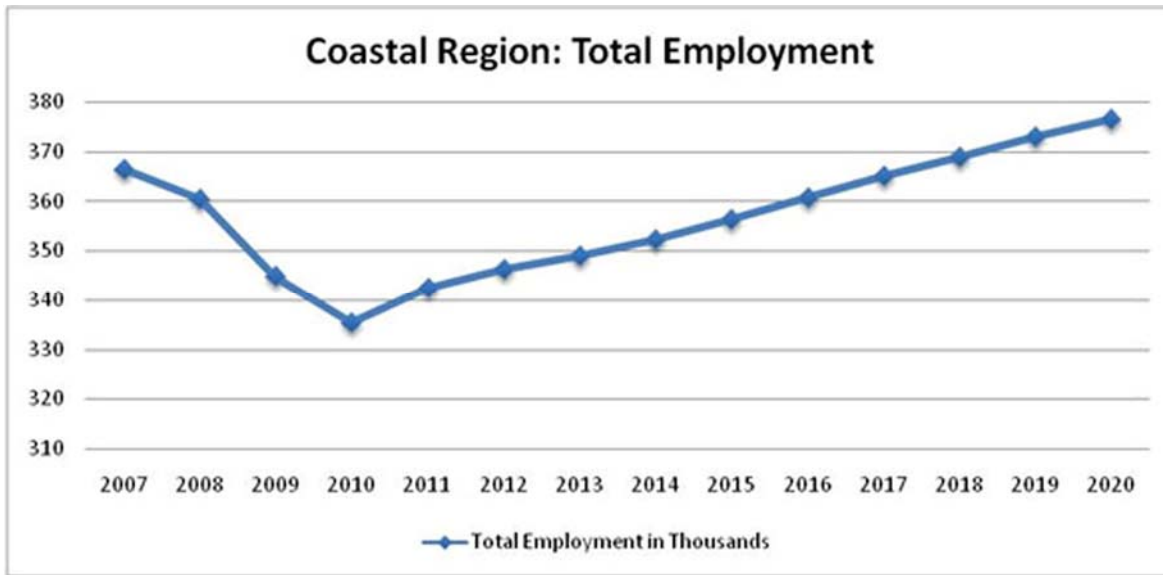
Biography: Dr. Phyllis W. Isley is the director of the Bureau of Business Research and Economic Development at Georgia Southern University. Under her direction, the Bureau has been involved in research on issues of critical interest to the region such as the potential impact of base realignment and closure and the importance of the Ports of Savannah and Brunswick. Dr. Isley may be reached by email at pisley@georgiasouthern.edu.

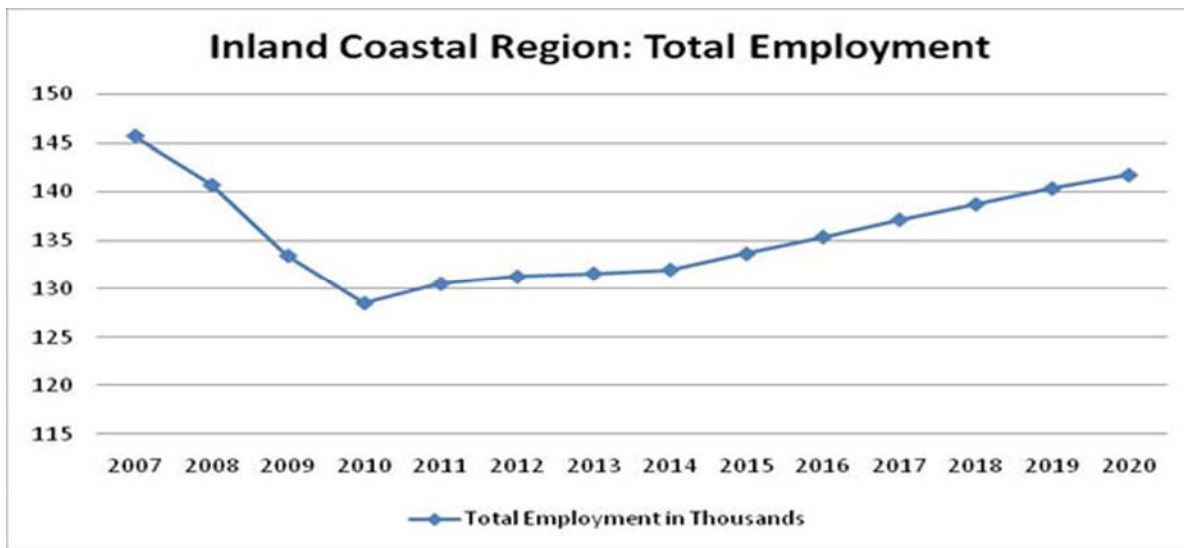
The Great Depression of the 1930's left rural America radically changed. The process of a gradual decline in rural population was exponentially accelerated. When the Great Depression ended, America was an urban nation. Small, rural towns, villages and hamlets were erased from the map.

Many parallels have been made between the current recession and the Great Depression. It is possible that one as yet not discussed parallel bodes ill for many of Georgia's rural communities. As a way of understanding the impact of the current recession on the many different communities served by Georgia Southern University, the Bureau of Business Research and Economic Development simulated the recession's impact in three different regional economies: the Coastal Georgia Economy; the Southeast Georgia Regional Economy; and, the Inland Coastal Economy. Figure 1 shows the counties in each of these regions.



To map out the path of the recession and recovery BBRED used our regional model of the economy, REMI, to examine how each sub-region's economy reacted to changes in the national economy. National U.S. demand and international demand for the region's goods and services were reduced along the expected path of the changes in the U.S. economy. Figures 2 through 4 show the impact on jobs in each of the three regions that were examined.





At first glance all three picture look pretty much alike. There is a gradual decline beginning in 2007 then the economy falls of a cliff in 2008 with a steep drop in jobs. The bottom is shown as around 2010. Then in each case there is a positive by slow recovery in the number of jobs.

However, look more closely at Figures 3 and 4. Job losses in both the Southeast and Inland Coastal regions are of significantly greater magnitude, 11.5 percent and 11.8 percent respectively compared 8.4 percent in the Coastal Region show in Figure 2. Also, notice that in the Coastal Region, the recovery to the pre-recession number of jobs occurs much more quickly, about six year. For the other two regions, they do not make it back to pre-recession levels.

Depressions/recessions accentuate underlying structural flaws in an economy. Regions and industries lagging in economic competitiveness that might have held onto small a market niche but for the recession, will be erased. In the U.S. one should expect that industries and regions that have lagged in investments in human capital, that have lower productivity and older, less cost effective technologies will be erased from the map. To the extent that under-investment describes rural Georgia, one should expect yet another exodus from rural communities like that seen in the Great Depression.

The above pictures do not have to come true, they will be accurate if there is no intervention. Rural communities need to come up with new more effective strategies that will change the slow growth paths on which their economies currently travel.