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The authors believe the nation must come to terms with the crisis that afflicted the rural and small town South as America deindustrialized in recent decades. The loss of manufacturing jobs was far greater than in the rest of the manufacturing belt. They offer a novel analysis as a start toward forming a solution.

The two of us have long been preoccupied with the larger impact of deindustrialization on the rural and small-town South, and as we've explored the topic, it has become entangled with some important political and economic debates, ranging from trade policy to the role played by race and community in shaping (or distorting) southern white working-class culture. Our piece is thus less a presentation of evidence than a progress report on an ongoing research agenda. It is also a topic of some urgency for those of us who feel a critical need to come to terms with just what has brought the rural and small-town South to its present fix.

What is that fix? First and foremost, it is an economic crisis, one that was long in the making but hit especially hard in the first decade of this century. We can illustrate it with the example of one state, one that for much of the twentieth century was the leading manufacturing state of the South: North Carolina. Between January 2000 and January 2010, North Carolina's manufacturing employment dropped by 44 percent, from 761,000 to 429,000. This decline was not new; the slippage began in 1995 and began to accelerate in 1998, when the Asian currency crisis raised competitive pressures on the textile industry. But it really began to accelerate after the turn of the century. The textile industry, long the bellwether of industrial North Carolina, lost 70 percent of its employment between 1998 and 2010, and furniture lost nearly 60 percent. Much of the problem was attributable to the two economic downturns of the period, especially

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the so-called Great Recession of 2008–2009, but nearly half of the collapse occurred during a period of expansion, November 2001 to December 2007. Manufacturing employment has rebounded since then, but only by about 10.5 percent.

Similarly, in Tennessee manufacturing employment slipped by over 40 percent in the same decade and has come back less than 17.6 percent since. South Carolina has fared somewhat better, losing nearly 40 percent but recouping since by 19.7 percent. To be sure, Southern states have hardly been alone in this decline; the United States as a whole shed roughly one-third of its manufacturing jobs in that first decade, bouncing back by only 12.7 percent since. Other industrial Southern states, such as Alabama, have suffered no more than the nation in general, probably thanks to the relative prominence of durable goods in its economy. Employment in auto parts manufacturing has doubled since the beginning of 2010, while textiles, which lost two-thirds of its employment, has continued to decline; Fort Payne, once the boasted Sock Capital of the World, saw its hosiery industry shrink by over 90 percent in that first decade of the twenty-first century.

This decline has disproportionately hit the small-town and rural South, particularly its heavily white populations, and has opened up enormous disparities between these areas and the larger cities of the region. Nearly 70 percent of all employment growth in North Carolina since 2010 has occurred in the Raleigh-Durham and Charlotte metro areas. Population has followed similar trends—according to demographer Jessica Stanford, nearly three-quarters of the Tar Heel State's municipalities have either lost population outright or lagged the growth rate of the state as a whole, while the major growth has occurred on the edges of the two major growth poles. Similarly, over half of all employment growth in Tennessee has occurred in the Greater Nashville–Murfreesboro Metropolitan Area, which now sprawls over fourteen counties. One can live in current Nashville, with its forest of cranes throwing up hotels and luxury apartments, its creative-class hipsters, and its foodie scene, and scarcely be aware of the plight of the outlying districts of the state.

Why the disparity? Part of the answer lies in the industrial structure of the rural and small-town South and its particular vulnerability to the stresses of globalization. Here we draw heavily on the insights of MIT economist David Autor and his collaborators, notably David Dorn and Gordon Hanson, along with recent work by Daron Acemoglu and Pascual Restrepo (Autor, Dorn, and Hanson 2013, 2016; Autor, Dorn, Hanson, and Majlesi 2016; Acemoglu and Restrepo 2017, 2018). For a long time, economists tended to be Pollyanna-ish about the impact of globalization on American workers. First, they observed that for probably at least two generations, the proportion of American workers engaged in manufacturing had been in decline, yet without serious consequences either for employment or for manufacturing output. Just as workers released from the land in earlier times were absorbed by manufacturing, so manufacturing workers released from the factories were absorbed by services. Furthermore, decline in manufacturing jobs did not entail decline in manufacturing but rather resulted from massive gains in productivity. Indeed, as sharp as has been the recent decline in factory jobs, U.S. manufacturing output is at a record high. Free markets, as usual, came to the rescue; fluid labor markets operating on a continental scale would quickly and easily match displaced workers with new employment comparable to what they had.

Autor et al. cast cold water on these presumptions. First, they called attention to the fact that the recent decline in manufacturing jobs was hardly gradual but was (as we've seen above) sudden and traumatic. More specifically, they pointed to the rapid emergence early in the twenty-first century of China as a major force in international trade, which emergence was at once signaled and punctuated by the country's admission into the World Trade Organization (WTO) in December 2001. Using its vast reserves of cheap labor and such epochal developments in transportation as the container revolution (launched, ironically, by a North Carolina entrepreneur, Malcom McLean), China quickly established global comparative advantage in most manufacturing industries. The resulting disruption overwhelmed the capacity of local economies to manage any transition to different employments.

More importantly (and especially for our purposes) Autor et al. (Autor, Dorn, and Hanson 2013; Autor, Dorn, Hanson, and Majlesi 2016) attributed the difficulty of adjustment to a fundamental misunderstanding on the part of economists about how labor markets actually work in practice, as opposed to labor market theory. Specifically, they understood that the United States was not a single, fluid labor market, but consisted of numerous small-scale labor markets with differing characteristics. Some such markets existed in large, economically diverse cities; some were located in innovative regions such as Silicon Valley or North Carolina's Research Triangle, compensating for the loss of old pursuits by generating new industries out of their agglomerations of intellectual capital. But many of these labor markets were rural and small-town based, relying heavily on industries that had either been there forever or were attracted by inducements. Indeed, the U.S. Department of Agriculture had recognized this new reality of rural life in 1990 by dividing the nation up into commuting zones (CZs); updated in 2000, these CZs defined the boundaries within which working-class rural folk organized their economic lives.

It was these latter rural and small-town CZs, Autor et al. (Autor, Dorn, and Hanson 2013; Autor, Dorn, Hanson, and Majlesi 2016) found, that took the brunt of the "China shock." Lacking cultures of innovation, dependent on industries with either low skill requirements or overspecialized requirements, they found it difficult to replace jobs lost to comparably skilled but cheaper labor in China. A neoclassicist would expect workers in such places to simply migrate out; but Autor et al. (Autor, Dorn, and Hanson 2013; Autor, Dorn, Hanson, and Majlesi 2016) found that little such outmigration occurred. Rather, the response of those left unemployed by trade was all too often simply to depart from the labor force altogether. Many retired early, or went on disability, or relied on government healthcare programs. Labor economists have fretted a great deal in recent years about the decline in the labor-force participation rate (at least those who don't attribute the phenomenon solely to baby-boomer retirement). Autor et al. (Autor, Dorn, and Hanson 2013; Autor, Dorn, Hanson, and Majlesi 2016) suggest that part of the explanation for the decline may well be the increasing numbers of such stranded workers.

Finally, these problem CZs tended to be heavily concentrated in several regions: the Midwest and South, along with northern New England. Much of this is simply attributable to the heavy dependence of these regions on manufacturing employment generally. But tellingly, when they subdivide manufacturing sectors to determine those CZs with industrial *structures* most exposed to import penetration, a band appears, beginning in central Virginia and eastern North Carolina and running westward across Tennessee into Arkansas and Missouri, with a salient reaching down into north Mississippi. A similar geographic pattern has been revealed in the recent work of Acemoglu and Restrepo, (Acemoglu and Restrepo 2017, 2018) who broaden the analysis to assess the impact of robotics adoption, exposure to offshoring, and other variables. They find that the impact of robots, like that of Chinese trade penetration, is similarly distributed across the Upper South. As to the impact of offshoring, they apply work done by R. C. Feenstra, G. H. Hanson, and Greg C. Wright (Acemoglu and Restrepo 2017; Feenstra and Hanson 1999; Wright 2014) to CZs and find that the impact of offshoring has been especially strong in the Southeast, including both the Upper South and the Deep South.

In general, though, the recent problem with deindustrialization appears to have been mainly an Upper South problem, afflicting both the old Piedmont heartland of the industrial South and a range of small towns reaching across the lower portions of what has sometimes been called "Greater Appalachia." Why here? We would like to suggest that the roots of latter-day deindustrialization stem largely from the very strategy that the South used to industrialize, both in the early stages of the late nineteenth century and the post–World War II influx of "footloose industries" into small towns across the region.

At the root of this strategy was *adoption* of industry rather than *creation*. The early centers of the American industrial revolution, in the

Northeast but spreading to the Midwest, developed in part by adapting practices already developed in the first industrial nation, Great Britain. Thus the beginnings of the American textile industry relied on technology developed abroad and transferred in the heads of Samuel Slater and Francis Lowell (Tucker 1984; Dalzell 1987). However, it also depended heavily on an already existing community of skilled machinists, and in turn played an important role in developing what by the middle of the nineteenth century was a culture of innovation, to the astonishment of the Europeans, who had previously viewed Americans as uncultivated rubes. It was this creativity that increasingly propelled American industrialization. And then, as now, the mechanical "creative class" of the nineteenth century was gregarious, congregating in major workshop cities such as Philadelphia or, as time went on, in that vast complex of industrial centers that economic geographers called the American Manufacturing Belt.

With minor exceptions, though, this creative community failed to penetrate the plantation South. While we are not wholly convinced by John Majewski's (2016) recent implication that slaveholders were actively hostile to the development of human capital, we find his distinction between what he terms "commodity capitalism" and what he terms "Schumpeterian capitalism" suggestive of the ways in which a slave plantation society, while definitely "capitalist" as understood by Sven Beckert and Edward Baptist (Beckert 2014; Baptist 2014), systematically stifled a broad range of human capital development and economic creativity. Slaves, of course, had their human capital development systematically suppressed; but so also did nonplantation whites, whose opportunities for "learning by doing" were denied by the industrial desert that pervaded the Cotton South in particular.

Thus when the slave plantation complex collapsed into ruin in the 1860s, the region was badly behind at fostering the sort of creativity that had fostered industrialization in the first-moving nations, and the continued dominance of the plantation in large reaches of the South continued to stifle its development there. At the same time, as the South's per capita income plummeted to half of U.S. levels and high fertility rates and low commodity prices kept them down, it became clear to many, especially in the class of small-town merchants emerging in the post-bellum economy, that the region's future required that it join the industrial world.

But how could a region without a "creative class" create an industrial society? The answer was, by adopting. What is the difference between creating and adopting? Adopting industry was a strategy that entailed, first, identifying an industry that had previously developed, but whose technology, broadly defined, was mature and portable. How this worked can best be seen in the poster-child industry of the New South, cotton textiles. Over time, the textile industry, or more particularly its bulk-production branches, had developed a complex of financing, marketing, and technological development firms separate from the mills themselves: commission houses, machinery makers, engineering and consulting firms. Whereas in the early stages of the industry basic problems of technology, merchandising, and the like had to be worked out collaboratively, thus requiring the various components of the industry to be in close proximity to each other, by the late nineteenth century the solutions to those problems had been routinized to the point that they could be readily transferred to new locations. Moreover, after the 1870s, machine makers, engineers, and the like had incentives to open new markets for their goods and services, thus producing a global breakout of the industry from its earliest concentrations. In some regions, notably Japan, the breakout served as stimulus to the development of an indigenous creative class and spurred an industrialization in Majewski's "Schumpeterian" pattern. In the American South, however, the industry, while built under the leadership of local, community-based capitalists, relied heavily on outside technology and managerial advice. Unlike the "proprietary capitalists" of Philip Scranton's Philadelphia textile industry, wedded to flexible production and "endless novelty" and reliant on highly skilled workers, southern producers focused on routinized bulk production of staples using mainly unskilled labor. Rather than creating new products, much less new industries, and competing on innovation and quality, southern producers competed mainly on cost and aimed at seizing market share from older producers in higher-cost regions.

While not an invariable pattern—furniture in North Carolina, for instance, developed a more creative industrial culture—the textile industry set a pattern for much of subsequent southern industrialization. As the region developed a better infrastructure of transportation, communications, and electric power, and as the new giant, vertically integrated enterprises of modern corporate America began dispersing operations, it became a hospitable home for so-called "footloose" industries (or, less charitably, "runaway shops") and branch plants. These enterprises, unlike the earlier homegrown cotton mills, moved into southern communities from the outside, bringing with them the advantages of their preexisting financial, supplier, and marketing connections along with their technology and managerial experience. Such industries were eagerly welcomed by small towns across the region, especially outside the plantation belt, as the post–World War II agricultural revolution threatened their economic base and their way of life. Indeed, they were heavily recruited in ways delineated some years ago by James C. Cobb (1993), with tax abatements and a wide array of subsidies and other inducements—a strategy termed by its detractors "smokestack chasing"–or, in the terms of Jesse White of the Appalachian Regional Commission and later the Southern Growth Policies Board, the "buffalo hunt."

This style of industrialization has been amply criticized for its reliance on cheap labor and its hostility to unionization. But what we would like to stress here is that, for as long as it lasted, it effectively preserved a long-standing and satisfying way of life for the southern white working class. Factory life was in many ways preferable to life on the farm, but more importantly, it underwrote working-class priorities. The southern industrial strategy relied heavily on low-skilled (or in the case of women and sewing machines, ubiquitously skilled) workers, but that was quite all right. Education, after all, poses opportunity costs; it delays adulthood, and not uncommonly breaks one away from the community, either through actual out-migration or through putting yourself "above your raisin'." It is well known that working-class folk tend to spend their lives closer to home than do highly educated middle-class folk. Rather than identifying with their work or their social class, they tend to focus their lives on family and community, seeing their work as but a means to an end. And the work was stable; as Kenny Rogers used to sing, "We got more than some/At least I got a job/Down at the factory."

And despite its routinized character and its low pay, it offered pride. As the self-congratulatory hype of the politicians and the chambers of commerce put it, the South and its (white) people deserved their good industrial fortune, because it demonstrated their virtue; their workers had it over other Americans because they had a good "work ethic." Of course, by that they hardly meant anything sociologist and economist Max Weber would recognize as a "Protestant ethic"; they meant that southern workers did as they were told and took what they were offered. But for many workers who relied on the job at the "fact'ry" and whose children followed them in, it seemed a good bargain. It raised their kids, anchored their marriages, underwrote their commitments to kin and parents and respectable roles in the community, and nurtured lifelong friendships.

And then, with traumatic suddenness, it all came crashing down. Deindustrialization didn't simply eliminate jobs as readily replaceable units; for many communities, it has devastated a whole way of life, a way of life that may never be rebuilt. Some economies will be able to recover. When the *Wall Street Journal* recently ran an article on the collapse of the traditional industries of Hickory, N.C., drawing heavily on the work of Autor et al., a Hickory native wrote a refutation in the conservative magazine *The Federalist* touting the restoration of the economy through high-tech industry. Left on the cutting-room floor was the decline of per-capita income in Catawba County, in which Hickory is the principal city, from parity with U.S. levels to 80 percent, while the poverty rate has nearly doubled, and the percentage of people accepting SNAP benefits has more than quintupled. And some of those high-tech poster children? Server farms, drawn in by the promise of cheap power offered by Duke Energy to replace the lost industrial customers that it built its grid to serve—big investments, small employers. Wealth accumulates, as Oliver Goldsmith might say, but men decay.

Clearly, the southern industrial strategy has reached a dead end, at least as far as its traditional role in underwriting the southern working class is concerned. And what economist Enrico Moretti has called "the new geography of jobs"—a geography predicated on job-generating innovation—offers little to the deindustrialized communities discussed above. Indeed, this geography doesn't offer much hope to most American counties: In the first five years of recovery after the Great Recession, twenty counties, together comprising only 17 percent of the U.S. population, accounted for half of all of the new business growth in the country.

With the above points in mind, it is therefore not surprising that the public policy response thus far has been largely unsuccessful in the rural and small-town South. To be sure, politicians in the post–Civil Rights era vaguely recognized the long-term problem and discussed it at length through such venues as the Southern Growth Policies Board. In particular, they sought to deal with it through enhancements to public education. But education, including Trade Adjustment Assistance, has proven utterly inadequate. More recently, public policy has actually been retrogressing; the SGPB has dissolved, and present-day political leaders have fallen back on the old inducements of low wages, taxes and regulation, large financial inducements, and a more explicit hostility to worker organization.

Reversing globalization has, as we know, been restored to the national agenda after a long era of liberalizing trade. But thus far the new protectionism seems to have wrought nothing but havoc, even in the South. The China shock was limited to the last decade, and indeed there has been some "onshoring" since then; but most of those jobs will never come back. States such as South Carolina have shifted to an economy bound tightly to global markets, supply chains, and finance, for which the new protectionism threatens disruption. Blaming the Other for people's troubles still works for many but is, as always, a cynical dodge.

Finally, observers from political scientist Charles Murray to memoir writer J. D. Vance (*Hillbilly Elegy*) look at the social dysfunction—opiates, family instability—that has spread across white working-class America, much of it southern, and have attributed it to cultural decay. We'd say they mistake effect for cause. Still others, unpleasantly, dismiss the economic concerns of working-class whites as simply covers for redneck racism—and, indeed, the southern white working class has long been in the habit of understanding their place in the world in terms of their "whiteness" and has been all too prone to accept racial explanations for their troubles. But the future of the South, and of the country, requires some serious thought about what a satisfying replacement for the industrial South can be. It should be at the top of the South's agenda, and the nation's.

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