The Arkansas Decade: We Mean Business, 1993

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THE ARKANSAS DECADE

We Mean Business

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Searcy, Arkansas
A

Commemorative Issue

of

The Entrepreneur

a quarterly journal

of the

Belden Center for
Private Enterprise Education

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Arkansas is truly an ideal spot in our great land. Situated at the buckle of the sunbelt, Arkansas is benefitting from the northeast-to-southwest shift of population in the United States. The migration from frost belt to sun belt, and the economic emergence of the southern tier of states, have thrust our Natural State into the middle of today’s action. The labor force, a key indicator, is increasing faster than the national average.

Fifty percent of the U.S. population is within a 550 mile radius of the borders of Arkansas. More than 1,000,000 people live within a one-hour’s drive of our state Capitol. A retirement mecca, Arkansas’ percentage of older citizens (14.3%) is second only to Florida (17.6%). Last year, Arkansas significantly outpaced the nation and was among the top ten states nationally for percentage increases in output, employment and personal income.

So, let’s pass the word: Arkansas is a thriving rural center of commerce and agribusiness. True, in good times, the Arkansas economy may not always surge at the rate of the U.S. economy. However, we usually experience milder recessions than the rest of the nation. In recent years we have often maintained an unemployment rate below the national average. And wouldn’t you know it, in hard times nationally, people eat more of our wholesome Arkansas chicken.

Even during the national recession, Arkansas was recording near-record high levels of capital outlays for industrial growth, plant expansions, jobs, new facilities. Arkansas added 25,000 jobs in 1991, while California lost over 330,000 jobs. And several California businesses relocated to Arkansas: R & G Sloane Co., Rohr Industries, Beverly Enterprises, and Sharper
Continued economic and industrial growth is vital to the quality of life in our state and for the future of our children. Therefore, Arkansas Power and Light (AP&L) announced five years ago their program, "Teamwork Arkansas"—a five-year, $10-15 million commitment to creating more jobs for the state. "Teamwork Arkansas" represents a coordinated private sector commitment to support public efforts through a plan to address specific goals and needs in the areas of industrial prospecting, community development and national advertising and public relations.

Administered through the AP&L Marketing Department, "Teamwork Arkansas" works in concert with the Arkansas Industrial Development Commission (AIDC), the state and local chambers of commerce, and other groups dedicated to Arkansas' future. It incorporates the findings of in-depth research in recent studies initiated by then-Governor Bill Clinton, notably the 1986 report of the "Jobs For Arkansas' Future" committee, which provided with key guideposts in directing our economic development efforts.

Simultaneously, area chambers of commerce in our Natural State have, with private sector encouragement, launched leadership institutes. These forward-looking institutes identify and motivate potential leaders; acquaint them with community needs, problems and opportunities; offer a forum of exchange of alternative methods for dealing with those needs, problems and opportunities; and challenge potential leaders with community involvement and decision-making.

Locally, these area chambers of commerce consist of business and professional people who provide the ideas, the drive, the goals, and the voluntary services that work for a better Arkansas community for everyone. In my own community, and in the past four years, the AIDC has sponsored 23 "Quality First" programs. Over 400 Quality Management students have graduated, representing 60 companies and yielding $15 million in savings to local businesses.
Arkansas is a desirable place to live and work amid natural beauty free from urban pressures. Most future jobs in our state will come from small business, light manufacturing, food processing, tourism, technology, services. Of course, the most significant customer for small business is big business. So, we'll continue to attract some capital intensive firms requiring greater worker skill levels.

On balance, our state's relatively small population, approximately 2.4 million, does put us at some disadvantage in trying to attract the type of businesses which produces end products for consumers. Transportation cost-wise, these businesses would prefer demographically, and everything else being equal, to be in or near larger markets. Consequently, our forte remains somewhat with the more natural fit, the basic commodities produced from the land.

We will, however, continue to do a brisk business in tourism, conventions, etc., now that Mr. Clinton has put us on the map. In 1992, there was a 30% increase in corporate inquiries to move facilities to Arkansas. We are ahead of 24 other states in the number of Fortune 500 companies located in Arkansas. Yes, we're on the map now, thanks in good part to our Favorite Son's success in the Presidential race. The media now says "... Little Rock," not "Little Rock, Arkansas."

What sectors would now benefit from Mr. Clinton's Presidency and a united government? Most probable candidates would include, starting here at home, Little Rock specifically, and Arkansas, in general. Arkansas will become a greater and more selective filter for additional federal grants and traditional pork-barrel projects. Tourism, publicity, agriculture, exports, industry relocation, utilities, Delta initiatives, airline service, upgraded medical and military facilities--the list is endless.

The composite Arkansan appreciates the opportunity to have a good job and to keep it. The Arkansan worker wants to help his company grow, and quality-consciousness is a way of life. According to companies with multi-state operations, the Arkansan
will have less absenteeism and more productivity than his counterparts almost anywhere else.

Among the nation’s 48 contiguous states, Arkansas’ business climate usually ranks high in the South Central region and nationally in annual studies conducted by Grant Thornton Accountants and the Management Consultants, an international firm of Certified Public Accountants. With exports and foreign investments accounting for 13% of the Gross State Product, and over 50,000 jobs for Arkansas, it is also obvious that our commercial links to the rest of the planet are something we cannot ignore. Any guesses as to who is our number one trading partner? Canada buys 30 percent of Arkansas’ exports.

Tax Base and Income

In Arkansas, industry receives a handshake, not a shakedown. From a corporate and individual standpoint, taxes in Arkansas are lower than two thirds of the 50 states. State and local governments have aided the era of industrialization by providing incentives on the one hand, while exercising tight fiscal controls on the other hand.

Act 529, the state’s 1985 investment tax credit of 7% for manufacturers who invest more than $5 million--this has contributed significantly to the creation of tens of thousands of jobs and billions of dollars in additional spending for plant and equipment. Did this tax credit cost? No, it paid for itself many times over.

Governor Jim Guy Tucker has sold an impressive economic incentive program to the Legislature. As a result, the entire state of Arkansas is now one large enterprise zone with its respective tax credits incentive. Local municipalities, with the help of voters, will now be able to finance their respective campaigns to build the brick and mortar social capital necessary to attract industry. Other incentive and loan programs will favor small business, day-care centers and the Delta.

The median family income and per capita pre-tax income in Arkansas are approximately 80% of the national average. However, after adjusting for com-
parative living costs and taxes of all types, some of the seemingly affluent states slip toward the bottom of the list, according to two separate estimates of relative purchasing power. The average Arkansan then has an adjusted per capita income higher than the citizens of eight Midwestern and Northeastern states: Rhode Island, Kentucky, North Dakota, Mississippi, South Dakota, Massachusetts, Vermont, New York, and Maine, respectively.

The Mid South has been an underdeveloped region in the past, but it is catching up; it has a better growth potential than any other region of the country. Future growth into the mid-south will probably come from the continued migration of manufacturing, and private-service industries to take advantage of our region's relatively lower wages, taxes, energy costs, land costs, and mild climate. The national population is also expected to increase more rapidly in our region. Yes, like a developing country, the south has reached the "take-off" stage of its economic growth.

**Economic Progress**

In Arkansas, perhaps as in no other state, it is appropriate to observe that population growth and economic development have become one of those "Which came first--the chicken or the egg?" propositions. All newcomers do indeed arrive complete with multiple needs for housing, services, and retail establishments, etc. Little Rock, our state's capitol city and hub of our air, rail, highway and waterway networks, lies about halfway between Chicago and Houston and is somewhat east of center between Los Angeles and New York. We even have our own President now.

Economic progress is very important to all Arkansans. With it, our children don't have to relocate, our communities continue to grow, and our infrastructure can be upgraded. The AIDC is right on the money in reminding us that no federal or state government program can be effective in promoting economic progress without a tandem program of local civic development sparked by the enthusiastic support of community leaders. It is these key players who are willing to do what is necessary to keep the area's economic condition at a level where businesses will
risk their resources in the hope of making a profit. Everything else is just a means to that end.

In all of our Arkansas communities, the profitable operations of business are the source of all other benefits. Only by succeeding in this fundamental endeavor, can our Arkansas towns provide the jobs and produce the wealth to finance all the governmental, civic, educational, cultural and charitable needs that each of our communities is faced with every day.

These local chambers of commerce are a catalyst—a common vehicle through which business and professional people work together for the corporate good of the community. Accordingly, Arkansas’ local chambers have increasingly been more progressive in developing master plans of goals to promote sound economic growth for business and agriculture, along with efforts to improve the economic well-being and quality of life for all residents.

AP&L is correct in noting that many factors enter into the competitive search for industry: a quality labor force (including skills of employees and the wages they will demand) ...ample transportation...proximity to customers and raw materials...a business climate that makes it easy to operate...low energy costs ...and availability of existing “spec” buildings for prospects.

As neighboring states get more competitive and step up their industrial outreach recruitment, Arkansas must keep the incentives to attract and retain industry: (1) the investment tax credit, (2) those statewide enterprise zones, (3) continued infrastructure development, and (4) more quality management training.

Yes, economic progress may begin with the our local community efforts, but we must do more. We are past the point when it is adequate to sell ourselves as “nice place to live, work, and enjoy life.” But it is a good start, for sure.
Our Manufacturing Forte

Many people believe that the manufacturing sector is becoming less important to the Arkansas economy. Actually, just the opposite is true. Manufacturing is very important to Arkansas as a generator of jobs and income. Does that make Arkansas more or less vulnerable to a recession?

Regarding manufacturing intensity, we are ninth in nation. That may seem to make us more vulnerable to swings in the business cycle. However, have diversified into numerous recession-resistant industries. They tend to be less vulnerable to the business cycle. Arkansas' excellent performance in 1991-1992 (jobs, output and personal income gains, etc.) proves that. Our largest manufacturing employer is in food processing, the paragon of recession-resistant industries.

Over half the employees in manufacturing in Arkansas live in communities with a population of less than 2,500. The personal income derived from manufacturing has a great impact. According to the Arkansas State Chamber, for every 100 new manufacturing jobs created in a community, 64 non-manufacturing jobs are created: 45 jobs in wholesale and retail, entertainment and recreation; 7 jobs in transportation; 3 in finance, insurance and real estate; 3 in repairs and services; 3 in construction; and 3 in public administration.

With these payrolls, communities face better economic times. Local and state tax bases grow, services are expanded and there are more educational opportunities. The impact of manufacturing jobs in Arkansas is highly significant when total earnings are examined. All manufacturing employees earn about $5 billion; $3 billion went into small towns, as 60 percent of our manufacturing workers come from small towns. It's fair to assume that without these paychecks, many small towns would languish and lose population.

Arkansas' "Free Port Law" applies to finished inventories maintained by manufacturers located within the state and to goods stored in warehouses in transit through Arkansas to destinations outside the state. This law provides that all goods manufactured within
the state and stored for shipment outside of Arkansas shall not be assessed for taxation in the State. Also, covered in this tax exemption are goods which are moving through the state and which may be stored in a warehouse, dock, etc., in transit to a destination outside of Arkansas.

Arkansas is one of 21 states which has passed the Right to Work Law. Among this nation's 50 states, and in the creation of new manufacturing jobs, non-agriculture jobs, and contract construction employment, the 21 states which ban compulsory unionism continue to outdistance the 29 states which do not have Right to Work Laws.

**Taproots to the Land**

Arkansas' location and climate, economic as well as natural, have combined to position us at the right place at the right time. Population growth rates have been above the norm for the sunbelt and the nation. Today, Arkansas counts manufacturing as a major economic factor, but there are others. Agriculture continues to exert a major positive influence on the state. From cotton to soybeans, poultry to tomatoes, Arkansas is among the nation's top ten producers.

In Arkansas, agribusiness truly is big business. Each year, Arkansas leads the nation in production and exportation of both rice and commercial broiler chickens. The right kind of soil and the right amount of moisture come together in the southeastern quadrant of the state to make it the nation's rice bowl. The opposite, northwest corner of the state is the nation's poultry house. Scientific growing methods have cut the growing time nearly in half to help feed Americans whose per capita consumption of chicken is growing 50 percent faster than that of red meat.

Although there are big operations in agribusiness, the individual farmer still plays a key role. Literally thousands of Arkansas farmers grow commodities on contract for major companies; thus, avoiding the economic pressures that have forced most of their counterparts off the land they love. We have also achieved a fascinating tripartite agricultural coalition. Our Junior Senator is on the Agricultural Subcommit-
Our Senior Senator is the Chairman. Agriculture-related bills are then signed by our President.

Arkansas is richly endowed with natural attributes—a climate of four distinct but temperate seasons, sparkling streams fed by springs and manmade lakes replenished by ample rainfall, considerable bauxite deposits, the only diamond mine in the nation, and more than 18 million acres of forest land prized by lumbermen and vacationers alike.

Arkansas is a testimonial that man and nature can live in harmony and even improve upon one another’s handiwork. The hill country, with its attraction to the tourist, artist, sportsman, and vacationer, encompasses roughly half of the state. North of the Arkansas River are the Ozark and Boston Mountains, believed to be among the nation’s oldest. Every fall, these northern hills burst into spectacular shades of autumn.

To the south are the pine-covered Ouachita Mountains. Petit Jean Mountain sports a grand 75-foot waterfall. Trout fishing on the Little Red River and canoeing down the white waters of the Spring and Buffalo Rivers bring great pleasure. Many a sportsman’s ideas of paradise is achieved by Arkansas being near the top in national rankings for hunting of duck, quail and deer.

The climate of Arkansas is classified as a subtropical climate, characterized by relatively mild temperatures. Rainfall is usually abundant throughout the year. Winters are usually short and mild. The area has an average frost-free growing season of about 215 days.

The Bottom Line

The bottom line, or end of the matter, is that business is good in Arkansas. It will get better as new jobs create new needs, which in turn will create more new jobs. Such are the makings of real opportunities. So, there is plenty to do—something for each and every one of us. Then, the coming generations, who will be the true judges of what we do today, will find us worthy of our tasks.
Recently, *U.S. News and World Report* reported that their survey ranked the Arkansas economy among the "Ten Best Off," in fact, in Third Place, among the 50 states. And so it was, that when this writer moved to Arkansas from the West Coast 22 years ago, a local realtor provided this sage advice, "Once you become an Arkansan, you can never leave." Now I know; count me in for the duration.
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The ENTREPRENEUR is a quarterly journal and newsletter addressing contemporary economic issues from a moral perspective. One may not agree with every word printed in the ENTREPRENEUR series, nor should feel he needs to do so. It is hoped that the reader will think about the points laid out in the publication, and then decide for himself.
ABOUT THE AUTHOR

Dr. Don Diffine is currently Professor of Economics at Harding University in Searcy, Arkansas, and Director of the Belden Center for Private Enterprise Education. The Senior Research Associate of Harding's American Studies Institute, Dr. Diffine is also the Director of Economics Teams that have won First Place in national Students in Free Enterprise competitions on six occasions.

Listed in the Heritage Foundation's Guide to Public Policy Experts, Dr. Diffine is the author of a 200-page Facts Book for Business and Industry and is published frequently in the Journal of Private Enterprise. He currently has over 90 articles and monographs in print.

Dr. Diffine is the recipient of the Freedoms Foundation George Washington Honor Medal for his article "All American Economics—Made in the U.S.A." He is the editor of the ENTREPRENEUR, a journal that has received five Freedoms Foundation awards in the category of Non-profit Publications. In 1990, the National Flag Foundation presented its "New Constellation Award" to Dr. Diffine for his booklet, "TO THE FLAG—Our Banner of Liberty."

The recipient of the $7,500 Freedoms Foundation Principle Award for Excellence in Private Enterprise Education, Dr. Diffine has received nine other Freedoms Foundation awards in the categories of Economic Education, Public Affairs-Advertising, Public Address, and Published Works. He is also the faculty winner of a $1,000 First Place prize in a National Essay contest judged by Nobel Economist Milton Friedman.

In 1988, the first annual Distinguished Scholar Award was presented to Dr. Diffine by the Association of Private Enterprise Education. He is listed in Personalities of the South and Outstanding Educators of America. The Wal-Mart Foundation has designated him as a Samuel Moore Walton Free Enterprise Fellow.

Dr. Diffine has provided Congressional testimony on business problems, economic impact statements, and inflation-recession dilemmas. A member of the International Platform Association and also an economic humorist, he is a frequent speaker for conventions, management clubs, stockholders' meetings, trade associations, and chambers of commerce.
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