

Oil and Water

Nearly five years after Hurricane Katrina dealt the Gulf Coast a body blow, the Deepwater Horizon explosion sent millions of gallons of crude oil gushing into the Gulf of Mexico, setting back important sectors of the region's economy such as tourism and fishing. Staff writer Charles Davidson—a south Alabama native—was able to get a first-hand look at the area in late July. He came back with a deeper understanding of what the communities were experiencing. “Several things struck me in reporting on the economic effects of the BP oil spill,” he said. “A couple stand out. First, you have to be there to truly appreciate the impact. It’s disheartening to read, hear, and watch news about the spill, but it hit me in the gut when I visited lower Alabama. Down there, there’s no escaping it. Everybody is either directly affected by the spill or knows people who are. Several people even described their communities and themselves as ‘grieving.’”

“Second, there is not *one* oil spill economic impact story from the Gulf Coast because there is not a single Gulf Coast,” Davidson added. “On Alabama’s coast, tourism is king. Fewer visitors means fewer jobs and lower revenues for already recession-strapped local governments. By contrast, southern Louisiana relies on the energy industry. So the deepwater drilling moratorium is largely unwelcome there because so many people either work on the offshore rigs or in on-shore jobs tied to drilling. The moratorium is much less of a daily concern in Alabama and north-west Florida.”

Far from the coast, we explore the role of cotton in the southeastern economy. Cotton and the South have a long and complex relationship, and it’s one that has never stopped evolving with the times, said staff writer Lela Pratte. “While researching the cotton story, I was amazed by the technological advances the industry has

made over the past several decades,” she said. “From the farm to the textile mill, the industry is investing heavily in research and technology to lower production costs and grow cotton more efficiently, as well as increase the fiber’s global market share and its resistance to insect damage.

“Additionally, I gained new insight into the cotton industry’s marketing to promote cotton’s integral role in consumers’ daily lives,” she said. “I hadn’t really thought about the competitive challenges that were driving those ad campaigns, but now I have a much better understanding of the industry’s efforts to build a strong preference for cotton—as opposed to synthetic fibers—among consumers.”

In examining how ports in the Southeast weathered the recession, associate editor Nancy Condon learned just how small the world is. Her investigation led her hundreds of miles southward, to the Panama Canal, currently undergoing a \$5.25 billion expansion.

Because this expansion, scheduled for completion in 2014, will allow more and larger ships to pass through the canal, it could shift a large part of maritime business from the West Coast to the East Coast—and ports in the Southeast are scrambling to find the funds to accommodate the potential growth. “I was honestly surprised to learn just how connected our ports are to the Panama Canal,” Condon said. “The ripple that started with the expansion of the canal is becoming a wave on our own coasts.”

Please visit the Atlanta Fed’s website at frbatlanta.org for our frequently updated information about the oil spill, its economic effects, and more. ■

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Editor’s note: Throughout this issue, Southeast refers to the six states that, in whole or in part, make up the Sixth Federal Reserve District: Alabama, Florida, Georgia, Louisiana, Mississippi, and Tennessee.

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