

Mother Nature's Vengeance...Again

It's been nearly six years since Hurricane Katrina brought the hammer down on the Gulf Coast. Then, as now, this southeastern region felt the blows that severe weather can deliver and the burdens it can bring to bear on folks who choose this part of the country to call home. The cost of lives lost takes the greatest toll on us all. More than 350 people perished in the recent tornado outbreak that struck Tuscaloosa along with other parts of Alabama and northeast Georgia. And the flooding from the mighty Mississippi left homes destroyed and fields flooded all along the southern swath of river into Louisiana.

The economic impact—while far less important than the loss of men, women, and children—is significant. Disruptions from both the tornado events and the flooding will continue. Opening the Morganza Spillway helped relieve the pressure of flooding on New Orleans and Baton Rouge, but in a sad twist of fate, that relief devastated rural areas. As tragic as it was, the tornado outbreak resulted in temporary disruptions—power is restored, cleanup is under way, and overall (Tuscaloosa notwithstanding), production, transportation, and business activity will soon be back on track. The economic recovery in the Southeast should go on. But the heart of the region—and the heart of its people—hurts once again.

Sunshine and smoke

Florida has long held a mystique in the American mind as a tropical wonderland. While that vision is one the state's leaders are eager to maintain, the recent recession has tempered reality with high unemployment and a punishing housing slump. So when staff writer Lela Somoza began delving into the demographic changes Florida has experienced, she was surprised by

some of the innovative strategies under way in the state to lay the groundwork for future prosperity.

"I was surprised at the progress Florida has made in nurturing a competitive biotech/life sciences industry," she said. "While there's still much work to be done, the state has made impressive gains. Orlando, with its 'medical city' research center, is a great example of the way diversification can help build a stronger economy. Although biotech and Florida's other industry clusters are still in their early stages, I look forward to seeing them take shape in the coming decades."

Declines in some other areas of society's fabric are to be applauded, and the falling number of U.S. smokers is one of them. But those who continue to light up are paying a steeper price at the cash register, as politicians hike the tax rate on cigarettes. Staff writer Ed English looked at tobacco taxes to see if deterrence or revenue is the motivation behind making smoking more expensive.

"Politically speaking, smokers can never be sure who their friends are," English said. "One might think that because the Southeast has the lowest cigarette taxes of any region that legislators are their friends. Of the seven states with an excise tax of less than 50 cents per pack, three are in the Southeast—Louisiana, Alabama, and Georgia—and three others are within a half-day drive: Missouri, North Carolina, and Virginia. Conversely, the states with tax rates of more than \$2 per pack are relatively distant: Washington, Wisconsin, and a slew of states in the Northeast. But while legislators have given Southeast smokers a break on taxes, that's about as far as the friendship goes.

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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.

Photo p. 5: photo (top) by Nahoko Miyake and courtesy of the Lafayette Convention & Visitors Commission; bottom photo p. 5 courtesy of Franks Casing Crew & Rental Tools Inc; p. 27 by Virginia Delaney; back cover (right) courtesy of the Library of Congress photographic archives.

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In the last decade, each state in the region has enacted some form of smoking restriction.”

East meets South...America

The expanding role of China in the global economy is a frequent topic of discussion among economists, but its rapidly evolving relationship with Latin America was on the mind of Stephen Kay, senior economist and director of the Atlanta Fed’s Americas Center. Kay foresees a deepening dependence between the two regions in the coming years. “It’s obvious that China’s rapid economic growth has had a profound impact on Latin America, but until I read *The Dragon in the Room: China and the Future of*

Latin American Industrialization, by Kevin P. Gallagher and Roberto Porzecanski, it wasn’t clear to me how much some countries stand to win or lose in this process. While Chinese demand for Chilean or Brazilian exports—primarily in the form of raw materials—has contributed to economic booms in those countries, China may be much more of a competitive threat for Mexico, which relies on manufactured exports. The last 10 years have led to some dramatic changes in the hemisphere, and the trade process is just getting started.” ■

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among 10 digital media centers in the South, along with the likes of Austin, Atlanta, Nashville, and New Orleans.

Pixel Magic, a Hollywood digital effects studio, opened a location in



Lafayette in 2009. The state and local governments are vying to attract more digital media firms, partly piggybacking on Louisiana’s emergence as a popular locale for shooting movies. Just as important, Lafayette’s city-owned fiber network offers unusually inexpensive high-speed data transmission services to every home and business in the city.

Medicine, education sources of job growth

Digital media holds promise for Lafayette. For now, though, local experts cite health care as the first economic staple after energy. Health care jobs account for 13.6 percent of metro area employment, compared to 12.6 percent in the state and 12.9 percent nationally, according to the Louisiana Workforce Commission. Education is another major employment sector. The University of Louisiana Lafayette has 16,000 students and 1,890 employees. And the Lafayette Parish public school system is the area’s largest single employer, with 4,568 workers.

Some of the reasons Lafayette and Louisiana have bucked the recession are

not ideal. For one, neither experienced the boom-gone-bust as places such as Atlanta and much of Florida did. As Tulane’s Smith put it, “We didn’t have the jobs to lose.”

Lafayette’s daily newspaper, *The Advertiser*, opined in an April 2011 editorial that the area still needs to diversify its economy. The paper noted that Lafayette and Louisiana didn’t suffer much from the nation’s loss of manufacturing jobs in the recession because “we have proportionately less manufacturing.” The piece lauded the state for luring some factories recently. “If we can post similar successes in the digital and high-tech area—Pixel Magic in Lafayette is a start,” *The Advertiser* editorial concluded, “we’ll truly be on our way to the transition from an old-style resources economy to a modern, competitive, diversified one.” ■

This article was written by Charles Davidson, a staff writer for EconSouth.