

Slow rebound may determine whether NC really swung

ALLEN G. BREED - AP National Writer - Associated Press

In many ways, Keith Fountain's personal economic odyssey is North Carolina's.

After a decade at Lucent Technologies, Fountain was making \$22 an hour working in the company's warehouse in Concord, northeast of Charlotte, when he was laid off in July 2009. He used a federal retraining grant to go back to community college, but decided he'd rather be working, so he took a part-time job making sandwiches in a grocery deli to supplement his unemployment check.

After two years and hundreds of applications, the 49-year-old Army veteran finally landed another manufacturing job, driving a forklift for a company that makes components for rechargeable lithium-ion batteries. It paid \$13.75 an hour.

Since President Barack Obama took office, Fountain says he and his wife, Mary, have slipped "down toward the bottom end of the middle class."

Big fall, slow recovery.

Four years ago, Obama became the first Democratic presidential nominee to win North Carolina since Jimmy Carter in 1976. Pundits called the victory historic, but it came by the slimmest of margins, just 14,000 votes out of nearly 4.4 million cast.

History suggests that if the economy doesn't show substantial improvement in the year before a presidential election, the incumbent loses. North Carolina's recovery from the "Great Recession" has lagged behind the nation's.

Between February 2008 and February 2010, the recession's lowest point, the state shed more than 330,000 jobs. More than half were in manufacturing and construction. As of July, North Carolina was still down more than 53,000 jobs from when Obama took office, and a report from the nonprofit North Carolina Budget & Tax Center says many of those gains have been in the low-wage sector.

At one point, the state's jobless rate reached 11.4 percent, making North Carolina one of only nine states where unemployment topped 11 percent. The rate is now 9.6 percent, more than a percentage point above the national average.

Whether election history repeats itself in the Tar Heel state depends largely on whom residents blame for what even Obama has called an "incomplete" recovery. If 2010 elections, when Republicans gained control of the state General Assembly for the first time in more than a century, are any indication, Obama is in trouble, says economist Mark Vitner.

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"There's a lot of angst about the economy," says Vitner, a managing director and senior economist at Wells Fargo in Charlotte.

Fountain says he doesn't blame the president for his financial setbacks.

"I mean, there are some things he could have handled a bit different," Fountain says of the man he voted for in 2008, and for whom he intends to vote again this November. "But, for the most part, he's made every effort he can to turn things around. Just with the obstructionists in Congress and stuff, it's been hard to get anything done."

Charlotte career counselor Randy Mitchell says others might not be so forgiving.

"I think many people expected here, four years later, there would have been more of an improvement than there has been," says Mitchell, who works to link laid-off professionals with franchise opportunities. "The people I talk with, I don't believe most of them blame the current administration for this continued economic malaise. I do think many of them, though, do vote with their wallets and may say, 'Hey. Maybe it's time for a change.'"

Driving around the capital city, it's not unusual to minivans with vanity plates declaring the occupants a "house divided": One side UNC-Chapel Hill Tar Heel blue, the other N.C. State Wolfpack red.

The plates are an apt political metaphor for The Old North State.

On paper, Democrats outnumber Republicans here by about 760,000. But when it comes to presidential elections, North Carolina's heart has been pretty reliably red.

Carter's victory came in the wake of the Watergate scandal, "an odd election," says Michael Munger, a professor of political science, public policy and economics at Duke University in Durham. In 2008, there was that electric feeling that history was in the offing.

With the sluggish recovery, says Munger, "all the air is just out of that balloon."

"Under the ideal conditions, Obama BARELY won," says Munger, the Libertarian Party's 2008 gubernatorial nominee. "It's not clearly a swing state."

The candidates are certainly treating it as if it is.

Through the end of August, the campaigns and independent groups had spent about \$56 million on television spots here. That places North Carolina, which has 15 electoral votes, fourth in total ad spending.

But economist John Connaughton says North Carolina is notoriously hard to pin down.

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"You know, North Carolina is not a single state. It's a bunch of different regions," says Connaughton, a professor at UNC-Charlotte. "I don't know whether the candidates, either one of them, really appreciate the differences in message that they ought to do in Charlotte versus in Raleigh and versus in the eastern part of the state."

North Carolina's "legacy industries" — textiles, tobacco and furniture-making — have been declining for years as cheap foreign labor made even this "right to work" state less attractive to manufacturers. Still, when the recession began, about 22 percent of the state's economic output came from manufacturing, which was nearly twice the national average.

So the downturn in that sector struck North Carolina disproportionately.

In a just-released report from UNC's Global Research Institute, Daniel Gitterman argued that the state had not fully recovered from the 2001 recession when the latest blow struck.

"To put the matter bluntly, it is difficult to overstate the problems that have troubled the North Carolina labor market over the past decade," Gitterman writes. "Policy wonks are still debating some of the details, but no one doubts that conditions remain distressed."

That distress is not just in the blue-collar sector. It also extends from the factory floor to the skyscraping bank headquarter buildings in Charlotte.

Obama carried just 32 of the state's 100 counties in 2008, but they were the major population centers, including Raleigh-Durham, Charlotte and the Triad Region, which covers Greensboro and Winston-Salem. The president got a huge boost from Charlotte's Mecklenburg County, where he took 62 percent of the vote, beating U.S. Sen. John McCain by just under 100,000 votes.

The last four years have not been kind to "Bank Town." The nation's No. 2 banking center behind New York, Charlotte has lost thousands of jobs in the financial industry shake-up.

"I do believe there are more former bankers in this town than there are current bankers," says Mitchell, a former Bank of America employee who now owns a franchise of The Entrepreneur's Resource.

Many of them came during the industry boom of the late 1990s and early 2000s, and wanted to stay even after their jobs went away. That would describe Rob Hanckel.

Hanckel moved to Charlotte in 1997 after nearly a decade at Smith Barney in New York. He spent much of the next 13 years in institutional sales with Charlotte-based Wachovia, once the nation's fourth-largest bank holding company.

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In 2008, Wells Fargo bought out the company. Two years later, Hanckel was downsized.

After months of trying to find work in his field, the 56-year-old husband and father of two decided to volunteer with the local unemployment office. He spends part of each week in the fellowship hall of a local church, teaching other laid-off workers how to network and polish their resumes.

Many thought it was telling that retired Bank of America CEO Hugh McColl Jr., a lifelong Democrat and honorary co-chair of the DNC host committee, agreed to co-host a Charlotte fundraiser for Romney this spring.

Conservative by nature, Hanckel voted for McCain four years ago. Despite all he's been through, he's not yet ready to say whether he'll be voting for Romney.

"There's certainly some measures that maybe people could have handled differently, and certainly measures that were forced upon him," he says. "It's been a huge challenge. I think people have made mistakes. I think people have tried to do as best they could under the sets of circumstances. And I think people may have made different decisions had they been a 20-20 quarterback. You know, Monday morning quarterback."

A cardboard box emblazoned with a big white check mark sits on the sill by the front door of Nicholson Barber & Style Shop, a stack of voter registration forms beside it. It's one of hundreds the Obama campaign placed at black-owned businesses in and around the state capital.

In 2008, black voter turnout increased by 127,000 from the previous presidential election. That enthusiasm was the key to Obama's victory.

Sitting in his empty shop on a rainy afternoon, Carlton Nicholson says many of his cash-strapped customers are "waiting longer between cuts" and that his business is off by about 10 percent. Nicholson voted for Obama in 2008 and plans to do so again, but he says it's going to take more than a few hundred boxes to keep North Carolina from crossing back over into the red column.

"What most of us don't realize is that the black vote cannot elect anyone," says Nicholson, who, come November, will have been in this same downtown location 30 years. "I do feel that the economy needs to start blossoming again if he's going to have chance."

The worst of the job losses appear to have passed, Gitterman says. But as with the nation as a whole, the state's economy "still is not growing robustly enough to absorb all those who want and need work, so a full economic recovery remains a distant goal."

"The economic picture may be improving a bit, but North Carolina is not out of the

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woods yet," Gitterman says. "Not by a long shot."

But there are glimmers.

If you have an iPhone, pull it out and ask Siri where she lives. She'll answer: "That's classified."

But don't let the accent, or lack of one, fool you: She's a Tar Heel.

Apple built a data center in Maiden north of Charlotte to support its iCloud online data storage system and the silken-voiced Siri software. Earlier this year, the company filed plans with the state to build a 4.8-megawatt power plant that will generate electricity from hydrogen. It's promoted as the nation's largest private fuel cell energy project.

Drawn by the promise of cheap power and generous tax incentives, Facebook, Google, IBM, Time Warner Cable and American Express have all announced plans to build large Internet server sites in the western part of the state. But while these projects that are high on tech, they're low on jobs, says Vitner, who tracks national and regional economic trends for Wells Fargo.

During a tour of the Rust Belt in July, Obama touted his rescue of the U.S. auto industry and declared that, "As long as we're competing on a fair playing field instead of an unfair playing field, we'll do just fine." That's a harder sell in states such as North Carolina, whose signature industries have been ravaged by foreign competition.

"The president couldn't give a speech like he gave in Ohio in Hickory, N.C.," Vitner says. "They wouldn't buy into the idea that what we're doing is working."

Not far from Hickory is a company that the president held up as proof of American resilience. During a White House forum on job creation last January, the president singled out Lincolnton Furniture as proof that "you don't have to be a big manufacturer to in-source jobs." Later, during Obama's state of the union address, company president Bruce Cochrane was up in the gallery, one of the guests in the first lady's box.

Furniture-making in Cochrane's family stretches back five generations to his great-great grandfather, who began making church pews in the 1850s. But when the industry turned to China in the mid-1990s as a cheap source of labor, Cochrane followed the jobs and went east as a consultant.

Cochrane says the decision to reopen his family's factory in Lincolnton wasn't political, patriotic or even nostalgic. It was "purely business."

"It wasn't that I thought, 'Well now that the Obama administration's here in 2010, it just makes sense for me to do this,'" he says. "It made sense for me to do it because the timing was right based on the landscape — both politically and economically."

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Since reopening, Cochrane has hired 74 people, a little more than half of his target employment. But that's no thanks to anything the president has done.

"If you look at the administration that he's put together and the people he's put together, they're all of his same ilk," says Cochrane. "They don't have any practical business experience. They just don't. And it's one of the problems that we have today."

Cochrane voted for McCain in 2008 and says he'll be casting his ballot for Romney this November.

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But while things are still fairly bleak across the state, there are some bright spots.

A recent survey by The PNC Financial Services Group found that the number of new businesses in the Raleigh area was up 3 percent since 2008, nearly twice the national rate. One of those startups is Xanofi.

Launched in September 2010, the company is preparing to market a liquid-based nanofiber production process. CEO Miles Wright says the company's products could be applied to everything from filtration and drug delivery to cosmetics, food additives and acoustics.

Xanofi started with \$1.2 million, mostly from "angel" investors. Employment has gone from two a year ago to 10 today.

"We expect to see revenue in the next couple of months," says the Dallas native, who moved to the Triangle in 1986. "We will be profitable in 2013."

Wright, a registered independent, chuckles at a new GOP ad calling this period "the worst economic recovery America has ever had."

"The fact is, it's still a recovery," he says. "Innovation hasn't stopped. People's efforts to commercialize technology, to open up a service business, while it gets harder because of lack of capital, I don't think people have stopped hoping and dreaming. And a lot of people have had success."

Wright says a lot of the job growth is happening in small companies like his "that maybe go a little under the radar." But the point is, it's happening.

"The narrative that we hear is one of gloom and despair," he says. "The world's a harder place. It's harder for the Bain Capitals of the world to do a leveraged buyout now than it was four years ago. It's harder for everybody."

Wright says the country was "hemorrhaging" when Obama took office. Four years later, he sees "a lot more opportunity" out there and no reason to change course.

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"I voted for Obama four years ago," he says, "and I will vote for Obama again this year."

N.C. State economist Michael Walden says the economic meltdown was "largely beyond the control of politicians."

"It wouldn't have mattered who was president," he says. "The essential driver of the economy has been the deleveraging that households had to go through. Households entered the recession with record high debt levels."

Unfortunately for Obama, he says, "most people are not economists."

"The natural tendency is to look for rather simplistic answers," he says. "Rightly or wrongly, people tend to want to place blame."

Fountain clearly isn't where he wants to be. But, from his perspective, things are better than where they were a couple of years ago.

"We're still struggling to keep our car in the driveway and to keep a driveway to park the car in," he says. "You know, you just plug along and things will eventually turn around. You get up every day and do what you've got to do."

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