Impact of Social Issues on the Economy

Summary: In the last three years, three states have enacted some form of legislation that led to charges of discrimination. All three experiences were negative and offer lessons that should be considered by the state of Georgia (or any other state). The North Carolina experience is the most informative for Georgia, so the experiences of Indiana and Mississippi will be discussed after a detailed discussion of the North Carolina difficulties. North Carolina is currently on a path that produces about 30,000 fewer jobs per year than was the case prior to their passing HB2.

North Carolina

Since the passage of HB2, the North Carolina economy has seen a marked deceleration of job growth. Prior to the passage of the bill, the state was steadily adding jobs at a pace notably exceeding that of the nation. Immediately after the passage of the bill, that rate of growth fell, and the state has not recovered from that deceleration to this date. As of now, the state has around 50,000 fewer jobs than it would have had if it had simply maintained its pre-HB2 pace. This slowdown in growth rate will result in a compounding number of jobs missing and that process appears likely to continue for the foreseeable future.

This picture illustrates year over year percentage growth in seasonally adjusted jobs from Jan 2014 to Aug 2017 (the latest available data at the state level) for the U.S. (green), North Carolina (blue) and Georgia (red).
The monthly data is clearly noisy, but it is apparent that the U.S., which had been experiencing a slow acceleration in job creation following the recession, saw its rate of growth peak at the beginning of 2015. While the greater than two percent national job growth may not seem impressive, it is over twice the rate at which the underlying labor force is growing. Hence that growth was more than enough to bring the overall U.S. unemployment rate down.

Job growth is never uniformly distributed throughout the United States. Some states are responsible for pulling the national rate up, and Georgia and North Carolina were among those states from mid-2014 to mid-2016. After some noise in early 2015, however, both North Carolina and Georgia saw their job growth rates essentially stabilize from the spring of 2015 through the spring of 2016, with Georgia marginally outperforming North Carolina. North Carolina and Georgia have much in common; the states are adjacent, have about the same populations, and, for the middle part of this decade, been among the few states significantly adding jobs in the U.S. economy. Then HB2 passed.

When HB2 passed in March of 2016, North Carolina’s rate of job creation began to fall. The decline in North Carolina’s job creation has not been smooth and certainly not all their weakness can be attributed to the passage of HB2. But the data is stark. In the year following the passage of HB2, North Carolina went from a leading source of job creation in the United States to a state that is now bouncing around the national average. Georgia did not suffer the same fate and continues to perform as it did over the previous two years. North Carolina separated itself by moving to a lower growth path.

To date, had North Carolina stayed at the growth rate they had maintained through 2015 (as Georgia did), they would currently have about 50,000 more jobs than they currently do. While this figure is noteworthy in itself, the important thing to point out is that the lack of job creation is ongoing, so every month that number grows. They have lost about a full percentage point in their rate of job creation. Prior to HB2, the state was adding a little over 100,000 jobs a year. Now they are on a pace to create around 65 – 70 thousand. Even if their growth rate stabilizes at the new low, the compounding effect of the lower employment base means that the missing 35,000 jobs per year will grow over time.

Indiana and Mississippi

In recent history, only two other states have passed similar legislation. Indiana passed their bill in 2016, the year before North Carolina, and the reaction was so negative and so intense that they repealed the bill within a week. This suggested bad outcomes for other states, but in their case, it was so bad that they reversed themselves before any long-term data was produced. During the one week the bill was in effect, there were over 800 million negative twitter impressions about Indiana and the recently passed legislation, half of which contained the hash-tag #boycottindiana. This amounted to millions of dollars in negative earned media about the state of Indiana.
**Mississippi** is a smaller state than Georgia and North Carolina and never experienced job creation rates above that of the U.S. in the post-recession period. Even with a relatively low level of job creation, at the point where the legislation passed the negative result in their state is stark. This is shown in the picture below. Coincidentally, at the time their bill passed, the state had just managed to match the U.S. in terms of their rate of job creation. After passage, job creation plummeted and the number of jobs actually shrunk for a few months. The recent “recovery” in their job growth is more an arithmetic requirement than some sign of fundamental strength in the economy. They are now growing at slightly less than half the U.S. rate. The picture below shows the data: Mississippi and US employment year over year growth rates, seasonally adjusted.

![Graph showing employment growth rates](https://fred.stlouisfed.org/)

**Conclusion**

There have been three experiments among the states in relevant recent history and all of those cases have, to date, shown negative outcomes.