

THE  
COMMUNITY  
LEADER'S  
LETTER

NEWS & VIEWS FOR SOUTH CAROLINA'S  
GRASSROOTS LEADERS



# Streams Limited Assimilative Capacity Deterrent for Economic Development

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*Manufacturing diversifi-*  
*cation - p 3*  
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***In furtherance of  
Clemson University's land-grant  
mission, the  
Community &  
Economic Development Program  
at Clemson  
provides access  
for community  
leaders in South  
Carolina to expertise in all branches  
of knowledge  
on the University  
campus.***

South Carolina faces a relatively new and growing problem in its economic development. The streams into which treated wastes are discharged are running out of assimilative capacity.

The concept of stream assimilative capacity is perhaps best understood with an example. Imagine a bottle of ink were spilled into the Atlantic Ocean. In a few minutes, the ink would be so diluted that one would be hard pressed to see where the ink was spilled. Suppose that same bottle of ink were spilled into a gallon pail of water. The water in the pail would discolor, and it would be rendered unfit for most uses.

South Carolina no longer allows discharge of raw waste into streams. Yet even if the waste is treated to 90 percent removal, a large discharge of treated effluent into a relatively small stream can have the same effect as the ink in the gallon pail. Water quality in the stream will drop below

standards.

Although South Carolina has many streams, those in the upstate tend to be small with limited waste assimilative capacities. Those in the coastal plain, although larger in their flows, tend to be slow and sluggish and also limited in their assimilative capacities. Slack water behind dams also has limited assimilative capacity.

The I-77 corridor between Columbia and Charlotte is now a hot place for industrial locations. But stream assimilative capacity is threatening to stop much of that development in its tracks. Limited assimilative capacity is also a problem along the I-85 corridor.

One solution for limited assimilative capacities is a requirement that waste be treated to higher and higher levels of removal before discharge. But the costs of waste treatment increase dramatically as removal levels approach 100 percent. It may cost twice as much to treat waste to 95 percent removal than to 90 per-

cent removal, and twice again as much to treat to 96 or 97 percent removal as to achieve 95 percent removal.

What strategy is most likely to make the best use of this scarce resource? Some economists think that waste discharge permits, as a scarce resource, should be transferable from one user to another. Any new discharger would have to purchase a permit from someone who already held one, and discharge permits would end up in the hands of those for whom they have the greatest value.

Whatever strategy South Carolina chooses, it is important that its remaining stream capacity not be used up for relatively low returns. The state needs is to get as much income and as many jobs for South Carolinians out of the assimilative capacity of the state's streams as can be obtained without degrading stream quality below acceptable standards.

ECONOMIC BRIEF NO. 21

# The Problem With Entitlements

This series of economic briefs explores fundamental concepts in economics and community and economic development.

*Probably no word in the political arena carries quite as much baggage as the word entitlements.*

*Legally, an entitlement is something of value for which people automatically qualify by meeting certain criteria. Some people argue that certain things like food, shelter, and health care are things that every human being should be entitled to, even if they are unable to pay the market price for these*

*Practically, there are several problems with entitlements. First, the cost of entitlements depends upon how many people ultimately qualify for them. Thus, any legal entitlement can lead to a loss of budgetary control. Generous promises in the form of entitlements to take care of everyone who qualifies can break the budget.*

*Second, the incentives created by entitlements can be costly. An entitlement is like flypaper. It attracts people, and they tend to stick when they land. If there are disability funds for children, there is an incentive to exaggerate*

*education for their children on the assumption that Pell grants will continue to be available to help pay for college. And many people have counted on Social Security to fund a large share of their retirements. In both cases, people save less than they otherwise might have saved because they assume they will continue to be entitled to particular benefits.*

*The problem is that, wisely or not, certain entitlements have been enacted in the United States that are now difficult to pay for while balancing the budget. Any sudden change in the rules or funds available catches people pretty late in the planning process when it is very difficult to make up for lost time in providing for things like college or retirement.*

*That creates a political dilemma: all our promises in the form of entitlements cannot be kept without piling up huge debt. But if those promises are not kept, people who believed them find themselves in serious financial difficulties.*

*The last thirty years have taught some hard lessons about the mighty entitlement oaks that grow from legislative acorns. As programs created in the past are scaled down, government needs to be more careful about creating future entitlements.*

**Legally, an entitlement is something of value for which people automatically qualify by meeting certain criteria.**

*things.*

*The budget battle in Washington centers on federal entitlements like food stamps and Medicare or Medicaid. Yet entitlements are not unique to the federal government. State aid to cities and counties in South Carolina is an entitlement, based on population. Private businesses also create entitlements in the form of fringe benefits to employees such as matching grants for contributions to tax-deferred retirement plans or access to a wellness program or health club facilities.*

*their disabilities. If there are food stamps available based on income, there is some disincentive to work hard because earning more income means losing part or all of the entitlement. So, even if the initial budget costs of entitlements are low, those costs are almost certain to grow with time as people learn how to manipulate the system.*

*Third, people begin to take entitlements for granted and build them into their planning. Families, for example, have made plans for financing higher*

**Some Entitlement**

**Programs:**

- Food stamps
- Welfare
- Unemployment insurance
- Social Security
- Medicare & Medicaid
- Veterans' benefits
- Subsidized flood insurance
- Pell grants
- College loans
- Instate college tuition
- State aid to local governments

## Manufacturing Diversification Strengthens Rather Than Weakens S.C.'s Economic Base

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One of the most obvious changes that has taken place in the South Carolina economy over the last half century is a diversification of the state's economic base.

The state's economic base has moved away from textiles toward a greater variety of manufacturing and, along with the rest of the country, toward services and away from manufacturing. This change has been particularly strong in the upstate's growing and prosperous I-85 corridor.

On the whole, this change has been positive in terms of jobs and wages. But what about recessions? Does having an economic base more like that of the rest of the country make South Carolina more sensitive or less sensitive to economic upturns and downturns than previously?

According to Curtis Simon of Clemson University's economics department, the answer is complicated by two offsetting effects. The reduced specialization within manufacturing makes the upstate economy more stable. But the shift to services makes the economy more prone to ups and downs in employment and income.

Not too long ago, the state's economy rose and fell with the fortunes of the textile and apparel industries. In 1950, 84 percent of manufacturing workers and 19 percent of all workers were employed in textiles. Other employers in the state, including local retailers, service firms, and even state and local governments, found their income and employment closely tied to the fortunes of the textile industry.

By 1990, textiles accounted for only 32 percent of manufacturing employment and 9 percent of total employment in the state. Other manufacturing industries had taken up the slack.

A strong inverse relationship exists between specialization and fluctuations. Highly specialized economies tend to experience more ups and downs than less specialized economies. Within manufacturing, Simon found that economic volatility fell dramatically in the United States, South Carolina, and the I-85 region as a result of greater manufacturing diversification. While volatility in U.S. manufacturing dropped by half, it fell by two-thirds in

South Carolina and by a whopping 75 percent in the I-85 corridor between 1950 and 1990.

Manufacturing is not the whole story, however. In fact, volatility in manufacturing is lower than the cyclical variability of the economy as a whole. And the economy has been shifting away from a manufacturing intensive base to one that is more diversified into services and trade, which are more cyclical. So while South Carolina manufacturing became less volatile, the overall South Carolina economy, and especially the I-85 corridor became more prone to swings rather than less.

What does this change mean for jobs? Other research shows a strong relationship between specialization, volatility, and unemployment. Simon estimates that the reduction in manufacturing specialization has probably reduced unemployment due to swings in economic activity in the I-85 corridor by about 1.25 percentage points. However, the moderate increase in overall volatility in economic activity has probably increased unemployment slightly.

*Curtis Simon's report "The Evolution of Industrial Specialization and Volatility Along South Carolina's I-85 Corridor, 1950-1990" is available from the Center for Policy Studies, 201 Surrine Hall, Clemson University, Clemson SC, 29634-1330. There is no charge for single copies. Multiple copies are \$2.50 each.*

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THE COMMUNITY LEADER'S LETTER

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## 1993 Kids Count Statistics Now Available

The Community Leader's Letter is printed quarterly. It is the newsletter of the Community & Economic Development Program at Clemson University, a joint program of the Strom Thurmond Institute, the Cooperative Extension Service, the South Carolina Agricultural Experiment Station, the College of Commerce and Industry, and Office of Public Affairs. Program offices are in the Institute's facility on the Clemson University campus.

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Feel free to reprint articles in the newsletter; however, please cite the newsletter as the source. To be added to or deleted from the mailing list or to correct an address, write or call. If you receive more than one newsletter, please notify us.

The Kids Count data mentioned in the article "Youth In South Carolina Growing Up Much Differently From Past Generation" in the summer issue of this newsletter is available in publication form and on the internet. The reports are based on 1993 statistics.

Kids Count is part of a comprehensive effort to provide all South Carolinians with a better understanding of the needs of the state's children,

youth, and families. Demographics, status of families, economic status, educational achievement, and risk behaviors are among the topics analyzed by the project.

Kids Count publications are available from the South Carolina Kids Count Project, S.C. Budget and Control Board, Office of Research and Statistics, P.O. Box 11231, Columbia, South Carolina 29211. Ask for the report "South Carolina's Chil-

dren: A Kids Count Report on the Status of Children in South Carolina" and profiles of counties of interest.

The Kids Count data also can be accessed at this internet address:

<http://www.state.sc.us/drss/kc/>

The data on the internet can be reviewed in summary and detail both statewide, by county, and by topic area.

## Visit Government Information Sites by Internet

To our readers who may be looking for new home pages to explore on the Internet, we suggest the following home page addresses as a start. They are sure to lead to many additional intriguing web sites.

Federal Web Locator: <http://www.law.vill.edu/fed-agency/fedweb.new.html>

State & Local Government on the Net: <http://www.piperinfo.com/piper/state/states.html>

State of South Carolina-Public Information Home Page: <http://www.state.sc.us>

Clemson University: <http://www.clemson.edu>

University of South Carolina: <http://www.csd.scarolina.edu>

The Strom Thurmond Institute: <http://www.strom.clemson.edu>

Cities and Countries Around the World: <http://www.city.net>

Online S.C. Voter Registration & Address Change: <http://www.awod.com/election/reg>

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