In the last fifty years, the two Carolinas have experienced significant gains in population and economic well-being that have partly closed the gap between their income and that of the nation. In 1960 South Carolina’s population stood at 2,392,000, ranking it twenty-sixth among the fifty states. North Carolina’s population then was 4,573,000, placing it as the twelfth most populous state. In 2018 South Carolina’s population was 5,084,000, or twenty-third in size. North Carolina’s population was 10,383,000, making it the nation’s ninth most populous state. Meanwhile, from 1958 to 2018, per capita personal income expressed as a percentage of the US average rose in both states until 1995 and then plateaued and fell slightly. Because the cost of living in the two Carolinas is lower than that for the nation, the gap between each of the Carolinas and the nation is systematically smaller than the percentage indicates. Close examination of the development strategies followed by policy makers in the two states reveals meaningful differences. North Carolina focused on strengthening higher education and the Research Triangle and on building a knowledge-based economy. South Carolina, in contrast, emphasized expanded technical education, greater utilization of its Charleston port, and specialization in advanced manufacturing. In both cases, state leaders focused on human capital, or brains, and on how to attract and keep a more highly educated workforce. As it turns out, North Carolina has seen a positive flow of educated people, whereas South Carolina is still a net exporter.

Alumni Distinguished Professor of Economics Emeritus, Clemson University. The author expresses appreciation to the editor and referees of this journal for helpful comments.
I. INTRODUCTION

In the last fifty years, North Carolina and South Carolina have emerged from their heavily, textile-based, manufacturing economies of the past to become more sophisticated, knowledge-based advanced-manufacturing and services-based economies. Favored by climate, low-cost energy, location in the Sunbelt region, and the availability of low-cost air conditioning, the two states have become popular destinations for individuals and families seeking to improve their well-being. As a result of favorable migration and strong home-grown efforts to improve access to education, human capital has been enhanced. There are more brains in the Carolinas now, and they are deployed in more productive ways. F. A. Hayek's knowledge problem—the problem that knowledge is dispersed and must be matched somehow to problems and opportunities—has at least been partly solved just as Hayek (1945) recommended: by market forces.

Additions of human capital, the ultimate resource, have improved productivity in the Carolinas. As a result, the long-standing gap between per capita personal income for each state and the nation has narrowed, but it certainly has not closed (see Simon 1981). While there are similarities in the stories describing each state's evolution, a review of them tells us that each state traveled a different path while the income gap was closing. This paper tells the story about the two Carolinas and their economic progress. Heavy on data, the paper identifies just how, when, and, in some cases, why things changed. Overall, the paper explains how and why North Carolina emerged as a leading knowledge economy and South Carolina moved to join the top ranks of the nation's advanced-manufacturing regions. It is all fundamentally a story about educated people and their deployment.

The paper’s next section focuses on population and income and how they changed. This is followed by a section that focuses on manufacturing and the deep transformation that occurred there. How and why the two states came to be different in their specialization comes next, and this is followed by a longer section on knowledge workers and brain migration. Here I summarize empirical work that I have done jointly with other scholars. The section ends with an examination of brain drain and consideration of the extent to which each of the Carolinas may have been a net importer or exporter of brains in the last few decades. The paper concludes with some final thoughts.

II. THE CHANGING ECONOMIES: TAKING A CLOSER LOOK

In 1960 South Carolina’s population stood at 2,392,000, ranking it twenty-sixth among the fifty states. North Carolina’s population then was 4,573,000, placing it as the twelfth-most-populous state. In 2018, South Carolina’s population was 5,084,000, or twenty-third in size. North Carolina’s population was 10,383,000, making it the nation’s ninth-most-populous state. Population growth for the two states moved almost in lockstep until about 1995, when North Carolina’s growth accelerated. Growth for the two states began outpacing the nation around 1975.

Now consider how the income gap narrowed. From 1958 to 2018, per capita
personal income expressed as a percentage of the US average, as shown in figure 1 constructed with data from the Department of Commerce, rose in both states until 1995 and then plateaued and fell slightly. It should be noted that the cost of living in the two Carolinas is less than that for the nation. Thus, the gap between each of the Carolinas and nation is systematically smaller. For example, in 2017, North Carolina’s cost of living was 93.6 percent of the nation’s and South Carolina’s was 90.0 percent.¹

Importantly, the share of the population living below the poverty line has fallen dramatically in both states.² In 1960 North Carolina’s poverty share stood at 40.6 percent and South Carolina’s at 45.4 (Grovum 2014). The rate for the nation that year was 22 percent (Morrill 2011). By 2017 South Carolina’s poverty rate had fallen to 15.3 percent.³ North Carolina’s rate had dropped to 14 percent, and the rate for the nation was 11.8 percent.⁴ The ratio of each state’s poverty rate to the nation’s rate in 1960 was 1.8 for North Carolina and 2.1 for South Carolina. In 2017, the ratios were 1.2 for North Carolina and 1.3 for South Carolina. Though the process was slow, the poverty gap has closed for both states.

Taking a closer look at six decades of growth, figure 2 shows that per capita personal income growth overall, for the nation and the two states, became much weaker, especially for North Carolina, after the 2001 recession and the Great Recession,

2. I note the controversy regarding the validity and time consistency of the poverty rate. On this, see Edwards (2019).
which began in December 2007. From the start of the Great Recession forward, US labor productivity fell sharply, partly because of the retirement of the seasoned Baby Boomer workers and their replacement with inexperienced workers but perhaps more because of the cumulative burden of federal regulations that focused heavily on safety, health, and the environment not just in the United States, but across the developed world. However, unlike many European countries, the United States chose to use more costly command-and-control, technology-based regulation instead of less burdensome performance standards and use of economic incentives when regulating (see Morriss et al. 2005, Yandle 2016). Recent estimates by the Council of Economic Advisors (CEA) of the burden of US regulations indicate that GDP growth since 1980 has been reduced by 0.8 percent annually. The CEA gives extensive treatment of how these costs have spread across the economy and finds that the burden falls heaviest on lower-income consumers. However, research that addresses the tendency for personal income gaps to close across regional economies or for per capita personal incomes to converge toward the mean indicates that local incomes are fundamentally determined by national macroeconomic forces (see Migué and Bélanger 2013).

III. MANUFACTURING’S TRANSFORMATION

In 1960, 31.7 percent of North Carolina’s workforce was employed in manufacturing, with 13.8 percent working in textiles. In South Carolina that year, 32.0 percent was working in manufacturing; 16.4 percent was employed in textiles. The two states were the country’s leading textile producers and also among the most intense manufacturing states as measured by the share of the workforce so employed. A bit more than half a century later, in 2018, less than 11 percent of North Carolina’s workforce was employed in manufacturing; 9.2 percent of South Carolina’s workforce was so employed. The share for the nation was 7.8 percent.\(^6\) In both cases, the states’ specialization had changed.\(^7\) Much of this decline in the share of labor in manufacturing is due to labor-saving technology that has boosted labor productivity.

Another important part of the transition away from the Carolinas’ historical specialization in labor-intensive manufacturing was driven by the opening up of the American market to imports from China, Mexico, and Canada via China’s rapid industrialization, its 2001 entry into the World Trade Organization, and Mexico’s and Canada’s participation with the United States in the 1994 North American Free Trade Agreement (see Autor et al. 2016). Although expanded trade with the world at large generated gains for all Americans taken together, the two Carolinas experienced difficult transitions. Declining employment and plant closings in towns and regions that specialized in textiles and furniture manufacturing left large numbers of individual workers and communities struggling to find employment and funds to replace lost tax revenues.

The changes that occurred in manufacturing involved far more than just overall employment shrinkage. The makeup of manufacturing changed dramatically. Part of the change was accommodated by the availability of air conditioning, which made life itself more pleasant and also enabled the manufacturing of certain foods, chemicals, and electronic products (Badger and Blinder 2017). Both states were now heavily involved in high-value-adding advanced manufacturing. North Carolina was a leading producer of aircraft, bioscience products, and pharmaceuticals; South Carolina was heavily into automobiles and tires.\(^8\)

Part of the two states’ move into advanced manufacturing traces back to their heavy textile specialization. Those long decades—almost a century—of heavily focused textile production fostered a highly industrialized workforce and sophisticated textile-machinery and synthetic-fiber production to support the textile specialization.\(^9\) Along

---

8. The North Carolina aerospace trade association reports that there are more than two hundred aerospace firms in the Triad area alone, with a growth rate that exceeds that of the industry nationally. In 2015 North Carolina had six hundred biotech firms, and the industry’s growth ranked second, after California, across the fifty states (BioSpace 2015). Research on North Carolina’s successful bioscience growth indicates that firms have collocated R&D with production, which together use a more diverse workforce in terms of educational attainment (Lowe and Wolf-Powers 2017). South Carolina’s move into auto production was initiated in 1994 when BMW, now employing more than ten thousand workers, built its plant near Spartanburg. The state now has Mercedes and Volvo assembly plants in the Charleston area and Honda assembly in Florence, South Carolina. The state has become the nation’s number one tire producer (Wilkinson 2014).
9. Woodward (2012) covers the South Carolina development story from textiles to ground-transportation clusters and explains how international forces played an important role. He also reports on increases in the state poverty rate during part of the reindustrialization period and shows how things have improved in recent years.
with this came a heavy presence of German, Italian, Japanese, and Swiss producers of machinery and fibers, especially in Upstate South Carolina. The region took on a highly international complexion, and the I-85 corridor from Durham, North Carolina, through Greensboro, Charlotte, Spartanburg, and Greenville, South Carolina, and on to Atlanta, Georgia, became an industrial Mecca. Sometimes referred to as Charlanta, the resulting regional economy was one of the nation’s most vibrant.10

As shown in figure 3’s satellite image, the region forms an impressive belt of human activity.

As things evolved, South Carolina emerged as a major international player with a high share of production exported to the rest of the world, much more so than did North Carolina. As shown by figure 4, almost 32 percent of South Carolina’s GDP involved the rest of world, ranking the state in the top five for the nation. South Carolina’s strong international sector, as explained by Mark Perry (2018), is based on the growing presence of the world’s largest aerospace company—Boeing—and the state’s position as a major motor vehicle center, with more than four hundred automobile-manufacturing plants, parts suppliers, and other auto-related companies including assembly plants for Mercedes-Benz, BMW, and Volvo. The internationalization accompanied changing specialization in the two states and added another important ingredient: people from around the world who found the Carolinas to be welcoming and good locations to live and rear children.

IV. HOW AND WHY THE CAROLINAS SPECIALIZED

Manufacturing’s place as the number one employer in the two states in 1960 was shoved to one side by two important sectors that

Figure 3. NASA Satellite Image of the United States

---

demanded more brains in the form of highly educated workers. The first was professional and business services (P&BS), which includes all the business- and technical-consulting firms and all of the nonmedical professions. In 2018, P&BS accounted for 12.7 percent of North Carolina’s workforce and 8.1 percent of South Carolina’s, while the sector’s national share was 13.5 percent. Education and health services was the second critical with high education qualifications. In 2018 that sector employed 12.2 percent of North Carolina’s workforce and 10.8 percent of South Carolina’s. The national share was 14.7 percent. It can be seen that relative to South Carolina, North Carolina has become a knowledge economy. At the same time, South Carolina has been moving apace as an advanced manufacturing economy.

Knowledge economies increasingly rely on ideas, information, technological innovation, and platforms that connect economic agents across space and time. These are economies that recognize that knowledge is the source of competitiveness and that see the critical importance of applied scientific research that leads to new knowledge creation. As the Organisation for Economic Cooperation and Development puts it, these economies have lots of high-tech manufacturing (computer, electronics, aerospace), service-sector industries (such as education, health care, and software design), and business services (such as insurance, information, and communications) (Pettinger 2017). World Bank research supports the notion that investment in knowledge, not physical capital, is now the appropriate activity for accelerating economic development (Dahlman, Kouame, and Vishwanath 1998).

North Carolina’s ascent as a knowledge economy and South Carolina’s rise as an advanced-manufacturing economy can be partly explained by past policy decisions and in some cases just serendipitous actions that together laid the groundwork for what emerged later. North Carolina has historically been a higher education leader, with three major research
universities—Duke University, the University of North Carolina, and North Carolina State University—being in close proximity to one another. For decades, North Carolina’s higher education had prospered relative to many other southeastern states partly because of successful politicking and strong university leadership but also because of generous private sector support. The 1924 gift of James Duke to Trinity College, which formed Duke University, and the Reynolds family contributions in the 1940s and ’50s to Wake Forest University, bringing it to Winston-Salem and forming Bowman Gray School of Medicine, come to mind.11 Then, in 1958, North Carolina leadership—with meaningful participation from both the private and public sectors—formed Research Triangle Institute, which would become a massive research community located in a geographic triangle connected by the state’s three research universities. Proximity of specialized research centers yielded agglomeration economies not available in South Carolina. A short note on the history of this effort, which highlights the important role played by North Carolina business leaders, is noteworthy:

During the mid-1950s, business and government leaders worried about North Carolina’s economic future. The per capita income . . . was one of the lowest in the Southeast and in the nation, and the state seemed dependent on manufacturing jobs in the agriculture, forestry, and furniture, and textile industries. Leaders, including Robert Hanes, the president of Wachovia Bank and Trust Company, and Romeo Guest, a Greensboro contractor, planned how to attract modern industries to the Tar Heel State. Research Triangle Park (RTP) was their brainchild, and it later became one of the top five research centers in the United States. According to historian Numan V. Bartley, RTP was the “South’s most successful high-technology venture.”12

South Carolina, meanwhile, nudged by the textile industry officials and other leaders, emphasized technical education and the forming of working relationships between targeted technical education tailored to meet the needs of expanding industry. In some ways, the fingerprints of highly successful industrial-construction entrepreneur Charles Daniel and textile industrialist Roger Milliken form a backdrop for the story. Roger Milliken teamed with Daniel International Construction Company to build new plants in record time across South Carolina. Demand for technically trained workers expanded with the new construction.13 Put in place in 1961, the statewide technical-education system was one of the first, nationwide, to place affordable technical education within twenty-five miles’ commuting distance of every citizen in the state.14 Consider the following description of the effort, and compare it with the North Carolina Research Triangle story:


The South Carolina technical education system was founded at a time when the economic outlook of South Carolina was depressed. Farm employment opportunities were rapidly diminishing, and the state was faced with an under-skilled labor force and no adequate means of training them for the rapidly changing job market. The idea for a technical education system began with Governor Ernest F. Hollings. Hollings appointed a joint legislative study committee of three senators and three representatives under the chairmanship of state senator John C. West. Known as the West Committee, the committee’s purpose was to develop a training system that would attract new and diversified industry to the state. After careful study, the West Committee recommended a “crash” program to provide immediate training for established industries and a technical training program to train high school graduates for initial employment as technicians in industry. The first step the South Carolina General Assembly took to initiate a technical education system was to establish the Advisory Committee for Technical Training in May 1961.15

North Carolina’s leaders were focused on developing research-based economic activity—a knowledge economy. South Carolina was dedicated to becoming an advanced-manufacturing state. Then there was a feature of nature that further strengthened South Carolina’s future as a manufacturing economy. The Port of Charleston provided deep-harbor access to world markets. Finally, South Carolina was in the electricity-production business. The story goes back to the Great Depression and public works endeavors that were geared to give the state a boost. The Santee Cooper system of canals, lakes, and power production provided state-subsidized electricity to large users. As a result, the state became a major producer of aluminum and steel in the Santee Cooper region. Both industries are energy intensive.

V. THE KNOWLEDGE-WORKER AND BRAIN MIGRATION

Between 1970 and 2000, there was a massive movement of educated people across the United States that was reflected in the economic development of the two Carolinas. In 1970, for example, the distribution of adults with college degrees was fairly uniform across US metropolitan areas, where the average count was eleven adults with college degrees per hundred adults, and in the two Carolinas (Florida 2006). The level found in southern counties was consistently lower than the US average. By 2000 the educational-attainment data had changed dramatically and the average count across all US counties was twenty-four per hundred adults. Generally speaking, there was heavy migration from rural areas nationwide. More educated people were concentrated in urban areas, foretelling what was then being described as an emerging knowledge economy. Figure 5 captures just a small part of what was happening. Here we see state data showing net domestic migration (international movement is not included) across the period 1990–2000.

Note that North Carolina is in the top quintile; South Carolina is in the second.

In an effort to explain what was going on, Christine Koutout and I focused on the

15. Frock, “History.”
114 metropolitan statistical areas (MSAs) in the southern states, which included the southeastern corner of the United States and reached westward to include Texas (Koutout 2008). We modeled variation in MSAs’ 2007 per capita income using independent variables for the same year, or as close as we could get, that focused on proxies for a knowledge economy. These included the level of workforce education, the count of fast-growth firms, the level of university R&D, and median age. Our OLS regression explained 62 percent of the variation and showed education, fast-growth firms, and median age to be highly significant variables with positive effects. We then built an index based on the regression results and ranked the MSAs accordingly. I report the top twenty-five MSAs ordered on the basis of the index in figure 6, where cities with major research universities are shaded lavender. Austin, Texas, is the top-ranked city, with Charlottesville, Virginia, coming in a close second. Both contain major research universities. Looking at the two Carolinas, we see Raleigh-Durham-Chapel Hill in fourth place, Charlotte-Gastonia-Rock Hill in ninth place, Columbia in twelfth, Asheville in nineteenth place, Charleston-N. Charleston in twenty-second place, and Wilmington in twenty-fourth place. Of the twenty-five top-ranked MSAs, seventeen contain major research universities. The rankings strongly suggest that North Carolina’s early commitment to higher education and the state’s sizeable metro areas contributed to the state’s relative strength in building a high-income knowledge-based economy.16 Research by Joe Lee and Minoli Ratnatonga of the Milken Institute strongly supports this linkage.17

In later work, Tate Watkins and I used a

---

16. Empirical research supports this assertion (Bania, Eberts, and Fogarty 1993).
<table>
<thead>
<tr>
<th>MSA</th>
<th>STATE</th>
<th>RANK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austin</td>
<td>Texas</td>
<td>1</td>
</tr>
<tr>
<td>Charlottesville</td>
<td>Virginia</td>
<td>2</td>
</tr>
<tr>
<td>Lexington</td>
<td>Kentucky</td>
<td>3</td>
</tr>
<tr>
<td>Raleigh-Durham-Chapel Hill</td>
<td>North Carolina</td>
<td>4</td>
</tr>
<tr>
<td>Atlanta</td>
<td>Georgia</td>
<td>5</td>
</tr>
<tr>
<td>Huntsville</td>
<td>Alabama</td>
<td>6</td>
</tr>
<tr>
<td>Gainesville</td>
<td>Florida</td>
<td>7</td>
</tr>
<tr>
<td>Tallahassee</td>
<td>Florida</td>
<td>8</td>
</tr>
<tr>
<td>Charlotte-Gastonia-Rock Hill</td>
<td>North &amp; South Carolina</td>
<td>9</td>
</tr>
<tr>
<td>Richmond-Petersburg</td>
<td>Virginia</td>
<td>10</td>
</tr>
<tr>
<td>Fort Walton Beach</td>
<td>Florida</td>
<td>11</td>
</tr>
<tr>
<td>Columbia</td>
<td>South Carolina</td>
<td>12</td>
</tr>
<tr>
<td>Naples</td>
<td>Florida</td>
<td>13</td>
</tr>
<tr>
<td>Dallas-Fort Worth-Arlington</td>
<td>Texas</td>
<td>14</td>
</tr>
<tr>
<td>Jackson</td>
<td>Mississippi</td>
<td>15</td>
</tr>
<tr>
<td>Norfolk-Virginia Beach-Newport News</td>
<td>Virginia</td>
<td>16</td>
</tr>
<tr>
<td>Orlando</td>
<td>Florida</td>
<td>17</td>
</tr>
<tr>
<td>Melbourne-Titusville-Palm Bay</td>
<td>Florida</td>
<td>18</td>
</tr>
<tr>
<td>Asheville</td>
<td>North Carolina</td>
<td>19</td>
</tr>
<tr>
<td>Sarasota-Bradenton</td>
<td>Florida</td>
<td>20</td>
</tr>
<tr>
<td>Auburn-Opelika</td>
<td>Alabama</td>
<td>21</td>
</tr>
<tr>
<td>Charleston-N. Charleston</td>
<td>South Carolina</td>
<td>22</td>
</tr>
<tr>
<td>Houston-Galveston-Brazoria</td>
<td>Texas</td>
<td>23</td>
</tr>
<tr>
<td>Wilmington</td>
<td>North Carolina</td>
<td>24</td>
</tr>
<tr>
<td>Cincinnati-Hamilton</td>
<td>Ohio</td>
<td>25</td>
</tr>
</tbody>
</table>
Knowledge Economy Index, which Watkins had built, and included it in statistical models to explain domestic migration from 2004 to 2008 for individuals twenty-five to thirty-nine years of age across the fifty states and for explaining international migration in which individuals come from outside the United States and locate in one of the states.\(^\text{18}\) The Knowledge Economy Index measures the performances of state knowledge economies by including three components: knowledge, innovation, and entrepreneurship. It includes one indicator for each component. The first indicator is the weighted educational attainment of the workforce. Advanced degrees are weighted heavier than bachelor’s degrees, which are weighted heavier than attainment levels below college degrees. The second is private sector spending on research and development, weighted by total worker earnings. The third is the relative number of fast-growth firms, which was identified using the Inc. 500 and Deloitte Technology Fast 500 reports. North Carolina ranked twenty-fifth, while South Carolina ranked fortieth.

Watkins and I ran a number of estimating equations for both categories of migrants. Our regression models included measures of overall freedom, per capita income, a cost-of-living index, and an updated creative-society index based on Richard Florida’s work.\(^\text{19}\) We found that international migrants were significantly attracted by higher Knowledge Economy Index scores and overall freedom, whereas domestic migrants were drawn primarily by higher creativity indexes and larger populations. Once again, urbanization seemed to be the driving force for attracting prime-age individuals. And once again, North Carolina emerged as a stronger attractor because it had larger population centers and higher innovation scores.

The shuffling of human capital that has occurred over the last few decades—both domestic and international—raises a question about the relative position of the two Carolinas. Were the states net exporters of educated people to other states and regions? Or did the states gain an enlarged stock of human capital—the ultimate resource—as a result of the migration that occurred? Recent work by the Joint Economic Committee (JEC) using census data enables us to answer these questions (US Congress Joint Economic Committee 2019). JEC researchers, by looking at movement of people thirty-one to forty years old who were born in a state, have developed estimates of gross and net brain drain. Gross brain drain examines the share of the cohorts with education levels placing them in the top one-third of the population who no longer live in the state of their birth. Net brain drain examines the same groups’ movement but subtracts from that share the share of people in the same age group with the same educational characteristics who moved into a state. Since what matters is net movement, I focus on the net measurement.

Figure 7, which uses data from the JEC report, shows the result for 2017. Notice that North Carolina received slightly more highly educated people than it shipped out. Its net-drain score is \(-0.6\). South Carolina exported more highly educated people than it received. Its net-drain score is \(+6.3\). It turns out that North Carolina is the number one destination


\(^{19}\) See especially Florida (2002).
for highly educated people leaving South Carolina. Georgia is number two.

The JEC study also compares net drain for 1970 and earlier years with 2017 and identifies the changing positions of states with respect to their net-drain ratings. In 1970 both North and South Carolina were net gainers. Indeed, this was the case from 1940 through 1990. In 2000 South Carolina became a net exporter. Through 2017, North Carolina continued to be a gaining state but South Carolina was a net exporter.

Consideration of the importance of human capital to the future competitiveness of the Carolinas leads naturally to the matter of how to attract and keep more highly educated and highly experienced people. Reflection on the Watkins-Yandle research and common sense provide some insights. First, our statistical research tells us that locations that carry low taxes and a high Richard Florida creative-society index score are stronger in attracting college-educated, footloose young adults. I like to think of the creativity index as measuring a “cool” factor. Put another way, then, those less burdensome locations that are cool, which means having more opportunities to experience music, theater, the arts, and urban life generally, will flourish more than the less cool counterparts. Along with coolness comes access to higher education communities where other upward-bound young adults can interact more readily. In light of these empirically based points, common sense tells us that in some cases, communities may obtain a higher return on investing in activities that stimulate the arts, improved streetscapes, parking, and access to urban life than by expanding an industrial park and building speculative industrial structures with the hope of attracting another manufacturing or service industry.

Figure 7. Net Brain Drain, 2017: Share of Highly Educated People Who Moved Out Minus Share Who Moved In
VI. FINAL THOUGHTS

Since 1960 the two Carolinas have experienced significant change. Overall well-being has improved, as indicated by rising per capita personal income and falling poverty rates. Indeed, these improvements have been so large that the gaps between those measurements for the nation and each state have narrowed. People in the Carolinas are better off, both absolutely and relatively. The narrowing of the gaps has been generated by brains. Human capital has improved in both states, and migration from outside has delivered more brainpower. But there is more that has happened since 1960. New economies have evolved in both states. Whereas in 1960 textile production employed the largest share of workers in both states and manufacturing dominated the economies, by 2018 highly labor-intensive manufacturing had practically disappeared. With an emphasis on higher education, North Carolina has emerged as a strong knowledge economy. In South Carolina, an emphasis on technical education and superior shipping has generated a strong advanced-manufacturing economy. While both states have become major global players, South Carolina’s international role has made it one of the nation’s top world players.

In all of this, movement and improvement of human capital—brains—is the key element of the story. I began this piece with references to F. A. Hayek’s knowledge problem and Julian Simon’s idea of human beings as the ultimate resource. In both cases, market forces become the driving force that matches brains to opportunity. Where that can happen, productivity improves, incomes rise, and human communities prosper. Such has been the case in the two Carolinas.

REFERENCES


