

A Formula for Viability in the Face of Demilitarization

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The South has always been supportive of the military since the founding of our country, and southern cities have benefited economically from this relationship ever since the end of World War II. This relationship has evolved so that many southern cities have become dependent on the military and defense industries for their livelihood. The cities of Jacksonville, NC, Fayetteville, NC, and the Hampton Roads area of southeastern Virginia are three places that are greatly affected by the military and defense industries. These areas have various levels of dependency on military and defense industries, ranging from an almost complete reliance as in Jacksonville, to almost total independence as in the Hampton Roads area. A hypothetical scenario in which the military and defense industries closed bases and defense production facilities, would show the real economic impact. Based on this scenario, one can see that those areas that have maintained a diverse economy (not totally dependent on the military and defense industries), such as Hampton Roads, would not be as heavily affected as those areas that chose to be dependent on the military and defense industries, such as Jacksonville, NC. This scenario will be used to define the expected success of each area in the face of demilitarization that may or may not occur. In determining the outcome of the scenario in each city mentioned, one may discover a successful formula for the continued viability of a southern city during and after demilitarization.

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Hampton Roads Area, VA

The Hampton Roads area in southeastern Virginia contains the cities of Portsmouth, Norfolk, Virginia Beach, Hampton, Newport News, and various counties surrounding the James River and the Southern Chesapeake Bay. The bases and defense industry plants in the area include Naval Station Norfolk, Naval Air Station Norfolk, Naval Air Station Oceana, Naval Hospital Portsmouth, Naval Shipyards Portsmouth, Naval Shipyards Newport News, Langley Air Force Base Hampton, Fort Story, Fort Monroe, Fort Eustis, Naval Amphibious Base Little Creek, and Fleet Combat Training Center Dam Neck. The military and defense industries play an important role in the entire area economy, not only because of people living on the bases but also because of people commuting from other areas in Hampton Roads. Due to the great role the military and defense industries play in this area, one would expect that the area might have a high dependency on the military and defense related industries. The opposite continues to be true, however. The Hampton Roads area exemplifies an economy that is necessary for success under the scenario discussed in the introduction, that of the military and defense industries leaving the area.

A recent five-day study in the area newspaper, *The Virginia-Pilot and Ledger-Star* (February 19-23, 1995), documented the expected effects if the BRAC (Base Realignment and Closure) Commission were to close the bases and defense industry plants. The paper found that the area would lose approximately 641 civilian jobs for every 1,000 uniformed military personnel losses. This translates into an estimated loss of \$66 million per year. The same study found that for every 1,000 civilian jobs lost in the shipyards, 991 jobs would be affected in the area. This would

create a loss of \$116 million per year in the local economy. These losses seem staggering and could stifle the local economy, but according to economist Russel Deemer, cited in the report.

These job-loss projections, however, are only isolated effects of a base-closing. They would occur in a vacuum, if all other factors or conditions in the economy or region were not taken into effect. These projections also do not take into consideration the continued growth and development of the local economy. As a base closes, other jobs would be added or other industries would expand. (Mangalindan A10)

Mr. Deemer states that the effects of a base closing, with roughly 100,554 military personnel leaving the area, would not have a tremendous effect on the local economy.

Mr. John Whaley of the Hampton Roads Planning District Commission, also cited in the report by *The Virginia-Pilot*, states that

The reason the multiplier (economic impact) is so low for the military is that many of them are outside the area much of the time or, if they're in the area, they're shopping on the bases. (Mangalindan A10)

Mr. Whaley attributes the success of the economy over the base closings to the semi-independence of the area from the military. He implies that the area has become diverse enough that the economy would survive if the military and defense industries were to leave.

Ms. Anne Baldwin, also of the Hampton Roads Planning District Commission, attributes the predicted success of the area economy in the face of the proposed scenario to the diversity of the economy. She states that the region is strong in industries other than the military and defense, such as agri-business, tourism/conventions, manufacturing, and international trade. The area is known for its ports, some of the deepest natural ports in the world, and is therefore able to attract investors due to this and many other factors, such as: an international airport, an interstate highway running through the area, and railroads. Ms. Baldwin further stated that the area, if subjected to the proposed scenario, would recover slowly and would find it difficult, but would survive due to the diversity of the economy. She continues in stat-

ing that the region, even with downsizing in the defense industries and the military, maintained a 5.1% unemployment rate last year.

The Hampton Roads region has shown a genuine concern for the prospect of the military and defense industries leaving the area. Local business leaders and government officials have formulated a plan for the next 12 years titled *Plan 2007*. This plan demonstrates the area's desire to continue to grow through industries such as tourism/recreation, manufacturing, transportation, agri-business, and health/biomedical. It also incorporates the military and defense industries into this plan. As one can see, the Hampton Roads area has incorporated the military into its economy but has not made the military and defense industries the sole driver of its economy.

Fayetteville, NC

Fayetteville, North Carolina, home to Fort Bragg and Pope Air Force Base, is another example of a region deeply influenced by the military. This area includes manufacturing firms employing over 12,000 people, including Kelly-Springfield Tire Company, Black and Decker, Purolator Products, Inc., DuPont, and Cutler-Hammer. There are also other sources of income for the area, such as tourism/conventions, transportation, finance, and education. Fayetteville and Cumberland County boast a \$257 million per year tourism/conventions industry. The area is also adjacent to Interstate 95, which makes it available to any business engaging in interstate highway commerce. Furthermore the area has railroads that link it to most places on the eastern seaboard and further west. Financial institutions abound in Fayetteville, but they appear to be no more than local banking and savings and loans, not national or international institutions. Universities and colleges, such as Fayetteville State University, Shaw University, and Methodist College, provide a source of revenue for Fayetteville and Cumberland County through the recruitment of new students each year. Finally, due to the rural nature of Cumberland County, agriculture contributes an estimated \$50 million per year to the local economy. These industries provide some support for the estimated 289,000 people living in Cumberland County, but they cannot provide totally for the economy in the face of the proposed scenario.

This dependency was evident during Desert Storm/Shield when the area was deeply affected by the troop deployments that occurred. *A Raleigh News*

and *Observer* article describing the economic impacts of troop deployments during Desert Shield/Storm stated that "In Fayetteville, near Fort Bragg, estimates are that the civilian work force has lost nearly 8,000 people..." (Barron, 1991, B1). This report shows the dependency of the town of Fayetteville on the military due to the many businesses devoted solely to service to the military and military personnel. Its data was inconclusive as to the full economic impact of the troop deployments during Desert Shield/Storm, but it does mention that Fayetteville was being considered by the committee for the aid package.

In a study conducted by the Fayetteville Chamber of Commerce, new car sales in Fayetteville during the peak of Desert Shield/Storm, dropped approximately 30% from sales in previous years and from present sales. In the same study,

single family construction permits dropped approximately 40%. As one can see, the area surrounding Fayetteville is deeply influenced by the military, and when it leaves there is a profound economic impact.

The area economy is also affected by increases in military personnel at Fort Bragg and Pope Air Force Base. There is a direct correlation between the personnel increase on the military bases and economic growth as demonstrated in the increased car sales and housing construction. *The News and Observer* in its January 28, 1991 article entitled "Army general predicts growth at Fort Bragg" stated that "...[Fort Bragg will see] a 10% population growth over this decade, in part because the Army's shrinking size elsewhere. . . ." (Associated Press, 1991, B4). The base continually finds it necessary to inform the city of increases or decreases that might occur, not because they wish to garner support for their bases, but because the town and county are so involved in military affairs that they rely on this news for their futures.

What are the conclusions learned about Fayetteville? It has some diversity, but because the military and defense related industry dominate, a devastating impact on the economy would occur if the hypothetical scenario occurred. Fayetteville's economy would not shut down completely, but it would take an extremely long time to recover.

Jacksonville and Onslow County, NC

Jacksonville and Onslow County, North Carolina are located in the Southeastern part of North Carolina. The ocean borders the eastern half of the county and the New River cuts through the middle. The area boasts a small amount of industry which employs approximately 2,000 civilians. According to Mr. Don Harris, owner of Stanadyne (a diesel fuel pump manufacturing plant), the town lacks infrastructure to recruit companies to build in the area. There are no major highways, no railways, and insufficient air traffic capacity to allow for commerce to come into the

area. Mr. Harris states that although the industries do have a significant impact on the local economy, they would be unable to support the economy in the proposed scenario. During Desert

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Shield/Storm, according to *The Raleigh New and Observer* this area was called "one of the nation's most obvious economic casualties of the war in the gulf..." (Barron, 1991, B1). Mr. Harris similarly stated that an estimated 40-50 businesses in Jacksonville went under receivership during this period.

Over 80% of people living in Jacksonville are military personnel and their dependents. With a population consisting of numerous military personnel, the area cannot help but be influenced by the military. The base at Camp Lejeune produces \$1,915,116,373 per year which flows into the local economy, according to a study done by the Management Support Department of Camp Lejeune. The dependency of Jacksonville on the military can be attributed to its rural nature and lack of transportation infrastructure that inhibits most economic growth from outside investors. The area has come to rely on the military for its main source of income because of the difficulty it has in attracting outside investors to the area. Also, with the only Marine Amphibious Base on the East Coast, the area does not perceive a threat of closing by the BRAC Commission, so plans for the future are not the top priority for area leaders.

Jacksonville, unlike Hampton Roads and Fayetteville, would most likely crumble completely in the hypothetical scenario. As Mr. Harris stated, the industries that exist outside the military are not

sufficient enough to provide support for all personnel who would be unemployed by a base closing. Due to Jacksonville's lack of transportation infrastructure, a plan for future development, and diversity in the local economy, the area finds it difficult to attract investors and businesses that are not related to the military. Jacksonville must work towards attracting new investors to the area, as it has in constructing a speculation building of 50,000 sq. ft., so that the city has something to offer potential investors. This building is the beginning of a long journey that Jacksonville must take in order to become a viable town in the hypothetical scenario. Without this journey, the area will surely collapse and revert to its former rural nature with little development.

Conclusion

As this analysis demonstrates, there are three requirements for a successful city in the face of demilitarization. The first of these is a plan for future development. The second, transportation infrastructure, is very important for survival because it aids in attracting investment. The third requirement is a diverse economy and the ability to attract new businesses other than the military and defense related industries. A city or area wishing to survive this era of uncertainty with the BRAC Commission closing many bases and realigning others must strive to set itself apart from the military and defense industries by following these three requirements. The Hampton Roads area has fulfilled all the requirements set above and continues to work toward exceeding them. Due to its perseverance, Hampton Roads remains successful even with the cutbacks that are occurring in the military and defense industries and will continue to grow as the military struggles to find its place in the post-Cold War era. 

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