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ECONOMIC ANALYSIS OF ALEXANDER COUNTY ILLINOIS

by

Jeffrey Myers

B.S., Southern Illinois University Carbondale, 2021

A Research Paper

Submitted in Partial Fulfillment of the Requirements for the
Master of Science

School of Agricultural, Life and Physical Sciences
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RESEARCH PAPER APPROVAL

ECONOMIC ANALYSIS OF ALEXANDER COUNTY ILLINOIS

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A Research Paper Submitted in Partial

Fulfillment of the Requirements

for the Degree of

Master of Science

in the field of Agribusiness Economics

Approved by:

Dr. Dwight Sanders, Chair

Graduate School
Southern Illinois University Carbondale
June 27, 2023

AN ABSTRACT OF THE RESEARCH PAPER OF

Jeffrey Myers, for the Master of Science degree in Agribusiness Economics, presented on June 27, 2023, at Southern Illinois University Carbondale.

TITLE: ECONOMIC ANALYSIS OF ALEXANDER COUNTY

MAJOR PROFESSOR: Dr. Dwight Sanders

Since 2020, economies across the country and world have been recovering from one of the most unique and impactful events in modern history, COVID-19. The pandemic had an impact on both regional economies and national economies alike. Alexander County's population struggles began long before the pandemic. There were plans in place by the state government to hopefully improve the economic well-being of the area, but most of those projects were paused in the wake of COVID-19. This paper will examine the history of the county, various economic sectors, and the challenges faced ahead. The paper will conclude with a recommendation for the county's economic strategy, as well as external assistance that could potentially reverse the decline of the county's economic well-being.

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CHAPTER 1

INTRODUCTION

Alexander County is the most southwest county in the state of Illinois. This county was predominantly settled by whites moving up from the southern region in the early 19th century. African Americans also started to migrate here post-civil war seeking work around the promising river transportation region. This simultaneous immigration of both races led to numerous racial conflicts in this area. The county has been struggling since the civil rights movement of the 1960s. In the early 20th century, the county had multiple lynchings despite there being anti-lynching laws passed prior (Equal Justice Initiative). The population peaked in the year 1940 with over 25,000 people, which, for the 20th century, was a large county in the Southern Illinois region. Present day, Alexander County now has less than 5,000 people and is in an economic crisis. The population has decreased in seven of the last eight census reports, down 36% from 2010 to 2020, a national low (U.S. Census). Although decreasing for decades, the closing of Tamms Correctional Center likely was the cause of the recent record decline.

This county was chosen in research because of its uniqueness. It has seen one of the largest county emigrations in U.S. history over the past 70 years, and at the same time is one of the most geographically unique and advantaged counties in the country as well. The county is located at the confluence of the two largest rivers on the North American continent, the Ohio, and the Mississippi. The county seat, Cairo, Illinois, lies on the banks of both rivers and once had a solid economic foundation consisting of large shipping and railroad hubs. It appears as though the city of Cairo and the entire county should be economically booming. This study will look at data from three recent time periods collected by the U.S. Bureau of Economic Analysis. This data will be compared to the state of Illinois and the United States as a whole. The political

landscape will also be discussed and how it helped shape the county's demographics. This paper will conclude with a recommendation of what the county could do in the first few steps to better the regional economy, as well as a conclusion of the findings.

CHAPTER 2

LITERATURE REVIEW

The data for this analysis includes all 21 sectors recognized by the North American Industry Classification System. This data includes earnings by place of work (in U.S. thousands of dollars), each sector by proportion expressed as a percentage, and location ratios to compare to the state of Illinois, and to the U.S. All the data was collected from the U.S. Bureau of Economic Analysis in the years 2001, 2011, and 2021 to compare them over that 20-year period. The Bureau of Economic Analysis (BEA) is an agency within the U.S. Department of Commerce, tasked with providing comprehensive and reliable economic data to support informed decision-making. Beyond national-level data, the BEA provides comprehensive regional economic data and analysis. This allows for detailed examinations of economic trends and regional disparities across different states and metropolitan areas. Researchers have used BEA regional data to study regional economic growth, labor markets, and the impacts of policies on specific regions. Such analyses have facilitated a better understanding of regional dynamics and the formulation of targeted regional development strategies.

Schaffer (2004) takes a multidisciplinary economics approach when analyzing local economies. His book reviews various fields such as economics, sociology, urban planning, and public policy. Community economics emphasizes the importance and understanding of unique characteristics of a regional economy and tailoring strategy to meet the specific needs of that selected region. Schaffer (2004) also emphasizes the importance of collaboration and participation at the local level to foster economic development. Schaffer (2004) notes the disregard that the local level experiences when discussing general economic research.

Ruch (2013) of KFVS-12 News ran a news report months after Alexander County's

largest employer, Tamms Correctional Facility, closed. The article described the impact of the closure just months after it occurred. Now, that impact has lasted a decade (Ruch 2013).

The closure of this facility occurred in January of 2013, between the 2010 and 2020 Census. Between those two census reports, the population of the county fell over 30%, a national record, which also made national news (U.S. Census).

The closing of this prison was the last straw for the mass exit in this county, which saw a declining population for over half a century. The Equal Justice Initiative and McDermott (1997) describe the details of the multiple lynchings that occurred in this area during the early 1900s. Illinois had already passed anti-lynching laws in response to civil unrest around the country, however, these laws were disregarded. The political and civil unrest in the county was only the beginning of the depopulation in Alexander County, which turned into a century-long decline.

McKay (2014) did a similar descriptive statistical analysis for Clinton County, Ohio. Comparable to Alexander County, Clinton County lost its largest employer in 2009. DHL was a shipping hub that provided work for over 8,000 people. Since the company left, the county saw a mass relocation of citizens as well, and to this day, is still recovering from the impact.

In August of 2021, Williams (2021) from KFVS-12 News reported on the current demographic and economic state of Alexander County. Williams briefly describes the latest attempt to rejuvenate the region by the state government known as the “Cairo Riverport Project.” Governor Prizker was quoted in this article; “Cairo’s Riverport Project will stand as a shining example of Illinois’ leadership, good jobs, multigenerational investment, economic growth and community revitalization.” As of August of 2021, the project was delayed due to COVID-19 related issues of the Illinois budget (Williams 2021).

Hancock (2022) published an article on an update of the Cairo Riverport Project. The

Illinois General Assembly passed a budget in 2019 called Rebuild Illinois. This budget included \$40 million allocated to the port project, which was a clear focus. Hancock (2022) discusses the many difficulties the engineers and developers continue to face with this project. The main barrier currently faced is making sure there are enough commodities originating in the region to fill the large barges when they return to New Orleans at the mouth of the Mississippi River. This would promote shipping traffic and more logistic companies would see value in traveling up the Mississippi river. According to Hancock, there are a variety of trade associations and firms involved in the ongoing revitalization project, along with the state government.

CHAPTER 3

ALEXANDER COUNTY 2001

This economic examination is separated into three parts. An analysis of the years 2001, 2011, and 2021. These three time periods were chosen because we had readily available data from BEA, during these times. The study will avoid the need to adjust for the BEA changing data categories between 2000 and 2001. Since 2001, the BEA has used the North American Industry Classification System (NAICS) to categorize employment, income, and other economic data. The NAICS classifies business establishments by type of economic activity (Statistics Canada). The county saw fluctuations in all reporting sectors collected through the BEA in the three periods.

Figure 1. shows the sector proportions for the year 2001 in Alexander County. Manufacturing and transportation were both huge sectors for the county in 2001, combining for almost 22% of the proportions of earnings in the entire county. Eight NAICS sectors failed to report to the BEA for the year 2001. The likely explanation for the unavailable data is that the sectors had very low or nonexistent earnings totals. The smallest reporting sector was real estate and leasing at 0.38%. The reported earnings for the real estate sector were a county low of \$356,000. The nonreporting sectors were likely even smaller than real estate.

The largest sector, which remained consistent throughout the study, was the government sector. Jobs in this sector are simply defined as any position of employment within a local, state, or federal agency. Alexander County does not have a large public hospital or higher educational institution that would contribute to this data. Most of this sector proportion is going to come from the earnings of the labor force that work at Tamms Correctional Center. Employees at a prison facility typically consist of correctional officers who supervise the inmates and the nurses

who monitor the health of the inmates. Tamms Correctional Center was still considered a fairly new facility as it was opened in 1998 and the negative effects, such as costs and poor inmate conditions it had on the state government, were yet to be realized.

CHAPTER 4

ALEXANDER COUNTY 2011

Figure 2. illustrates the sector proportions of Alexander County in the year 2011. Again, the government sector dominated the county's earnings. Covering an astounding 36% of all employment in the entire county. This data was taken prior to the closing of the Tamms prison. The next two highest sector proportions for 2011 were manufacturing and transportation, which made up a combined 18% of the county's economy. The top three sectors combined for a total of 54% of the county's earning, suggesting minimal diversity within the regional economy.

Sector proportions can often be deceiving when analyzing a small economy like this one. Location ratios are often used by regional economists to better understand how these sectors compare to a bigger economy, often being a state economy or national economy. Economists generally use location ratios as a measurement of specialization in a specific sector of industry. A higher location ratio suggests a strong specialization and competitive advantage in that sector. On the contrary, a low location ratio means more diversification. A sector with a low location ratio often suggests a low concentration of that industry in the selected area. The highest location ratios found in 2011 were utilities such as water services or garbage disposal services, and the government sector, at 11.48 and 12.13, respectively. These ratios are comparing the earnings of the county sector proportion to the U.S., meaning the county percentage is significantly higher for both government and utilities. Forestry, mining, health care, and educational services all did not report in the year 2011. If the rest of the sector proportions are summed up and then subtracted by 100%, we get the total percentage of those sectors not reporting at about 20% with healthcare and education likely being the largest contributors to that number. No location ratios can be identified for the sectors not reporting.

2011 saw the highest total earnings by place of work out of the three years analyzed. When factoring in inflation, that total should typically increase or stay constant, sometimes even when there is a small population decline. From 2011 to 2021, the county saw total earnings by place of work drop nearly \$30 million.

CHAPTER 5

ALEXANDER COUNTY 2021

In 2019, the Illinois General Assembly passed a bill titled “Rebuild Illinois.” This was the first legislative effort put forward in an attempt to restore, or even surpass the level of economic activity the region once contained. The bill included a \$45 billion budget, but only \$40 million was allocated to the Cairo Riverport project (Hancock 2022).

Figure 3. shows the sector proportions for the year 2021. 2021 saw even worse results economically. The population decreased by 36.4% from 2010 to 2020. This was a record decrease throughout all 3,138 counties in the U.S. This population data was affected most by the closing of Tamms Correctional Center. This facility was a supermax prison that conducted death penalty executions until 1999. The death penalty was later abolished by the state and Tamms was forced to close under reports of inhumane conditions and simply too costly of a prison for the financially unhealthy state of Illinois. Figure 3. shows that the sector proportions are still dominated by the government sector at 32%, but that number can be deceiving as the location ratio fell nearly 10 points to 2.08. Thirteen of twenty-one sectors did not report compared to only four from 2011. The non-reporting sectors accounted for 30% of the county earnings compared to 20% from the previous 10-year span. Both farm earnings totals and the location ratio of farm earnings increased substantially in the selected period, going from 6.58 to 22.21, a huge upside of that sector.

The government sector in the year 2021 saw nearly a 5% decrease compared to 2011. This does not seem like a large percentage change considering the prison closing would be affecting this sector, however, the location ratio of this sector fell from 12.13 to 2.44. This shows a dramatic decrease in their proportion when we look at the rest of the country for comparison.

Transportation and warehousing also show a potentially large decrease in both the percentage change and location ration change. Transportation and Warehousing can be any business ranging from logistics, to air travel, to storage units. In 2001, Alexander County's transportation sector percentage of about 11%, which is a fairly large proportion of the economy. In 2021, that sector went unreported to the BEA, which means it is likely to be a very small, or empty sector at the time of data collection.

CHAPTER 6

POLITICS

The county has had an interesting political landscape in its history as well. From 1932 to 2012, the county majority only voted for a Republican party presidential candidate in 4 elections. In both 2016 and 2020, the county voted for President Donald Trump, showing a shift in the majorities view on politics. This shift could be explained by the further emigration of the African American population due to Tamms Correctional Facility closure.

With state senator Dale Fowler leading the push, the support to fund Alexander County's port is present. "The anticipation is to hopefully break ground in the third quarter of 2022 and be operational in 2024." Said Senator Fowler in an interview with the Southern Illinoisan (Hancock 2022). The project appears to be a bi-partisan effort, with both Democrats and Republicans seeing the value of the geographic location. The current status of the project is in delay due to budget reallocations in the wake of COVID-19.

CHAPTER 7

CONCLUSIONS AND RECOMENDATION

Prior to COVID-19, attempts by the state government were made to restore Alexander County. Budget shifts during the unprecedented time of the pandemic stalled recovery efforts in Alexander County. When we examine the data, the results show that the county still has giant steps to take to be even half of what the county was 70 years ago. Clearly, this regional economy has little money to invest in themselves so government assistance will be needed, or the county will not even be able to start rebuilding. After the first step of receiving stimulus, the county leaders should then focus on modernizing their infrastructure to attract citizens to the region. When people see clean, well taken care of buildings such as a school, they are more likely to want to start a family or business in that region. Efforts need to be made by both Springfield and the local government to get the valuable shipping hub of Cairo back up and running. Having a port of that magnitude could lead to substantial growth of a county that seems to be at rock bottom but doing it alone would be impossible for them. Diversification of the economy also seems to be a route that could be taken. A diverse economy will likely encourage a diverse population to move there, but much funding is needed just for this county to get the ball rolling.

Globalization, or rather, deglobalization is also worth discussing in the conclusion of this research. Globalization is the concept of interdependence between economies and can be applied to any sized economy. Most of the proponents of globalization suggest positive outcomes, however, critics raise concerns over job displacement, income inequality, and overall loss of diversity. All of these side effects seem to be happening in Alexander County. A migration is often associated with globalization, and people seem to be moving to larger urban areas across the United States and globe. This common phenomenon has been devastating to a lot of rural

communities, and arguably the most devastation has occurred in Alexander County, Illinois.

Ultimately, the closing of Tamms Correctional Center seems to be the “nail in the coffin” for Alexander County. With a steady decline over years and years, it can become extremely difficult to reverse the trend of people moving away. With a county already struggling, the impact of closing a facility as large as a prison is massive. With the county being as small as it is, the impact on the labor force can be devastating and that’s what ultimately led to the final migration of people out of that county. When there is no money to be made, people will leave, and understandably so. An effort to build sustained economic recovery is always possible with the right amount of focus and collaboration.

While the county does not currently possess a competitive advantage, it does not mean that it will remain that way indefinitely. By investing in the county's development, taxpayers can contribute to creating an environment conducive to economic growth and attracting potential investments. Also, supporting a county without a competitive advantage can be viewed as part of a broader regional development strategy. Strengthening underdeveloped areas can have positive spillover effects on neighboring regions. A thriving county can contribute to regional stability, improved infrastructure connectivity, and enhanced trade and commerce, benefiting the entire region.

Positively, Cairo, the county seat, now has a grocery store for the first time in seven years. Ruch (2023) says the store was funded through memberships, shareholders, and grants from the University of Illinois. The grocery store, Rise Community Market, had its grand opening on June 16th, 2023.

The legislation discussed is a step in the right direction, but the struggles of the COVID-19 pandemic will prevent the port from starting operation in the year 2024, which was the

original goal of the project. While Alexander County faces certain challenges, it possesses several economic strengths and opportunities for growth.

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APPENDICES

APPENDIX A RELATED FIGURES

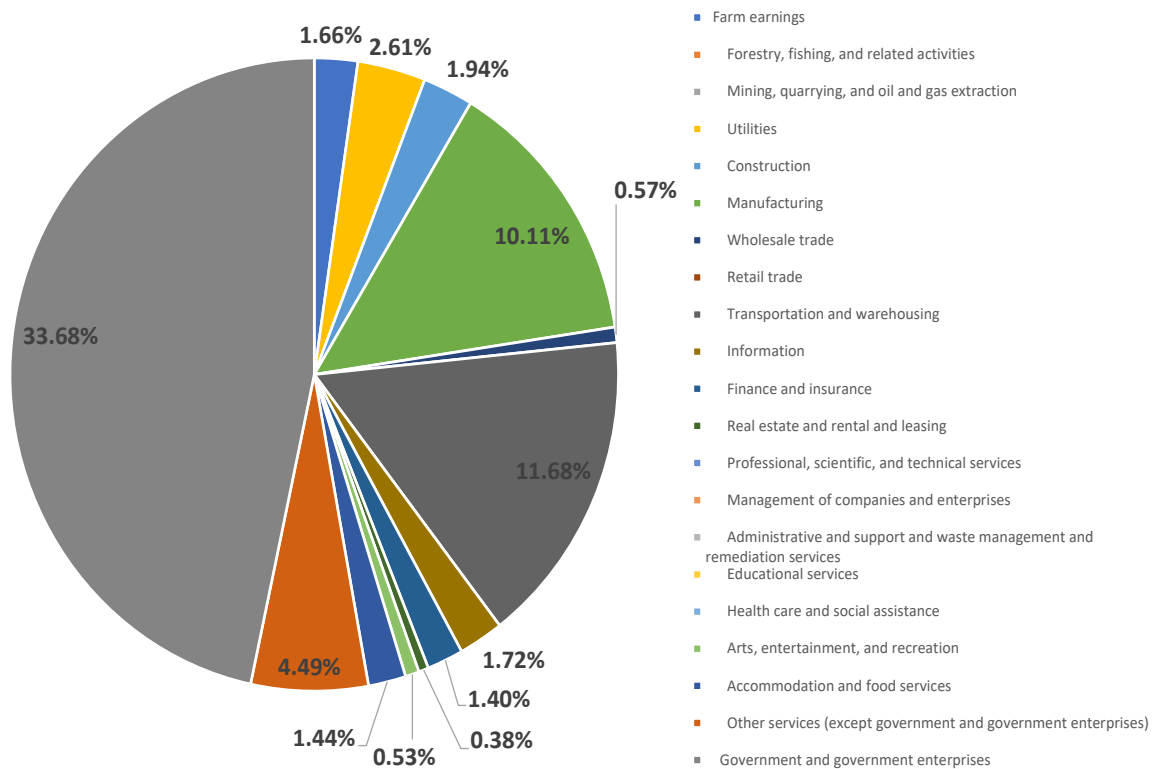


Figure 1: 2001 Sector Proportions of Earnings

Note: If the sector does not appear on the graph, it did not report to the BEA.

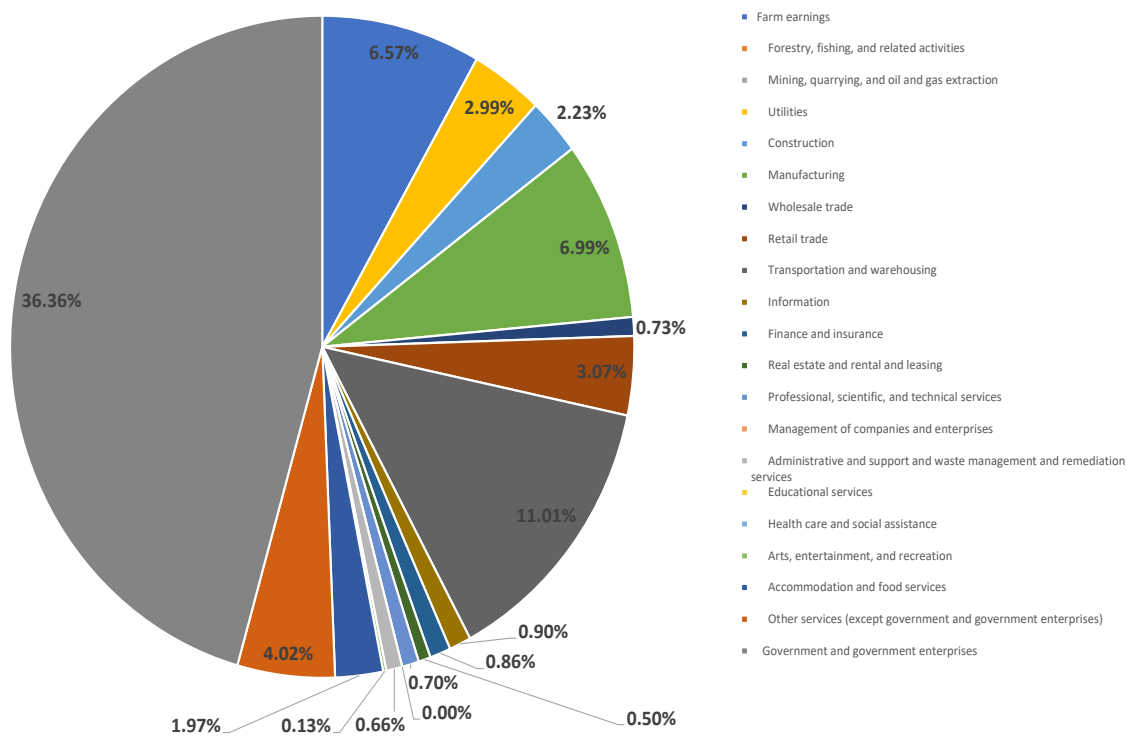


Figure 2: 2011 Sector Proportions of Earnings

Note: If the sector does not appear on the graph, it did not report to the BEA.

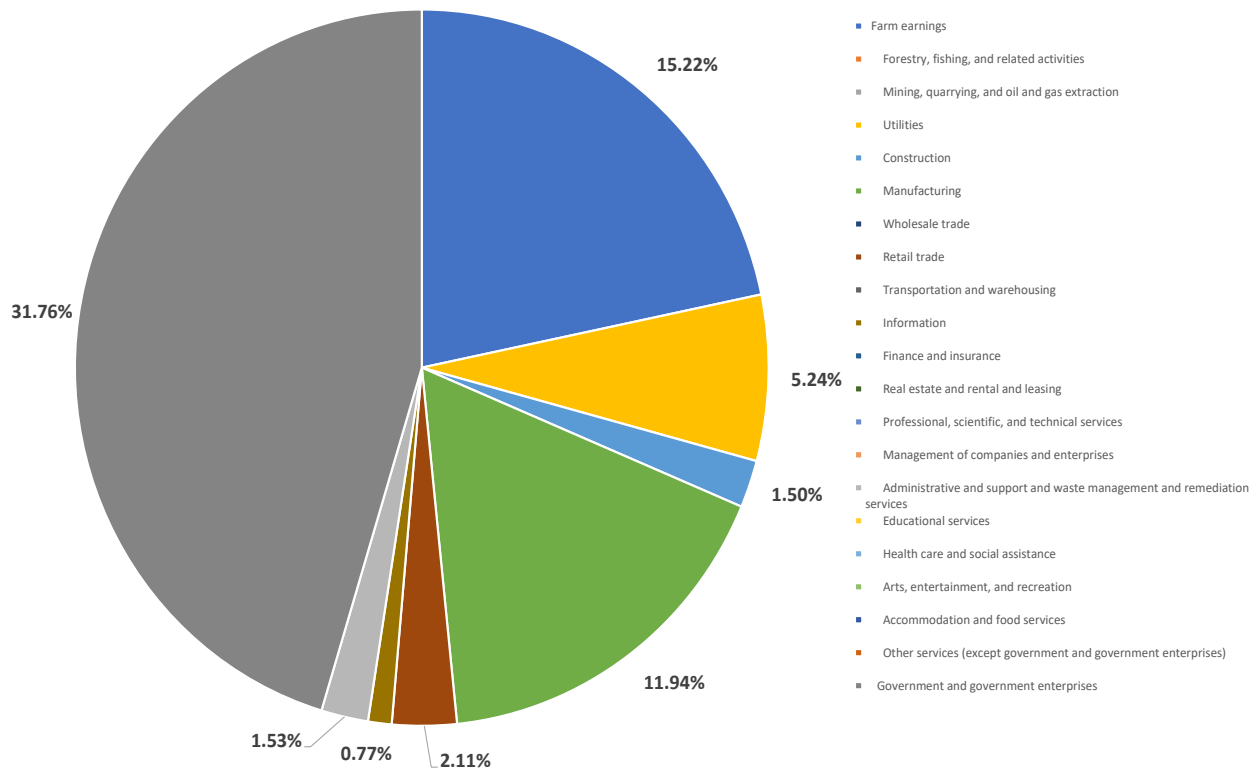


Figure 3: 2021 Sector Proportions of Earnings

Note: If the sector does not appear on the graph, it did not report to the BEA

APPENDIX B
RELATED TABLE

Table 1: Employment Statistics Table of Alexander County, IL

| Year | Unemployed | Employed | Labor Force | Rate (%) |
|------|------------|----------|-------------|----------|
| 2011 | 373 | 2516 | 2899 | 12.9 |
| 2012 | 330 | 2418 | 2748 | 12.0 |
| 2013 | 339 | 2348 | 2687 | 12.6 |
| 2014 | 275 | 2281 | 2556 | 10.8 |
| 2015 | 211 | 2086 | 2297 | 9.2 |
| 2016 | 207 | 2008 | 2215 | 9.3 |
| 2017 | 179 | 1957 | 2136 | 8.4 |
| 2018 | 170 | 1909 | 2079 | 8.2 |
| 2019 | 120 | 1834 | 1954 | 6.1 |
| 2020 | 189 | 1653 | 1842 | 10.3 |
| 2021 | 149 | 1689 | 1838 | 8.1 |
| 2022 | 113 | 1695 | 1808 | 6.3 |

Note: All data in this table was collected from the Illinois DES.

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