

NC STATE ECONOMIST

AN ECONOMIST LOOKS BACK AT A 43 YEAR CAREER

By Michael L. Walden, Reynolds Distinguished Professor and Extension Economist

Editor's Note: this Spring 2021 we say a fond farewell to Dr. Mike Walden, a leading figure in the Department of Agricultural and Resource Economics and NC State Cooperative Extension. We invited Dr. Walden to share some farewell thoughts on his long career with NC State University as faculty and prognosticator of North Carolina's economy.



North Carolina State University was very different when I joined its faculty in 1978. There were no personal computers, tablets, or smartphones. Libraries were the only source of information and references, and I did all my writing by hand on legal pads. If I missed a phone call, a colleague or secretary would leave a written message on my door. My teaching was done by talking and writing on a chalk board. And when I travelled outside Raleigh for a meeting, I carefully wrote the street names and turns on a piece of paper to get there because there was no GPS. Also, all meetings were in person.

My department at NC State – Agricultural and Resource Economics – did not exist in 1978. At that time all economic disciplines - agricultural, business, and accounting – were in one department, called simply Economics and Business. That department had 100 tenure-track faculty, and when I joined I was one of the youngest of its faculty members. At that time, some of my current colleagues in Agricultural and Resource Economics were years away from being born. Today, at age 70 I am now the oldest faculty member in my department.

I could go on and on about the differences at NC State, the state, and the country between 1978 and 2021. I've thought about these changes considerably in the last few months as I approach my retirement from NC State this spring. So if you will indulge me, I would like to reminisce on some of the lessons I've learned about our economy and the teaching of economics over the last four decades.

Some Things Never Change

There are two big lessons I've learned about the economic world. First, there are many things that never change. And second, there are other things that *always* change. In my opinion, the top-three in the "never-change" category include (1) the business cycle, (2) the unpredictability of the stock market cycle, and (3) the essential economic tools of supply and demand.

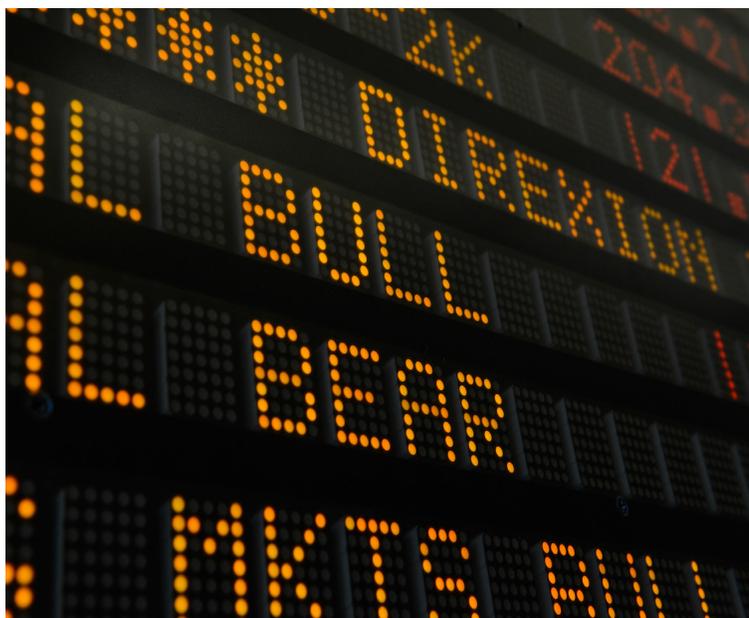
The business cycle refers to the irregular ups and downs of the overall (some say macro) economy. The "up" part of the business cycle – usually called an "expansion" – means the economy is improving and generating more jobs, more income, and wider business opportunities. Optimism is high, and more people are able to move up the economic ladder.

The "down" component of the business cycle is the opposite. The economy slumps, jobs are cut and unemployment rises, incomes fall, and contractions in business sales lead to elevated bankruptcies. If the economic decline is relatively short and mild, it's called a recession. If it is long and deep, the downturn is labelled a depression.

Since the 1930s the federal government has played an active role in trying to smooth-out the business cycle; that is, making the ups less steep and the downs less deep. While there has been some success, the business cycle has not been completely eliminated, meaning it is likely here to stay. Therefore, my advice is never expect current economic conditions to persist. Expansions will eventually roll into recessions, and recessions will ultimately turn into expansions. The business cycle is constant, and this conclusion never changes.

Another constant is the ups and downs of the stock market. Stock market cycles tend to lead business cycles, where the stock market usually declines (turns "bearish") before a recession, and the stock market often rises (becomes "bullish") prior to an expansion. This is mostly because stock investors are always looking ahead and always trying to anticipate the future. But notice I used the words "usually" and "often," because there is no perfect correlation between moves in the stock market and future moves in the business cycle. This is why, as the famous economist Paul Samuelson said years ago, "The stock market has predicted nine of the last five recessions."

And in advice attributed to several prominent investors – including J.P. Morgan and John D. Rockefeller – the most accurate prediction one can make of the stock market is: "It will fluctuate."



My last constant is the core economic idea of supply and demand. Supply is simply how much of a product or service will be offered for sale at various prices. Higher prices induce more supply. Demand measures how much of a product or service consumers will purchase at different prices. Lower prices motivate more demand. An equilibrium for any product or service will occur when supply equals demand, which will only occur at one price. Thus, the concepts of supply and demand is the first stop for an explanation to any change in the price for a product or service. For example, if the price of gasoline rises, is it because drivers are willing to buy more at any price – perhaps to take advantage of travel in good weather? Alternatively, the higher price may result from curtailments in gasoline availability at every price – maybe because of a hurricane or other disruption in supply.

Some Things Always Change

In contrast to those that never change, I've learned some parts of the economy are always in flux. Two prime examples are the structure of the North Carolina economy and the composition of its occupations.

When I arrived in North Carolina in 1978, the leaders of the economy were tobacco, textiles, and furniture – the “Big Three.” Then came globalization for all three and health concerns for one. Globalization brought lower-cost clothing and furniture to the country from overseas producers. And while North Carolina tobacco also faced stiffer foreign competition in the late 20th century, the bigger impact was the growing worry about the health impacts of smoking.

Today, all three industries persist, but at a much smaller size. Yet, the amazing fact is the North Carolina economy adapted. The modern state economy is now based on five key sectors – technology, pharmaceuticals, food processing, vehicle parts, and financial services



Mike Walden receiving the UNC Board of Governors' Award for Excellence in Public Service in 2010

– the “Big Five.” Even farming, which was dominated by tobacco for so long, has shifted from crops to livestock. Pork and poultry are the state’s leading farm products today, with tobacco now far behind.

These changes in how businesses in North Carolina make money, combined with broader changes in how production occurs, has led to a big shift in occupations. Jobs in manufacturing, agriculture, and transportation have been falling as a percentage of the workforce. They are being replaced by jobs in financial services, the professions, technology, and health care. Occupations requiring cognitive skills are expanding much more rapidly than those needing physical skills.

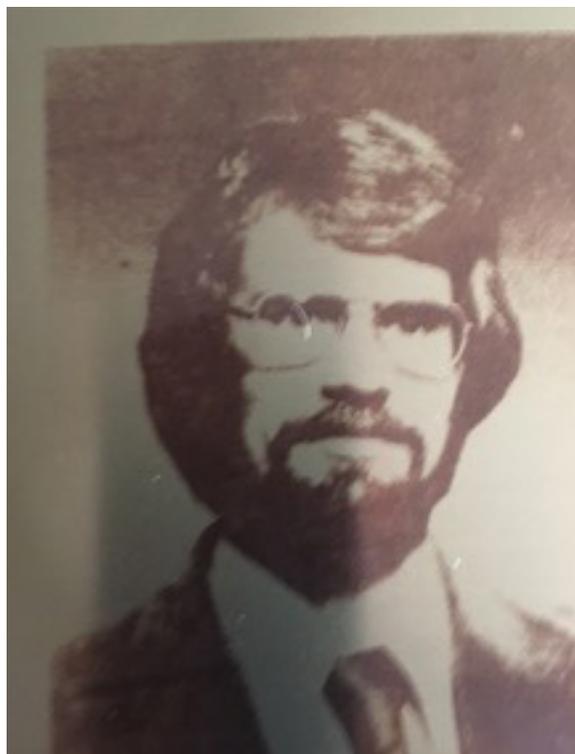
Relatively rapid shifts in economic sectors and occupations have become the norm. Look for these shifts to occur even faster in the post-pandemic world.

A Life of Teaching Economics

Although I worked in construction, restaurant, and furniture businesses in my younger years, my main career has been teaching economics at North Carolina State University. Since NC State is a land-grant institution, my teaching has occurred both in the classroom and all around the state. At last count, I’ve made over 3100 presentations to all kinds of groups in almost every North Carolina county. I’ve also broadcast a daily radio program for over 40 years and written a newspaper column for 25 years.

My take-away from this teaching career is that people want to learn about economics. They understand how important it is to their lives. However, they want to be taught economics in a clear, understandable, and practical way, whether they’re in a classroom on the NC State campus or a Cooperative Extension auditorium three hours from Raleigh. They also want fact to be separated from opinion, and want respect for their own ideas and questions.

In my 43-year career, I’ve tried to meet these standards, and colleagues and administrators around me have encouraged and inspired me to do so. I can’t conceive of a better career than the one I’ve had at NC State. To quote my fellow Ohioan, Bob Hope, “thanks for the memories.”



Mike Walden as a new NC State faculty member

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