

# Why is West Virginia So Poor

West Virginia University College of Law  
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**presented by**

Sean O'Leary, Senior Policy Analyst  
[wvpolicy.org](http://wvpolicy.org) @WVCBP  
[soleary@wvpolicy.org](mailto:soleary@wvpolicy.org) @OLEarySW



# Overview

Why is West Virginia so poor?

- A brief history of West Virginia's economy
- Current State of West Virginia's economy
- Analysis of factors contributing to West Virginia's consistently low incomes
- Why current approaches to address West Virginia's economic problems fail
- An agenda for a shared prosperity

# Why is West Virginia So Poor?

The basics highlighted by WVU over 20 years ago

- An inadequate physical infrastructure
- Low education achievement
- Outdated job skills
- A rugged topography
- Low population density
- A lack of airport and port facilities
- A generally insular view of the state's economy

Dilger, Robert Jay and Tom Stuart, West Virginia in the 1990s: Opportunities for Economic Progress, West Virginia University Press, 1994, pp. 4-5.

# Why is West Virginia So Poor?

## Culture and colonialism

- Most explanations of West Virginia's, and Appalachia's, poverty fall into two main streams – culture and colonialism
- “...people who lack education and skill, who have bad health, poor housing, low levels of aspiration and high levels of mental distress....Each disability is the more intense because it exists within a web of disabilities. And if one problem is solved, and the others are left constant, there is little gain.” - The Other America: Poverty in the United States.
- “In the 1970s, neoconservatives — former liberals disillusioned with the welfare state (Harrington himself popularized the term in a 1973 article) — neatly turned the argument of “The Other America” on its head, arguing that welfare programs only strengthened the culture of poverty by encouraging single-parent families and discouraging work. The poor, in their view, would be better served by dismantling the welfare state and instituting tougher neighborhood policing than through further meddling by would-be social engineers.” Isserman, “Michael Harrington: Warrior on Poverty, New York Times, June 19, 2009

# Why is West Virginia So Poor?

## Culture and colonialism

- 1884 Tax Commission Report:

“The wealth of this State is immense; the development of this wealth will earn vast private fortunes far beyond the dreams even of a modern Croesus; the question is, whether this vast wealth shall belong to persons who live here and who are permanently identified with the future of West Virginia, or whether it shall pass into the hands of persons who do not live here and who care nothing for our State except to pocket the treasures which lie buried in our hills?”

If the people of West Virginia can be roused to an appreciation of the situation we ourselves will gather this harvest now ripe on the lands inherited from our ancestors; on the other hand, if the people are not roused to an understanding of the situation in less than ten years this vast wealth will have passed from our present population into the hands of non-residents, and West Virginia will be almost like Ireland and her history will be like that of Poland.”

# Why is West Virginia So Poor?

## Industrialization

- Rail led to timbering, coal mining and other forms of extraction.
- In 1884, 2/3 of the state was forested, by 1920, nearly all old-growth forests were gone.
- Disrupted traditional subsistence farming and local food economies, forcing farmers to abandon the countryside.
- 1883, birth of the coal industry, mining reached 3 million tons.
- Agents of rail, timber and coal began to purchase acres of mineral and timber rights, leaving residents in possession of only the surface rights to the land.

# Why is West Virginia So Poor?

## Who owns West Virginia?

- Landmark 1974 study by Tom D. Miller, an investigative reporter for the Huntington, West Virginia, Herald-Dispatch
- Two dozen out-of-state corporations and land companies – all tied directly or indirectly to mineral industries – owned a third of the state's 12 million privately held acres.
- Thirteen large companies controlled leases on another four million acres of coal or oil and gas rights in 1971 and the figure grew by an estimated half million acres per year in the following three years.
- Out-of-state corporate interests owned at least half the land in almost 50 percent of West Virginia counties.
- None of the ten largest landholders was headquartered in the state.
- Follow up study from ARC in 1978 mirrored Miller's findings, as did 2013 study

# Why is West Virginia So Poor?

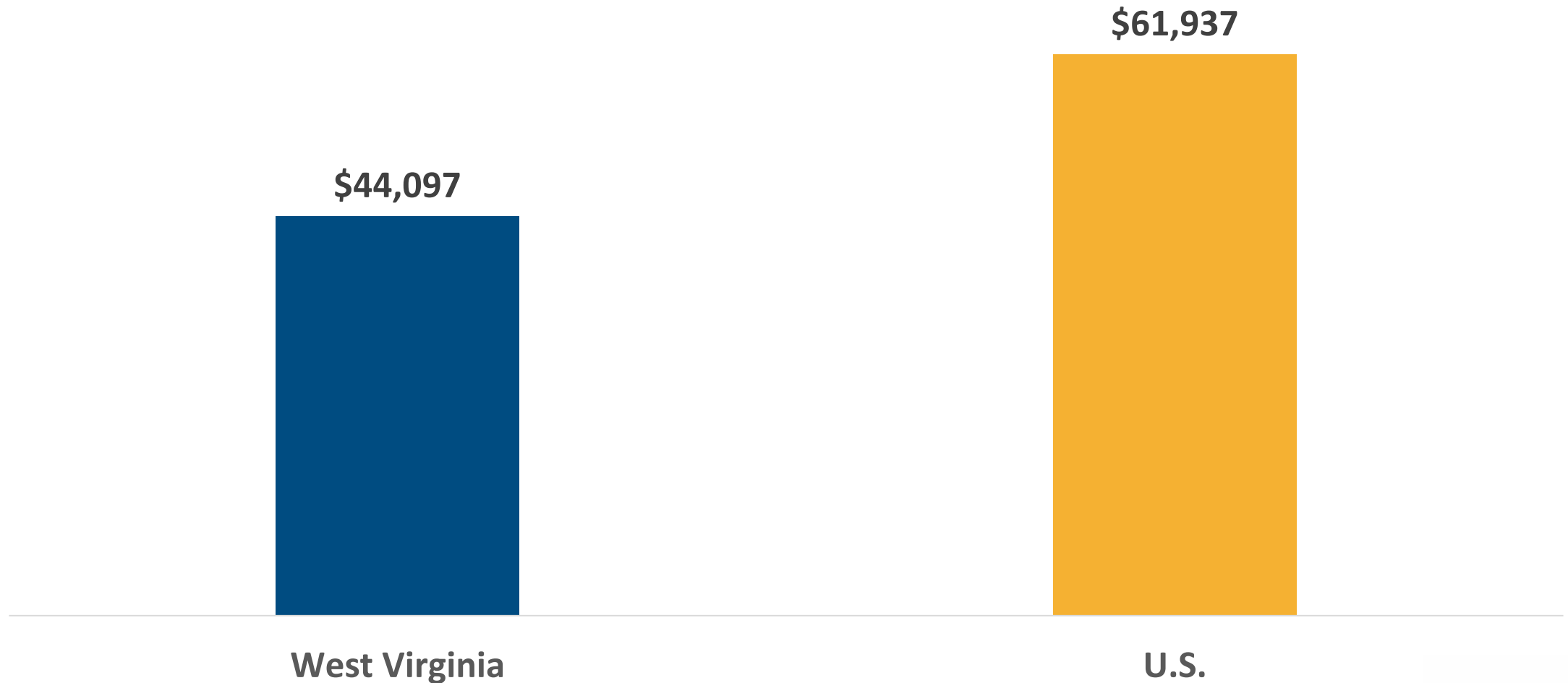
## Patterns

- **Booms and busts** - A 2011 study of energy booms and busts by the West Virginia Center on Budget and Policy found that while wages and incomes in mining counties could increase in booms, these did not translate into long-term growth or prosperity. Mining counties had lower median household incomes, higher poverty rates, and worse health outcomes. Mining counties also were found to have less economic diversity, lower education levels and higher levels of inequality.
- **Automation** - In the 1960's there were 48,696 miners in the state. By decade's end there were less than 42,000, even though coal extraction increased by nearly 20 million tons. In the 1980s, mine employment decreased from 55,502 to 28,323 over a similar period despite a 30 million ton increase in coal extraction. Coal employment dropped by nearly half in the 1990s, going from 28,876 to 14,845 by 1999 despite high levels of production.
- **Beyond Coal** - Perhaps nothing better symbolizes the decline in manufacturing jobs outside of the extractive economy over this period than the fact that Wal-Mart replaced Weirton Steel as the state's largest employer, a position it held from 1998 until 2015



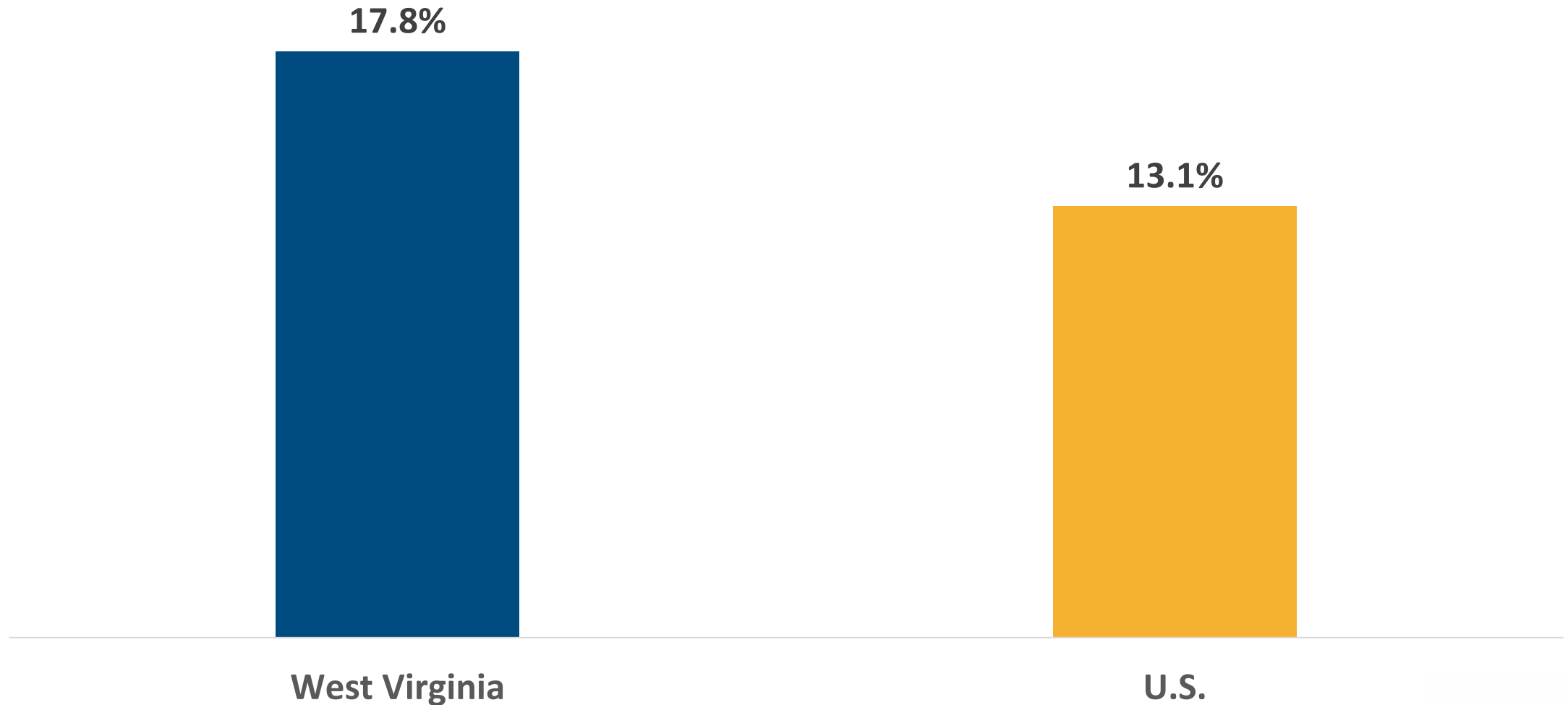
# Low Incomes, High Poverty

Median Household Income, 2018; West Virginia Rank: 50<sup>th</sup> highest



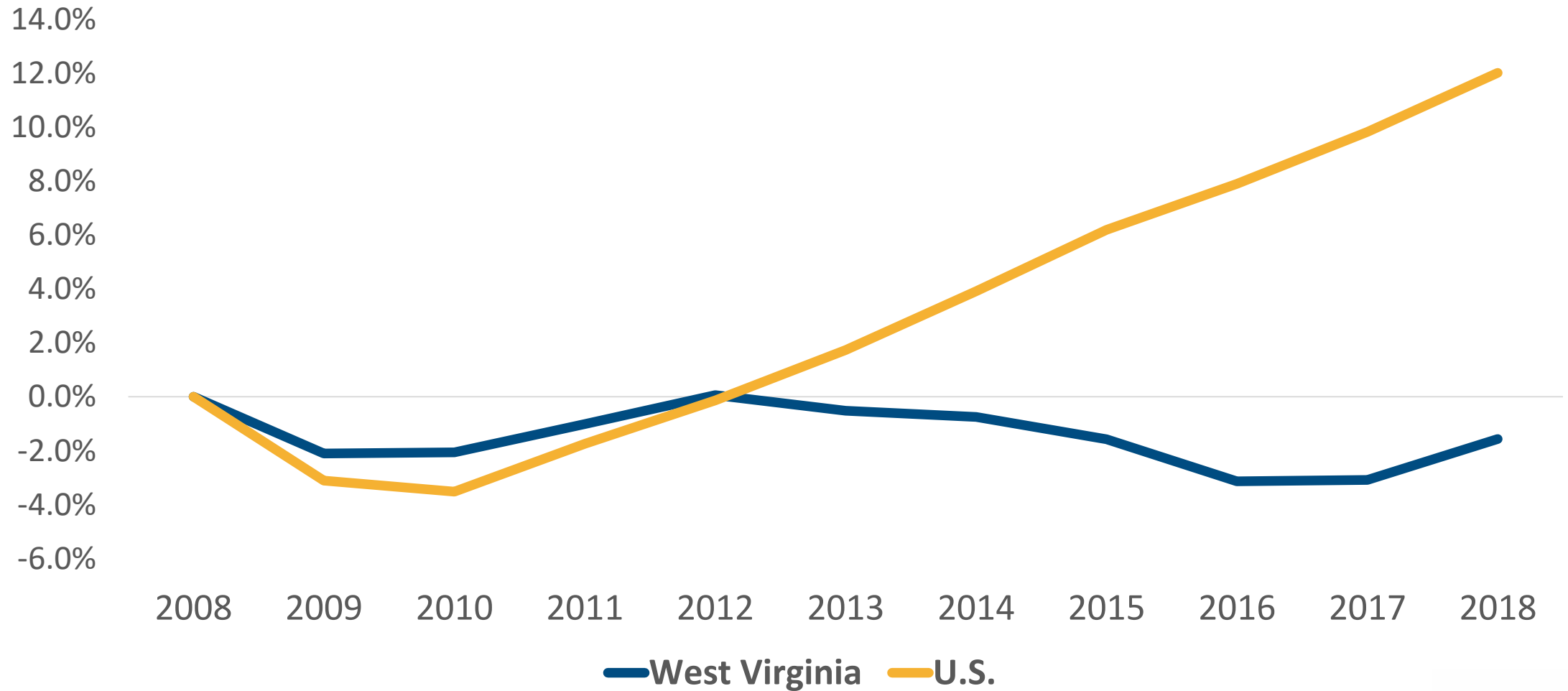
# Low Incomes, High Poverty

Poverty Rate, 2018; West Virginia Rank: 4<sup>th</sup> highest



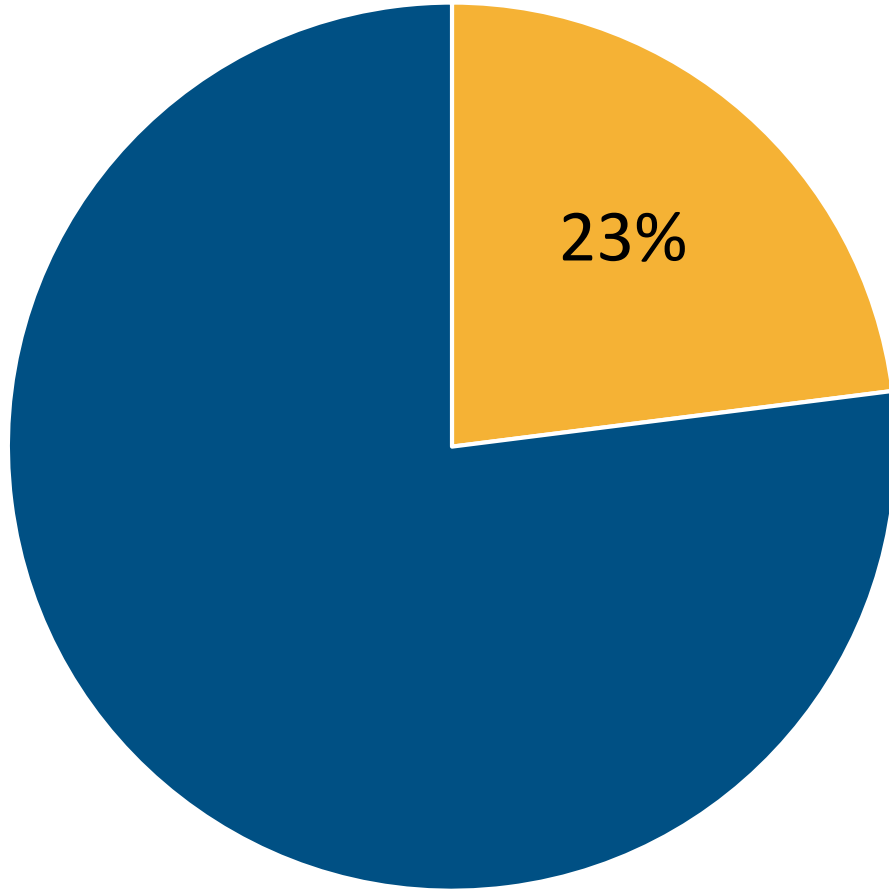
# Weak Economic Growth Since the End of the Recession

Total Employment Growth, 2008-201

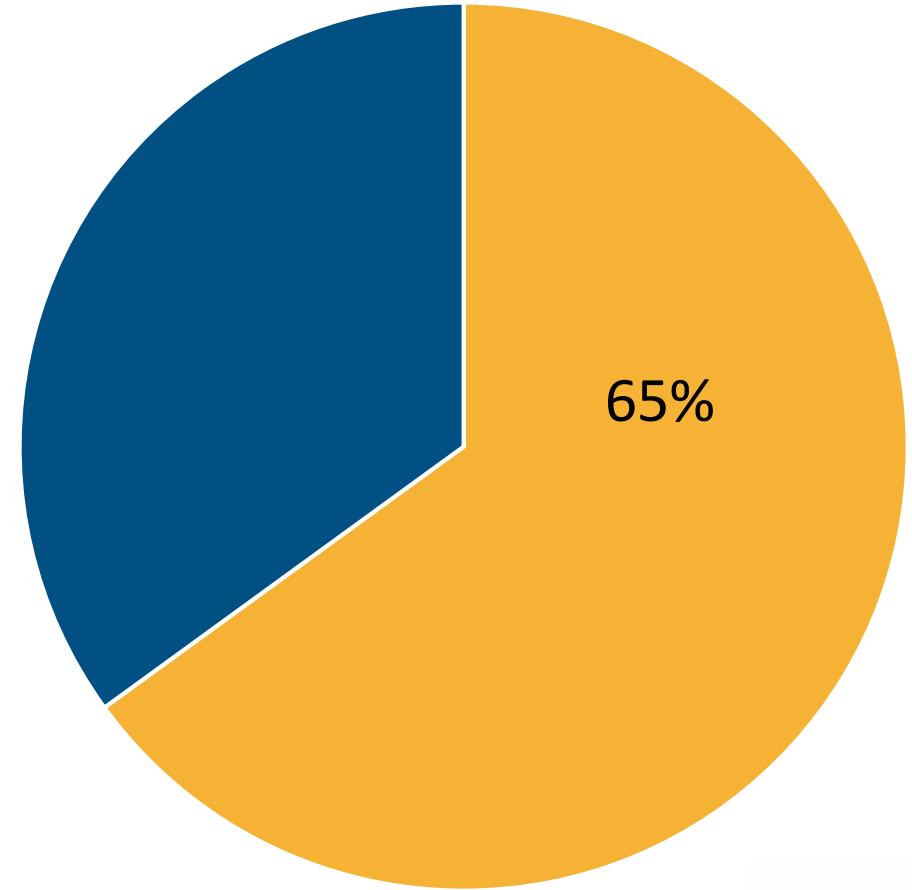


# West Virginia Projects a Low Wage Future

23% of West Virginia's Jobs Pay Less than  
150% of the Federal Poverty Level

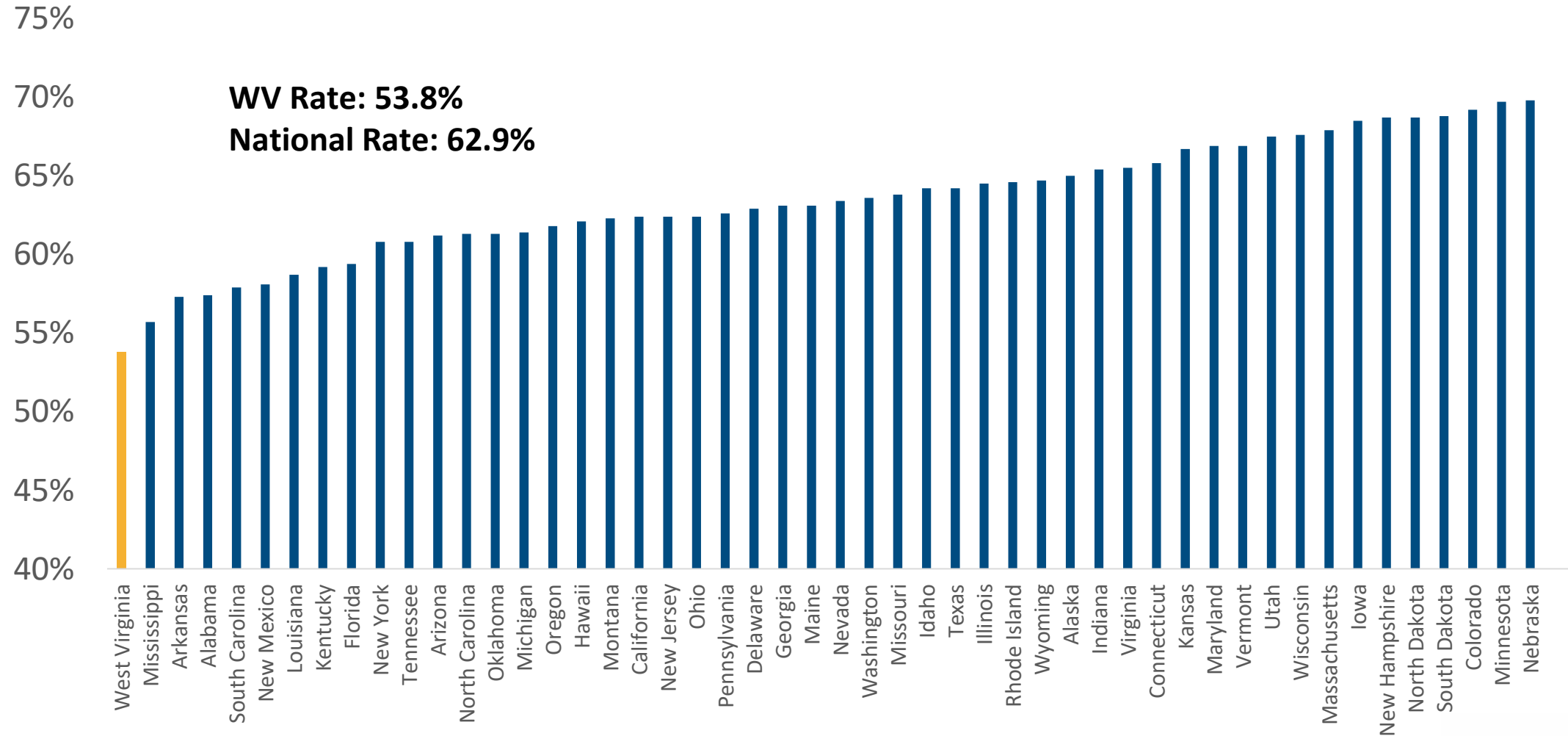


65% of West Virginia's Job Openings in the  
Next Decade Pay Below Self-Sufficient Wages



# West Virginia Has Nation's Lowest Labor Force Participation Rate

Labor Force Participation Rate, 2018



Source: Economic Policy Institute analysis of Current Population Survey data

# Why is West Virginia So Poor?

Analysis of what factors account for the largest share of differences in income across states.

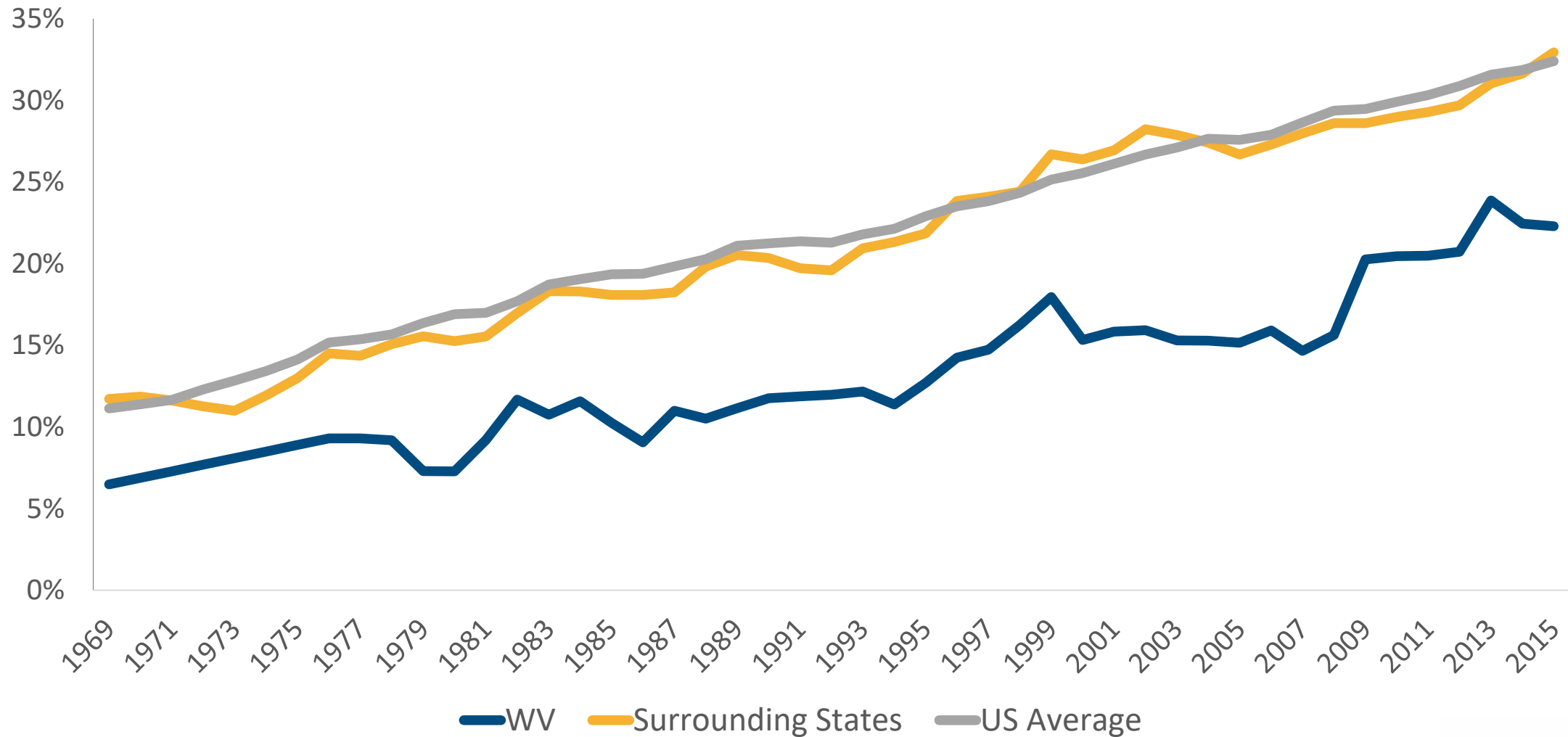
Adapted from research by the Federal Reserve Bank of Cleveland and the Kentucky Bureau of Economic and Business Research.

4 variable categories utilizing data sources covering 1969-2014:

- Stock of knowledge
- Public finance
- Industrial structure
- Labor market

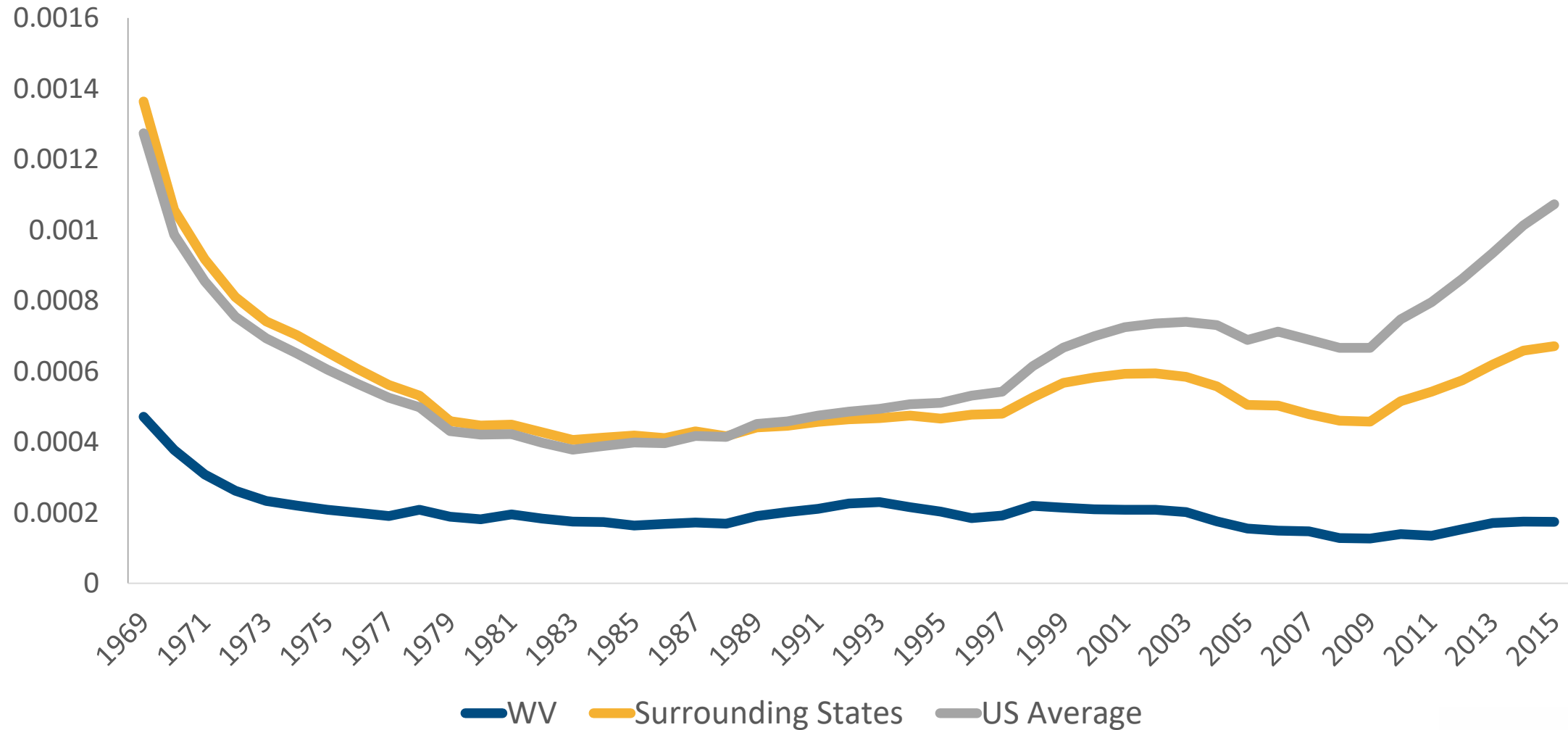
# Stock of Knowledge Variables

Percent of Population (25+) with a High School Degree



# Stock of Knowledge Variables

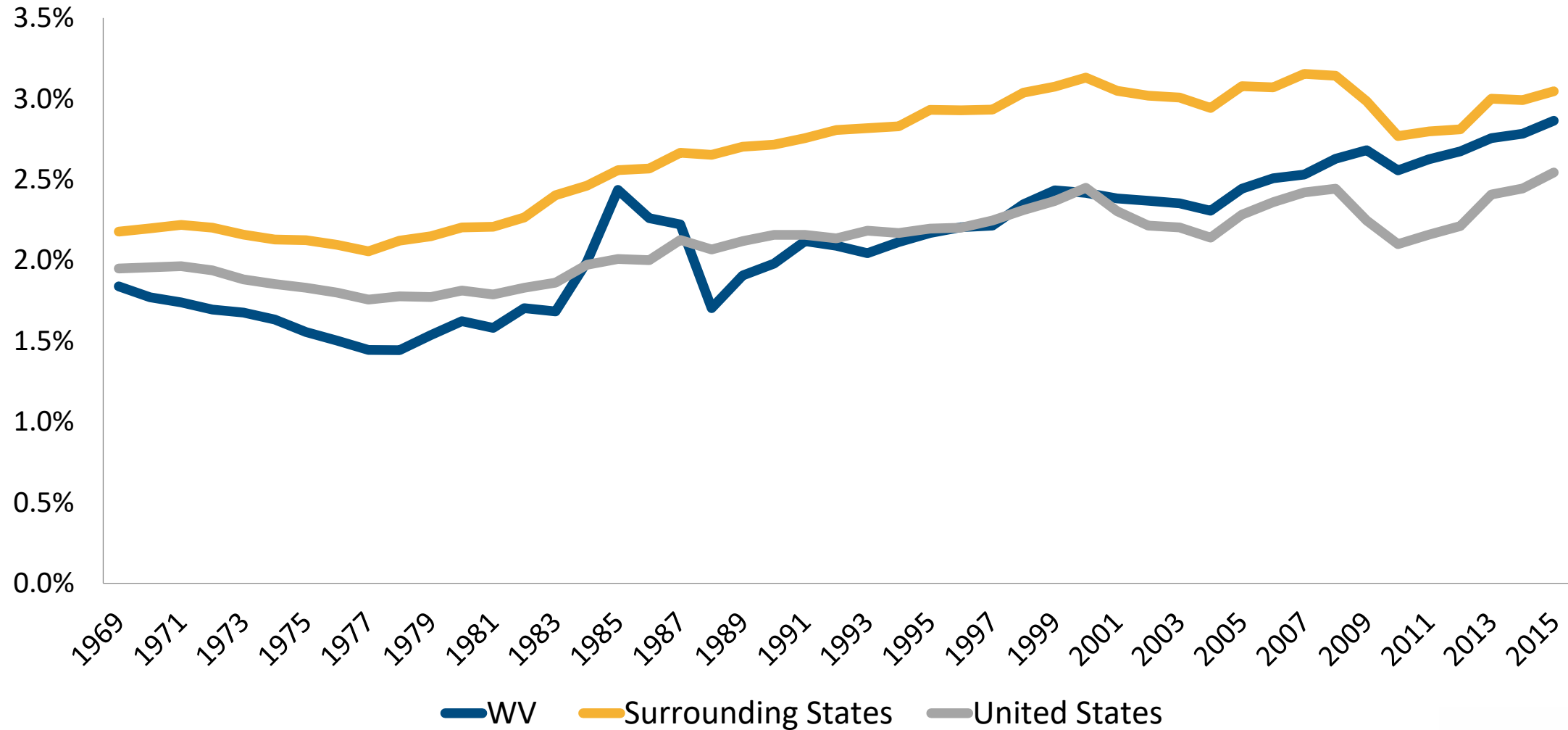
Patents Stock Per Capita





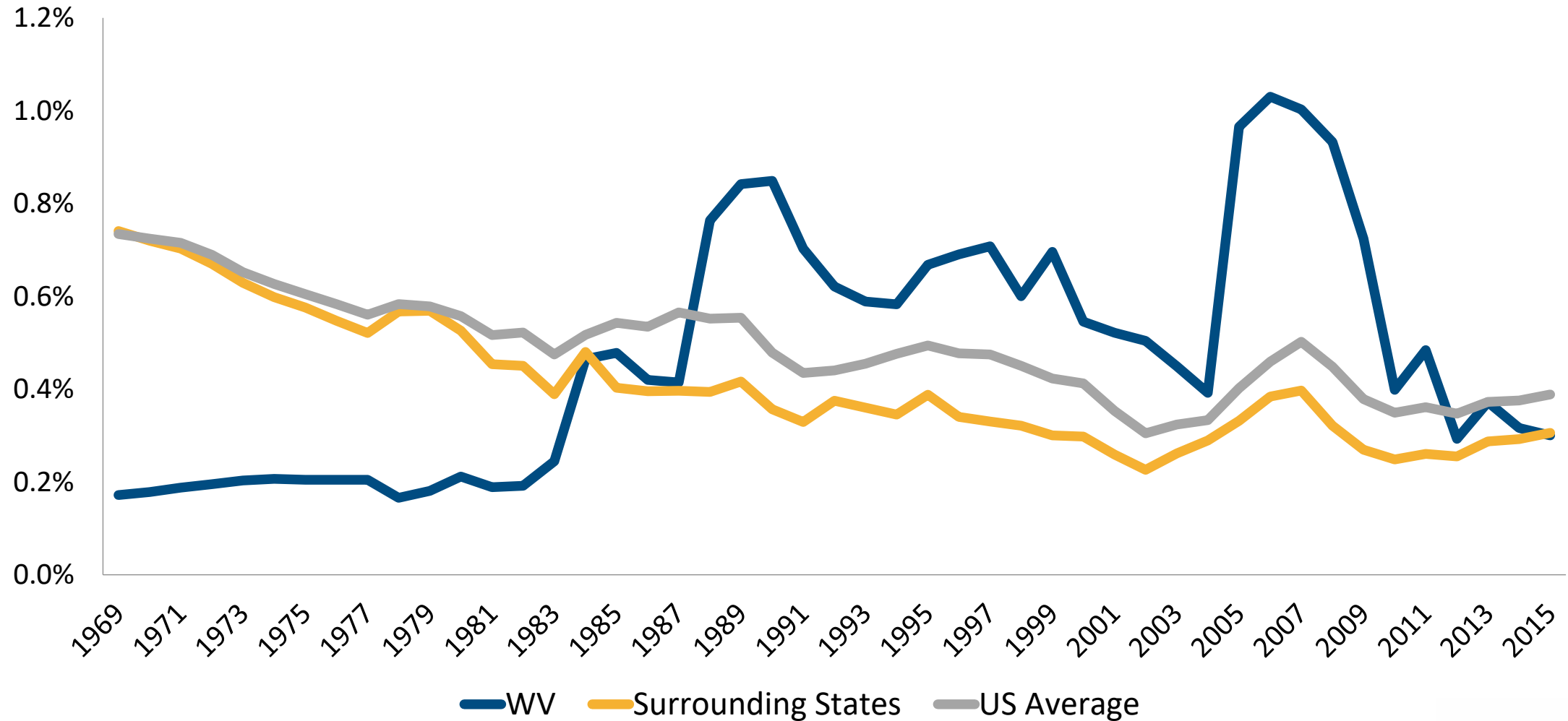
# Public Finance Variables

## State and Local Government Effective Income Tax Rates



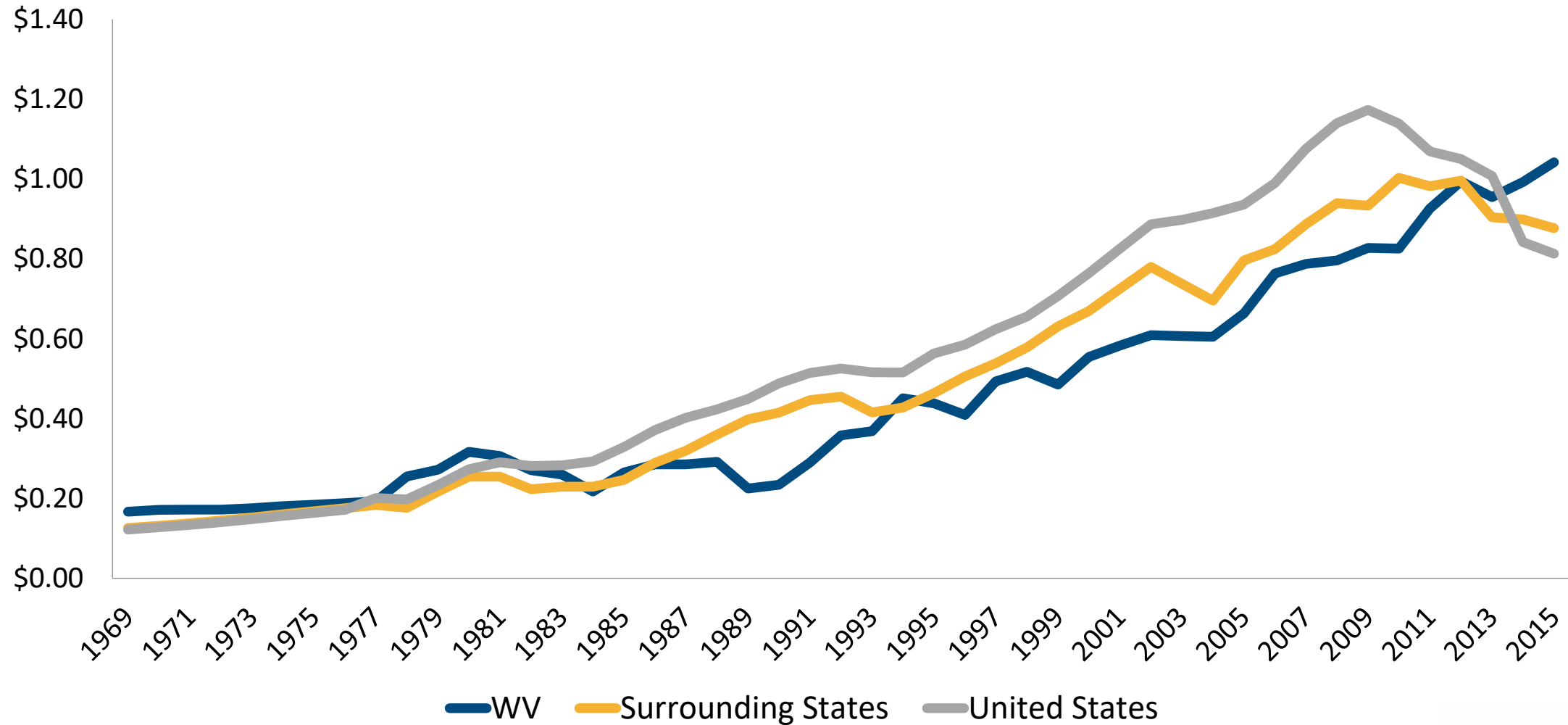
# Public Finance Variables

## State and Local Government Effective Corporate Income Tax Rates



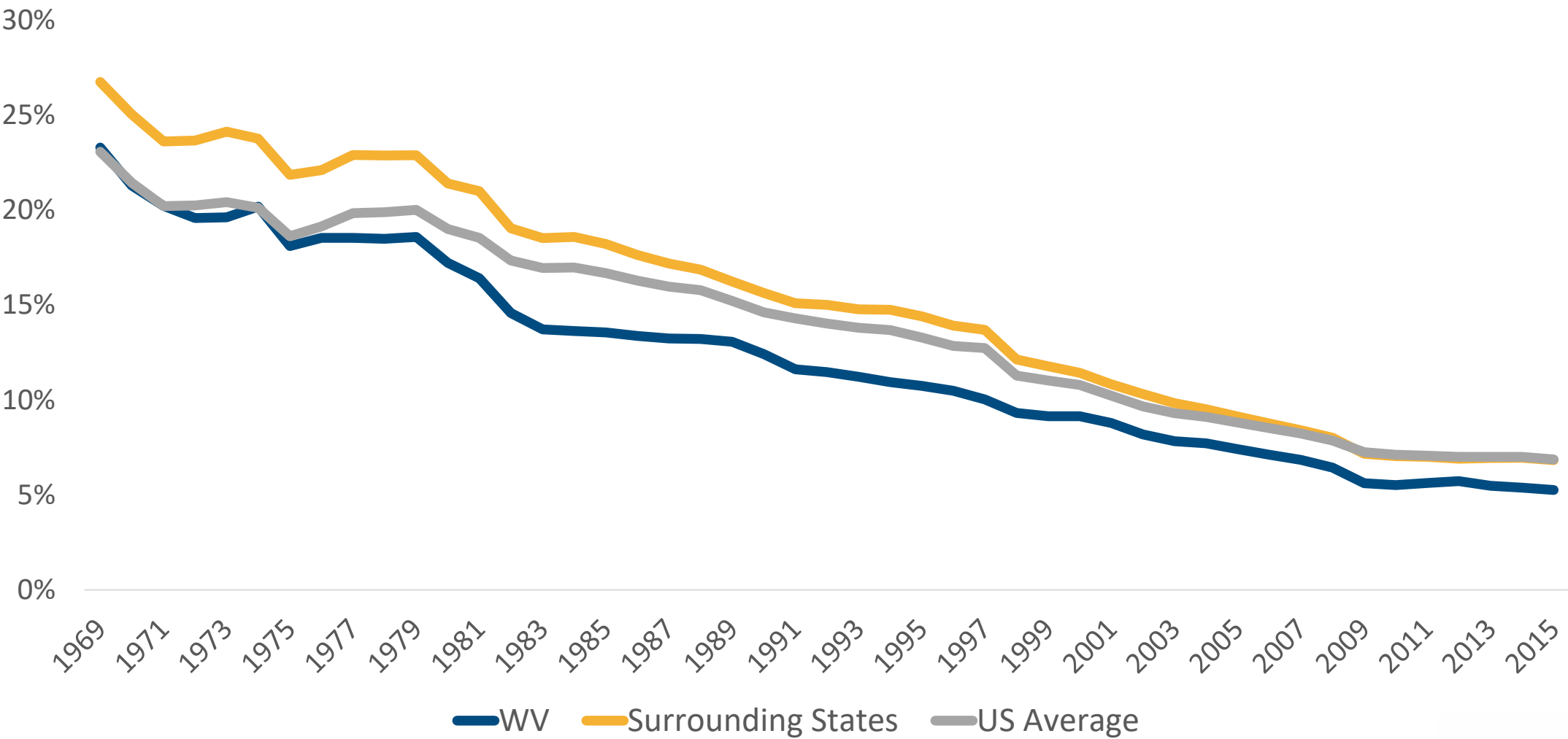
# Public Finance Variables

## State and Local Government Capital Outlays Per Capita



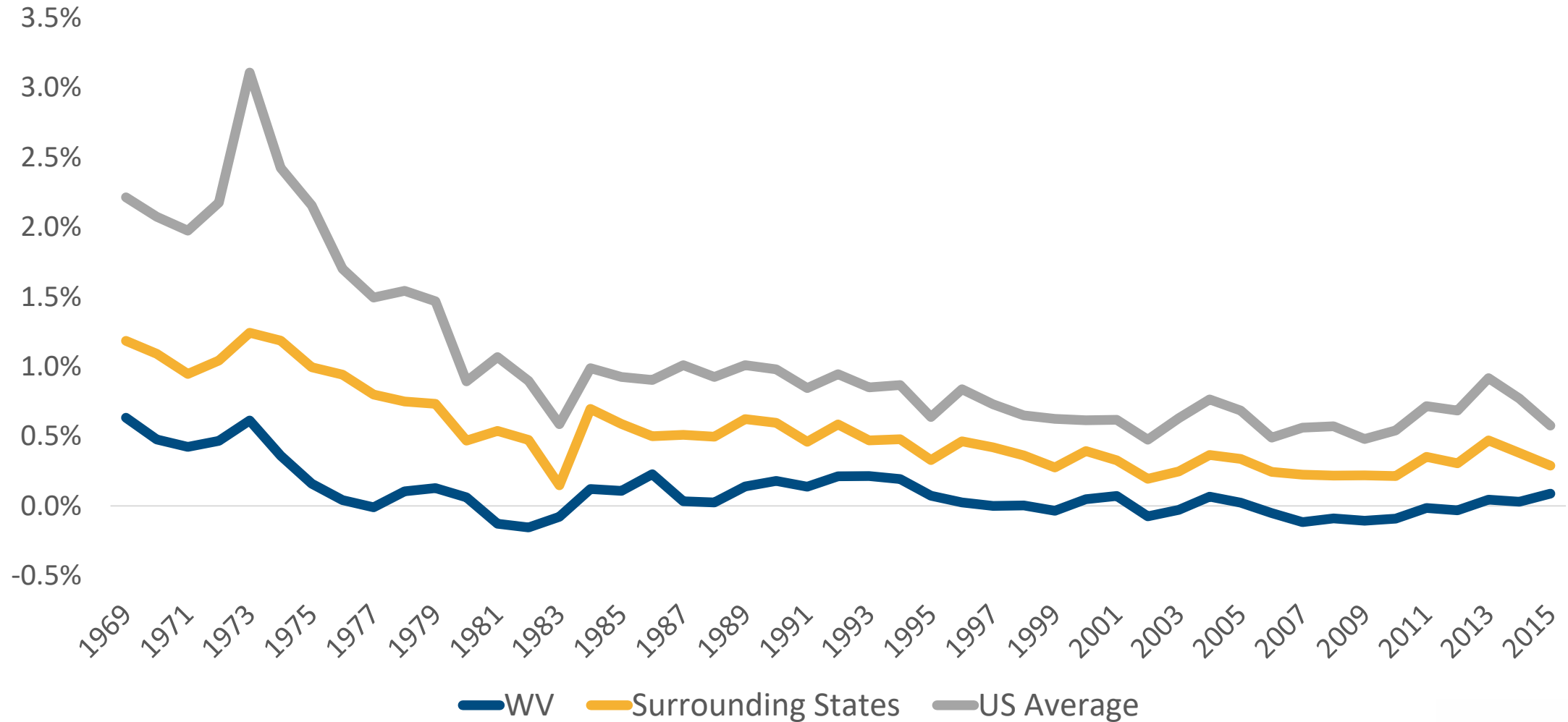
# Industrial Structure Variables

Percent of Personal Income from Manufacturing



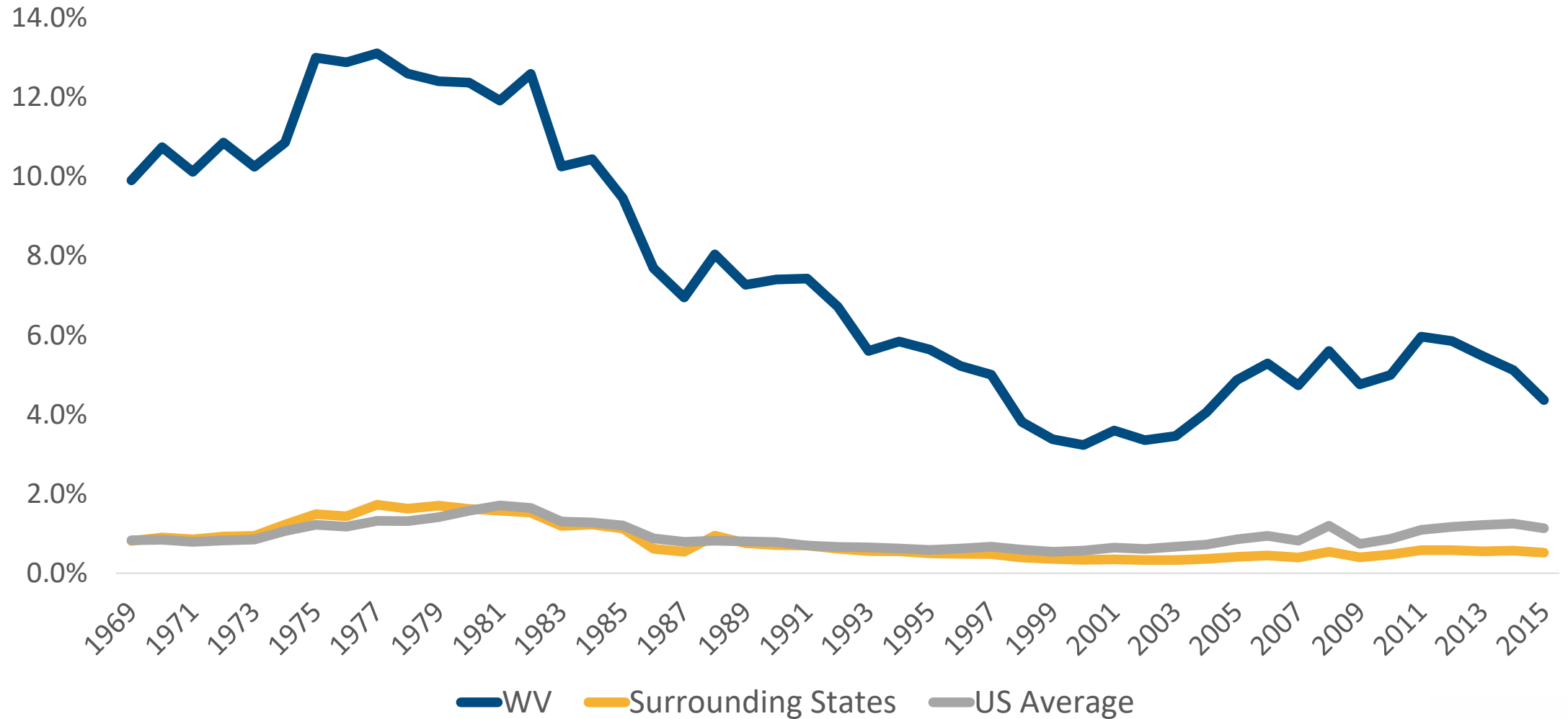
# Industrial Structure Variables

Percent of Personal Income from Farming



# Industrial Structure Variables

Percent of Personal Income from Mining



# Labor Market Variables

- Right to Work Status
- Labor Force Participation

# Regression Results

Knowledge Variables

	Coefficient	Standard Error
Percent of population with high school degree	0.0670124***	0.0179071
Percent of population with college degree	0.0089088***	0.00152
Patent Capital Per Capita	3.27E-06***	6.98E-07



# Regression Results

## Public Finance Variables

	Coefficient	Standard Error
Corporate Tax rate	0.0000127***	3.58E-06
Effective Individual Tax Rate	0.000026***	7.18E-06
Highway Stock Per Capita	1.428203	0.8821894
State capital Outlays per Capita	-0.0267446	0.0249909
Corporate Tax rate	0.0000127***	3.58E-06

# Regression Results

## Industrial Structure Variables

	Coefficient	Standard Error
Manufacturing income as a percent of total personal income	-0.0006643	0.0005312
Farming income as a percent of total personal income	-0.0000605***	8.64E-06
Mining income as a percent of total personal income	-0.0000703***	8.86E-06

# Regression Results

Labor Market Variables

	Coefficient	Standard Error
Labor Force Participation	0.126095***	0.032784
Right To Work	0.007437	0.0102481

# Impact on Income

	Real Per Capita Personal Income	Percent of US Average
Actual Value in West Virginia in 2014	\$33,129	82%
<b>Predicted Value in West Virginia if WV had the US average of:</b>		
Percent of Population are High School Graduates	\$35,350	88%
Percent of Population are College Graduates	\$36,492	91%
Patent Stock per Capita	\$35,989	89%
All Knowledge Variables	\$37,901	94%
Individual Income Tax Rate	\$35,122	87%
Percent of Personal Income from Mining	\$34,429	86%
Labor Force Participation Rate	\$39,721	99%

# What Does the Data Tell Us?

Substantial policy change needed to improve WV's income levels.

- Increasing innovative research and education levels.
- More diversified economy.
- Improving labor force participation.

# What has been WV's response?

- Business Tax Cuts
- Attempting Personal Income Tax Cuts
- Divestment in Higher Education
- Enacting Right-to-Work

# An Agenda for Shared Prosperity

State policymakers need to focus on improving health, workforce participation, education, and job skills while also building top-notch infrastructure and encouraging innovation and entrepreneurship.

- **A Healthy and Productive Workforce:**
  - Incentivize a healthier workforce through sin taxes
  - Secure sustainable long-term funding for Medicaid
  - Establish a Paid Family and Medical Leave Program
  - Require Paid Sick Time
- **Boosting Workforce Participation**
  - Enact a refundable EITC
  - Enhance Child-Care Assistance
  - Subsidized employment
  - Criminal Justice Reform
- **Boosting Pay, Education, and Skills**
  - Raise and Index Minimum Wage
  - Raise Public Teacher Pay
  - Invest in Customized Workforce Training
  - Make Higher Education More Affordable



WEST VIRGINIA CENTER ON  
**BUDGET & POLICY**