



REGIONAL ECONOMICS

Transportation Has Long Fueled Atlanta

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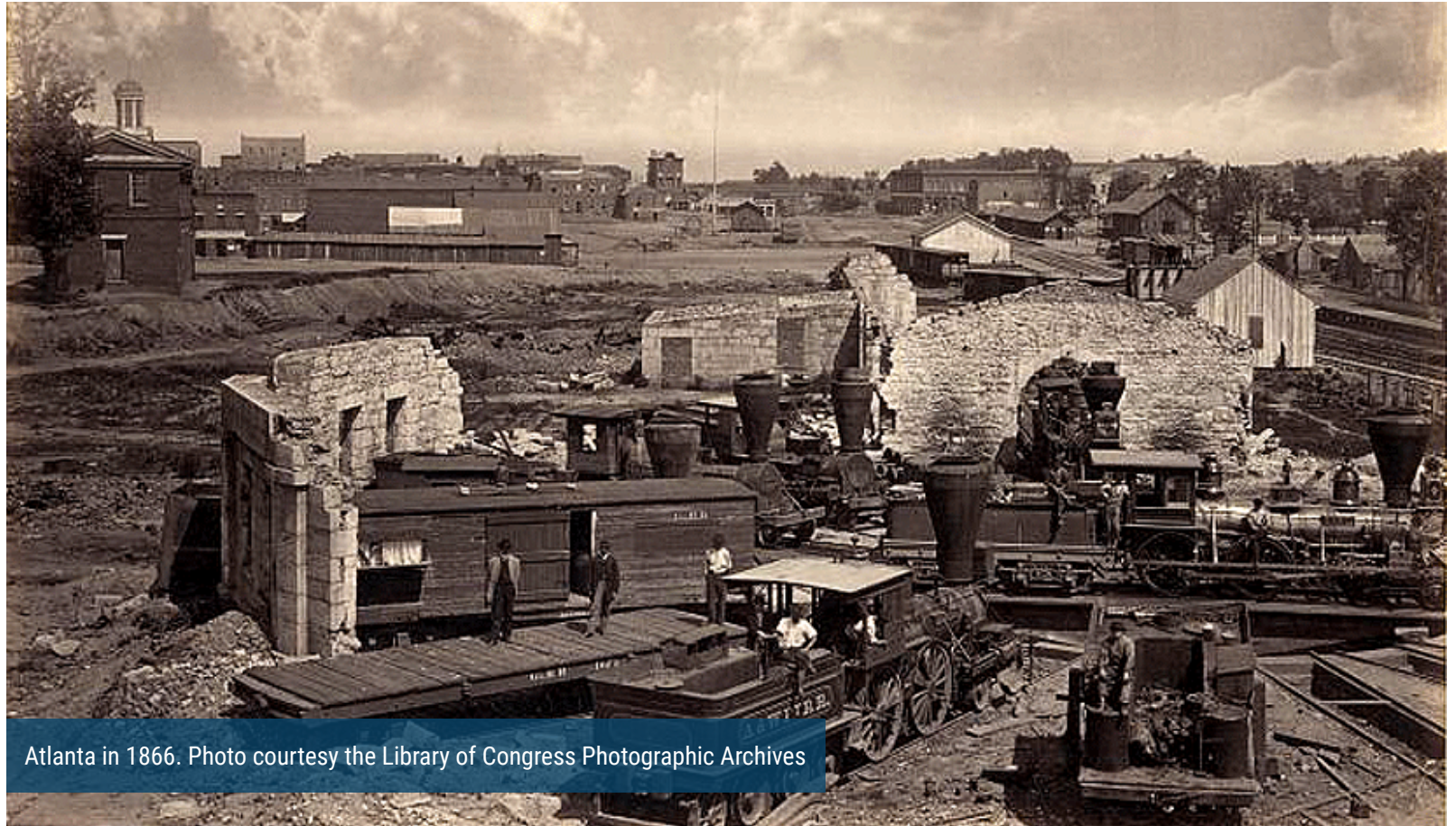
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Atlanta in 1866. Photo courtesy the Library of Congress Photographic Archives

Editor's note: This is the second story in a series exploring the economic histories of the largest metropolitan areas in the Southeast.

General William T. Sherman, long reviled as the man who reduced Atlanta to smoldering ruins, was actually an early booster of the city that would later earn quite a reputation for boosterism.

In 1879, Sherman wrote a letter to the *Atlanta Weekly Constitution* extolling the city as a fine destination for fortune-seeking transplants from the North. Sherman would not live to see just how many would ultimately take him at his word.

Railroads imported prosperity

Situated on terrain gently flattening out south of the Appalachians, Atlanta enjoyed favorable geography. So the town was founded as a railroad crossing in 1837 and named Terminus, because for a time it was the southern end of the Western and Atlantic rail line from Tennessee.

The railroads established Atlanta (as it became formally known in 1847) as a collection and distribution center. They hauled food, cotton, and other raw materials to Atlanta from around the Southeast for shipment north. Finished goods from the North came in for distribution to the rest of the Southeast, explained David Sjoquist, an economist at Georgia State University who has studied Atlanta's history.

Atlanta continued to thrive as a transportation hub—first by rail and later by highways and air. As of 2015, for example, transportation and warehousing (and the related business of wholesale trade) accounted for about 50 percent more of metro Atlanta's gross domestic product (GDP) than they make up of the GDP of all U.S. metropolitan areas combined, according to the U.S. Bureau of Economic Analysis.

Atlanta's flourishing trade was furthered by hundreds of thousands who heeded General Sherman's advice to head south for opportunity over the next century. With no physical boundaries such as an ocean or rugged mountains impeding growth, housing in metro Atlanta was plentiful and less costly than in many other metropolitan areas.





With an Eastern Air Lines plane in the background, a three-wheel automobile on the tarmac at Atlanta Municipal Airport, 1948. Photo courtesy the Special Collections and Archives, Georgia State University Library

Lessons learned smoothed a path to prosperity

Enlightened self-interest also played a role in Atlanta's economic success. For example, Atlanta benefited enormously from its comparatively humane approach to the civil rights revolution of the 1960s. Albeit grudgingly at first, business-minded city fathers worked with leaders of the civil rights movement and largely avoided the violence, economic disruption, and negative publicity that plagued some other cities. "Atlanta emerged as the capital of the New South for a reason, and that reason was a willingness to embrace change," Frederick Allen wrote in his 1996 book, *Atlanta Rising, The Invention of an International City 1946–1996*.

Transportation, distribution have always fueled Atlanta

As early as 1914, Atlanta was a distribution hub for 485 national companies, according to David Weiman, a professor of economics at Barnard College at Columbia University. Frequent railroad schedules guaranteed passengers, mail, and freight could reach most corners of the Southeast overnight. Western Union located its regional headquarters in Atlanta, and Southern Bell Telephone Company emerged in 1879, helping the city become a locus of communications as well as the exchange of physical goods. These factors led companies to cluster ordering, shipping, and billing in Atlanta, Weiman wrote in a 1998 paper for the *Journal of Economic History*, "and so figured significantly in the decisions of national market firms to locate their distribution networks there."

In the 1920s, William Hartsfield, then a city alderman and later mayor, launched a campaign to develop a municipal airport—an initiative with unforeseeably significant economic implications for Atlanta. The city acquired a dirt race track south of town owned by the son of Coca-Cola Company founder Asa Candler. The colorful Hartsfield, who earlier served as secretary to Coca-Cola chief executive and local power broker Robert Woodruff, stated with impressive prescience that air travel would be to the 20th century what ocean transport had been to earlier centuries. A pivotal event in Atlanta's early aviation history came in 1926, when the city beat out Birmingham to become a stop along a new federal airmail route from New York to Miami.

As early as 1930, Atlanta Municipal Airport was the nation's third-busiest commercial field, with 16 daily scheduled flights, ranking behind only Chicago and New York City. Delta Air Lines moved its headquarters to Atlanta from Monroe, Louisiana, in 1941. Today, Hartsfield Jackson International Airport (as it is now known) is among the world's busiest and the largest single employer in Georgia. Some 63,000 people work at the airport, according to [its website](#). As of 2016, pilots, copilots, and flight engineers accounted for a larger share of employment in metropolitan Atlanta than in any other U.S. metro area except Anchorage, Alaska, according to the U.S. Bureau of Labor Statistics.

Migration southward benefited Atlanta

Aviation has been a crucial catalyst to Atlanta's growth, but Atlanta became a southeastern boom town for numerous reasons. Like some of its Sun Belt counterparts (such as Dallas and Houston, Texas; several Florida cities; Charlotte, North Carolina; and Nashville, Tennessee), Atlanta gained from the economic and demographic shift away from the Rust Belt. Indeed, some years ago the number of transplants surpassed the ranks of native Georgians in the state, mainly because of Atlanta's growth.

Atlanta also was a beneficiary of the reversal of the great migration north of African Americans earlier in the 20th century. Since 1970, net black migration in the United States has been persistently southward, with increasing momentum, according to Stanford University economic historian Gavin Wright. From 1985 to 2010, more than 1.5 million African Americans moved south from all other regions of the country, and Atlanta was the top destination in many of those years.

Outside of New York City, metro Atlanta has more black residents than any other U.S. metropolitan area, according to census data. And Atlanta's black middle class is larger than all but those of New York and Washington, D.C., according to [a 2015 study](#) by Lehigh University city planning professor Karen Beck Pooley. Her article in the Emory University journal *Southern Spaces* notes that metro Atlanta has more suburban African American homeowners than any other U.S. metro area.

Atlanta's national profile among affluent blacks has no doubt contributed to the emerging and vibrant community of hip-hop musicians and recording professionals. Also, Georgia's aggressive program of tax credits has helped make metro Atlanta a thriving center of film and television production. Tyler Perry, perhaps America's most popular African American filmmaker, lives in metro Atlanta and operates a studio there.

Moviemaking puts Atlanta center stage

Film production generally plays an increasingly large role in Atlanta's economy. According to a Los Angeles nonprofit, FilmLA, more of the top 100 grossing films of 2016 were filmed in Georgia—17—than in any other location. Those productions, which make up only a portion of all filming in the state, spent \$476 million in Georgia last year, according to the study.

The burgeoning moviemaking industry lends a patina of glamor to Atlanta, but film remains a relatively small piece of the metro economy. In fact, no single industry—even transportation—has ever dominated the city's economy. Although transportation-related business is more important than in many other places, its size has not crowded out other economic activity. Metro Atlanta's two biggest economic sectors—finance, insurance, and real estate; and professional and business services—are also the largest economic categories nationally.

Atlanta's economic diversity has proven a strength in two ways, Sjoquist says. First, because Atlanta was not a factory town, it escaped the worst effects of the nation's protracted decline in manufacturing employment. Second, Atlanta was never perceived as a center of a particular industry, like steel in Pittsburgh and Birmingham or autos in Detroit. That perception might have made the city less attractive to companies in other industries.

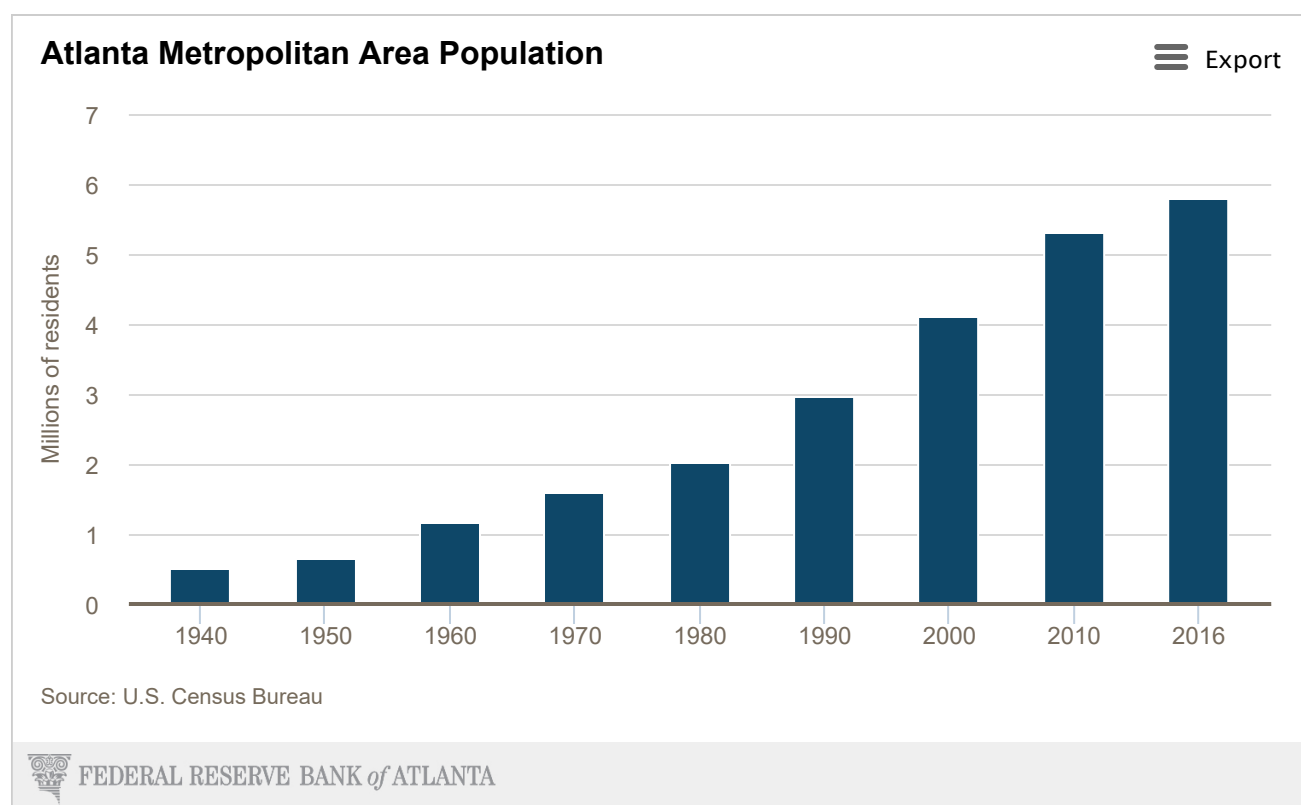


Downtown Atlanta's Centennial Olympic Park, one of the most prominent legacies of the 1996 Olympic Games. Photo by Kendrick Disch

Metro Atlanta nine times its size in 1950

But beyond economically significant industries such as rail, air travel, and entertainment, perhaps the defining trait of metro Atlanta's economy in the past 50 years is its rapid population growth and the real estate development that followed. Various factors underlie metro Atlanta's explosive expansion in the late 20th century: a progressive image, inexpensive housing and business costs, and its longtime role as a transportation hub augmented by the world's busiest airport.

Through the 1980s and 1990s, especially, metro Atlanta was routinely among the nation's leaders in employment and population growth. Since 1950, the population has nearly doubled every 20 years, mostly because of migration from elsewhere in the United States and, more recently, other countries (see the chart). Metro Atlanta's estimated 2016 population of 5.8 million is nearly nine times its 1950 size. The U.S. population roughly doubled over the same period.



Rampant growth is not without a downside, however. Fueled by the influx of newcomers and expectations of more, Atlanta was among the nation's leaders in home building before the Great Recession. (About 473,000 residential construction permits were issued in the metro area from 2000 through 2006, a 50 percent increase over the previous six years.)

So when the housing swoon began to hit in 2007, it hit Atlanta hard. Whereas housing led during the boom times, the down housing market delivered an especially sharp sting. Georgia led the nation in bank failures, mainly because many small institutions in the Atlanta suburbs collapsed after lending heavily to residential developers who found themselves holding too many lots and homes they could not sell amid the recession. Net migration into metro Atlanta helps tell that tale: it exceeded 100,000 in the 12 months from July 2005 to July 2006, but it plummeted to 30,000 just five years later, according to estimates from the U.S. Census Bureau.

But it never turned negative, and that matters. Among industry recruiters and others who track local economies, in-migration has become one of many standard vital signs, says Kelly Sydney, vice president of research in the economic development unit of the Metro Atlanta Chamber of Commerce. Atlanta's suburbs continue to add people, and these new arrivals have bought up the excess inventory of houses constructed during the boom. And after decades of losing population, the city itself—not only the sprawling metro area beyond Atlanta's boundaries—is growing as well.

After the recessionary dip, in-migration has ticked back up. The Chamber of Commerce is recruiting educated millennials in a campaign coordinated with the employment needs of local companies. A [study by urban planners at Portland State University](#) recently showed that from 2012 to 2014, Atlanta ranked fifth among U.S. metro areas in attracting young college-educated people.

"Since we suffered from the recession quite severely, that migration pattern changed," Sydney said. "But things are shaping up, and it's even more important for us to build the retention and attraction of people together in our marketing."

General Sherman would probably approve.



Charles Davidson
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