

**AN ECONOMIC IMPACT ANALYSIS  
OF THE PROPOSED GREENSBORO  
INTERNATIONAL CIVIL RIGHTS CENTER  
AND MUSEUM**

**A Report Prepared by**

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## INTRODUCTION

The heroic stand of David Richmond, Franklin McCain, Ezell Blair Jr., and Joseph McNeil on February 1, 1960 in Greensboro, North Carolina was a significant achievement in American history. These four black students from North Carolina A&T State University, exercised their natural and constitutional rights by willfully disobeying "Jim Crow" laws against racially integrated lunch facilities, and "sitting in" at the lunch counters at the F.W. Woolworth store in downtown Greensboro. This achievement provided serious momentum to the civil rights movement, and it is probably not an overstatement to say that it expedited the emergence of the 1964 Civil Rights Act—the legislation that finally broke the back of legal apartheid in the United States.

Given the historic significance of the February 1, 1960 "sit-in" at the F.W. Woolworth store, Greensboro itself becomes, as the site of the "sit-in", a city that symbolizes the great civils rights struggles that took place in the United States. This symbolism is indeed a source of civic pride. While civic pride is an intangible benefit, the proposal of the Sit-In Movement Incorporated, for an International Civil Rights Center and Museum (hereafter ICRCM) to be housed in the F.W. Woolworth building where the original "sit-ins" took place, is an opportunity for the citizens of Greensboro, Guilford County, and the State of North Carolina to reap tangible benefits from commemorating Greensboro's role in the civil rights movement.

This report offers an analysis of the economic impact of the proposed ICRCM in Greensboro, North Carolina. The analysis emphasizes the direct expenditures associated with the ICRCM, the induced travel and tourism expenditures associated with the Center, and the effect they could have on the local and regional economies of

Greensboro and state of North Carolina respectively. Knowledge of the magnitude of the proposed Center's economic effects are useful as it will underscore the tangible economic benefits of having such a center in Greensboro above and beyond the intangible benefit of civic pride that such a Center would surely confer upon the citizens of Greensboro.

Notwithstanding the obvious and implicit civic value of having the ICRCM in Greensboro, this reports views the ICRCM as an entity which transforms inputs into output(s), necessitating expenditures on inputs that have direct and indirect impacts upon the economy in which it is located. While this is an abstraction, it is a useful one, deployed heavily in economic theory, and it will permit an assessment of the economic impact that the proposed ICRCM in Greensboro will have on the local and regional economy. The virtue of this theoretical framework is that it affords a practical determination of economic impact, and its magnitude, which can then be used to assess the tangible and explicit economic benefits associated with having the ICRCM in Greensboro.

## **METHODOLOGY**

To assess the economic impact of the proposed ICRCM, this report views the ICRCM as one of many entities in a regional economy that transform inputs into output(s). Given the interdependencies between production entities in a regional economy, the purchases/expenditures by one entity will have a multiplier effect, creating additional purchases/expenditures, earnings and jobs throughout the regional economy. Thus, our approach for assessing the economic impact of the proposed ICRCM

is the Regional Input-Output Modelling (RIMSII) framework developed by the Bureau of Economic Analysis, United States Department of Commerce.<sup>1</sup> The RIMSII framework provides the relevant multipliers for various expenditure and industry categories, that will permit estimates of the total amount of output and earnings, and the total number of jobs created in the regional economy as a result of the ICRCM transforming inputs into output(s).

Other than being just an entity that transform inputs into output(s), the proposed ICRCM is expected to attract visitors, some who may indeed come from outside the regional economy. In an abstract sense, visitors too may be viewed as entities transforming inputs into output(s)—they can purchase food, lodging, and souvenirs, as inputs to produce an "experience" for themselves. Thus, other than its own presence having an impact on the output/earnings, and jobs, the ICRCM will attract visitors whose expenditures will also create additional purchases/expenditures, earnings and jobs throughout the regional economy.

The purchase of inputs by a entity engaged in production constitutes expenditures that will trigger rounds of spending by other entities, and these multiple rounds of spending ultimately have an impact on final demand in the regional economy. To determine the output/earnings/jobs impact of a change in final demand in the RIMSII framework, one simply multiplies the expenditure by the appropriate RIMSII multiplier. For example, in the Piedmont Triad, the final demand output multiplier for food and drink is 1.7852. Suppose for example, the ICRCM sponsors a catered food event that requires an expenditure of say \$5,000. Applying the food and drink multiplier to

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<sup>1</sup>*See:* Regional Multipliers: A User Handbook For The Regional Input-Output Modeling System (RIMSII), Third Edition, Bureau of Economic Analysis, U.S. Department of Commerce, 1997.

this expenditure implies that such an event would create a total of \$8,926 in output for the Piedmont Triad economy, or the initial expenditure of \$5,000 induces an additional \$3,926 in output. Similar multipliers exist for earnings and jobs, and one can determine the impact that say a catered food event at the ICRCM would have upon earnings and jobs in the Piedmont Triad.<sup>2</sup>

As the ICRCM is not yet in operation, the analysis of its economic impact is based on benchmarking the ICRCM with a similar entity already in existence, operating in a regional economy approximately similar to the regional economy the ICRCM will operate in. This report provides a prospective economic impact analysis of the ICRCM by utilizing the National Civil Rights Museum (hereafter NCRM) in Memphis Tennessee as a benchmark. A determination of the ICRCM's economic impact will be based on the economic impact of the NCRM hypothetically operating in the Piedmont Triad regional economy.

The regional economies of Greensboro and Memphis are similar along the following key economic dimensions:

- POPULATION

In 1997 total population in the Greensboro and Memphis SMSAs was 1,153,447 and 1,082,526 respectively.<sup>3</sup>

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<sup>2</sup>In this report, Piedmont Triad refers to the Greensboro/Winston-Salem/High Point Standard Metropolitan Statistical Area (SMSA), as defined by the U.S. Census Bureau. This area includes the counties of Guilford, Randolph, Forsyth, Davidson, Davie, Yadkin, and Stokes.

<sup>3</sup>*Source:* United States Department of Commerce, Bureau of Economic Analysis Regional Facts (BEARFACTS) located at <http://www.bea.doc.gov/bea/regional/bearfacts>

- TOTAL PERSONAL INCOME

In 1997, total personal income for the Greensboro and Memphis SMSAs was 29.3 and 20.0 billion dollars respectively.<sup>4</sup>

- PER CAPITA PERSONAL INCOME

In 1997, per capita income for the Greensboro and Memphis SMSAs was \$25,441 and \$25,905 respectively.<sup>5</sup>

To the extent that population and household income determine the size and composition of markets for goods and services, the similarity of the Greensboro and Memphis SMSAs along the dimensions of population and income suggest that their regional economies are similar. It is in this context that the economic impact analysis of the ICRCM in this report proceeds. The analysis that follows below benchmarks the ICRCM with the NCRM, by hypothetically placing, and evaluating the economic impact of the NCRM in the Greensboro SMSA regional economy.

## **THE ECONOMIC IMPACT OF THE ICRCM**

To benchmark the ICRCM with the NCRM, audited financial reports, for the most recent year (1999), detailing operating expenditures for the NCRM were obtained.<sup>6</sup> Total expenditures for the NCRM for the 1999 accounting period were reported as \$1,964,836, of which \$129,000 was allocated to salaries and benefits. To benchmark

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<sup>4</sup>Source: BEARFACTS.

<sup>5</sup>Source: BEARFACTS.

<sup>6</sup>See: *Audited Financial Statements, Lorraine Civil Rights Museum Foundation, Years ended June 30, 1999 and 1998 with report of Independent Auditors, Ernst & Young LLP.*

the ICRCM with the expenditures of the NCRM, salaries and benefits are not treated separately from total expenditures, since no data are available to determine, or to benchmark how employees of the proposed ICRCM would spend their incomes net of taxes and employee contributions to fringe benefits. After careful examination of the audited financial statements of the NCRM, along with confidential expense documentation provided by a financial officer of the NCRM, the following expenditure categories were determined appropriate for RIMSII multiplier assignments: Eating and Drinking places, Miscellaneous Services, and Business Services.<sup>7</sup>

The expenditures of visitors to the ICRCM are also benchmarked according to the number of visitors outside of a 50 mile radius, in the most recent year, to the NCRM.<sup>8</sup> Given 100,000 visitors annually to the ICRCM, it is assumed that with respect to the Greensboro SMSA, 30,000 travel from outside the SMSA, and that with respect to the State of North Carolina, 10,000 come from outside the state. Regarding visitor expenditures when they visit the ICRCM, an estimate, based on U.S Census household travel expenditure data, is constructed. Based on average expenditure of \$539 for 1999, it is assumed that approximately 15 percent of this amount is actually spent in the Greensboro SMSA and State of North Carolina.<sup>9</sup> Given the derived expenditure for

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<sup>7</sup>As reported below, the Eating and Drinking Places multiplier is based on a reasonable judgement, that the food catered events of the NCRM, and hence, the ICRCM, are events that characterize normal yearly operations of commemorative museums.

<sup>8</sup>It has been estimated that of the annual 100,000 visitors to the NCRM, approximately 30 percent travel from outside a 50 mile radius. See: *International Civil Rights Center & Museum Project Development Program, Panatom, Inc., November 1994.*

<sup>9</sup>The estimate of \$539 is based on national estimates of Domestic Travel Expenditures, and Characteristics of Business Trips and Pleasure Trips, reported in tables 454 and 457 in *Statistical Abstract of the United States*, U.S. Census Bureau, Washington DC, 1999.

visitors, the RIMSII multiplier for Hotels, lodging places, and amusements is assigned to estimate the output, earnings, and jobs impact.

Table 1 reports the economic impact of the proposed ICRCM on the Piedmont Triad. In the Piedmont Triad, the proposed ICRCM would induce approximately 7.8 million dollars in output, 2.6 million dollars in earnings, and 333 new jobs. To the extent that ICRCM operating expenditures, excluding the visitors expenditures, can be viewed as "costs", the results reported in Table 1 show that the "benefits" of the ICRCM far exceed the "costs". Initial ICRCM operating costs of \$1,964,836 engenders net benefits of \$5,889,353 in output, and \$628,891 in earnings for the Piedmont Triad.

**Table 1**  
**Economic Impact Of The ICRCM**  
**On The Greensboro/Winston-Salem/High Point SMSA**

<u>Expenditure Category</u>	<u>Total Expenditure</u>	<u>Output Impact</u>	<u>Earnings Impact</u>	<u>Jobs Impact</u>
<i>Food Services</i>	\$208,052	\$370,333	\$110,268	17
<i>Miscellaneous Services</i>	\$1,090,096	\$1,994,876	\$664,959	70
<i>Business Services</i>	\$666,688	\$1,195,845	\$508,730	47
<i>ICRCM Visitors</i>	\$2,425,500	\$4,293,135	\$1,309,770	199
<b>Total</b>	<b>\$4,390,336</b>	<b>\$7,854,189</b>	<b>\$2,593,727</b>	<b>333</b>

*Notes:*

Expenditures, Output, and Earnings are in 1996 dollars.

ICRCM visitors expenditure assumes 30,000 visitors from outside of the Piedmont Triad spending eighty-one dollars.

Table 2 reports the economic impact of the proposed ICRCM on the State of North Carolina. In the State of North Carolina, the proposed ICRCM would induce approximately 9.2 million dollars in output, 2.9 million dollars in earnings, and 426 new jobs.

In terms of net benefits, the initial operating ICRCM costs of \$1,964,836 engenders \$7,273,479 in output, and \$959,512 in earnings for the State of North Carolina.

The results reported above clearly indicate that the economic impact of the proposed ICRCM is substantial, given the costs of operating it. For both the Piedmont Triad and the State of North Carolina, the proposed ICRCM would induce the creation of hundreds of jobs, and would induce output and earnings far in excess of the costs of operation. In this context, the proposed ICRCM has benefits that exceed costs, and if viewed as a public investment, is a project that warrants consideration for sponsorship.

**Table 2**  
**Economic Impact Of The ICRCM**  
**On The State Of North Carolina**

<u>Expenditure Category</u>	<u>Total Expenditure</u>	<u>Output Impact</u>	<u>Earnings Impact</u>	<u>Jobs Impact</u>
<i>Food Services</i>	\$208,052	\$437,950	\$126,496	22
<i>Miscellaneous Services</i>	\$1,090,096	\$2,300,103	\$759,797	84
<i>Business Services</i>	\$666,688	\$1,406,712	\$563,351	61
<i>ICRCM Visitors</i>	\$2,425,500	\$5,093,550	\$1,474,704	259
<b>Total</b>	<b>\$4,390,336</b>	<b>\$9,238,315</b>	<b>\$2,924,348</b>	<b>426</b>

*Notes:*

ICRCM visitors expenditure assumes 30,000 visitors from outside of the State of North Carolina spending eighty-one dollars.

## SUMMARY AND CONCLUSION

This report provides an economic impact analysis of the proposed ICRCM in Greensboro, North Carolina. Viewing the proposed ICRCM as a production entity

in a regional economy that transforms input into output(s), it is concluded that the proposed ICRCM has the following economic impact:

- **Output.** The proposed ICRCM would induce output worth \$7,854,189 and \$9,238,315 for the Piedmont Triad and State of North Carolina respectively.
- **Earnings.** The proposed ICRCM would induce earnings of \$2,593,727 and \$2,924,348 for the Piedmont Triad and State of North Carolina respectively.
- **Jobs.** The proposed ICRCM would result in the creation of 333 and 426 jobs for the Piedmont Triad and State of North Carolina respectively.
- **Net Benefit: Output.** Given the initial cost of operating the proposed ICRCM, induced net output worth \$5,889,353 and \$7,273,479 are engendered for the Piedmont Triad and State of North Carolina respectively.
- **Net Benefit: Earnings.** Given the initial cost of operating the proposed ICRCM, induced net earnings of \$628,891, and \$959,512 are engendered for the Piedmont Triad and State of North Carolina respectively.

The estimated economic impact of the proposed ICRCM, while substantial, is nonetheless conservative. What particularly renders the economic impact conservative is the assumption on the number and expenditures of visitors to the center. To the extent that the proposed ICRCM can attract more out-of-region, and out-of-state visitors than what is assumed in this report, the economic impact of the proposed ICRCM on the Piedmont Triad and State of North Carolina will be higher than what is reported here. The results here also ignore the impact that the expenditures of employees of the proposed ICRCM would have on the regional economy.

It should also be noted that there will be another economic impact of the proposed ICRCM, that is not considered here—the impact of the proposed ICRCM on the tax base of the Piedmont Triad and State of North Carolina. The goods and services sold by the proposed ICRCM will generate sales tax revenue for the State of North Carolina.<sup>10</sup> Moreover, visitors to the center will also make purchases of goods and services that will generate sales tax revenue. Similarly, the income earned by employees of the proposed ICRCM will contribute to the income tax base of the State of North Carolina, as well as the sales tax base, as employees purchase goods and services in the regional economy.

A final context for the economic impact of the proposed ICRCM relates to the nature of its initial capital funding and costs. Using the initial \$9.3 million capital costs of the NCRM as benchmark, the net benefit measures above suggest that any capital investment in the proposed ICRCM returns benefits in excess of the initial capital costs—year after year.<sup>11</sup> Given the political economy of fundraising, especially that of securing funding from Federal, State, and Local government sources, the economic impact of the ICRCM suggests that any in-kind or cash assistance/subsidies by governmental agencies to the ICRCM would be beneficial in terms of costs and benefits. Indeed, approximately two thirds of the initial capital funds of the NCRM came from State and

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<sup>10</sup>It is assumed that, similar to the NCRM, the proposed ICRCM is exempt from Federal and State income tax on any net revenues. This assumes further that the proposed ICRCM is in compliance with Section 501(c)(3) of the Internal Revenue Code, and is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. See: *Audited Financial Statements, Lorraine Civil Rights Museum Foundation, Years ended June, 30 1999 and 1998 with report of Independent Auditors, Enrst & Young LLP.*

<sup>11</sup>The initial capital costs include primarily, the costs of the structure in which the facility is housed. See: *International Civil Rights Center & Museum Project Development Program, Panatom, Inc., November 1994.*

Local government sources.<sup>12</sup> To the extent that the NCRM is an optimal benchmark for the ICRCM, the economic impact analysis provided here suggests that any initial capital funds received by the ICRCM from State and Local government sources, would ultimately be beneficial to the regional economies of the Piedmont Triad, and State of North Carolina respectively, as measured by the economic impact of the proposed ICRCM reported here.

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<sup>12</sup>In particular, the building in which the NCRM is housed, is owned by the State of Tennessee. The NCRM leases the building, and is contracted to purchase it from the State of Tennessee for \$1 at the termination of its lease on March 30, 2007. This is equivalent to a significant public subsidy. See: *Audited Financial Statement, Lorraine Civil Rights Museum Foundation, Years ended June 30, 1999 and 1998 with report of Independent Auditors, Ernst & Young LLP.*