

Trends in the North Carolina Economy: AN INTRODUCTION

by Mike McLaughlin

Uptown Charlotte struts its stuff on Sunday afternoons in autumn when pro football's Carolina Panthers are playing at home. Traffic pours into the city and people mill about for hours as they await the kickoff. Then, as if on cue, they begin to make their way through the massive portals of Ericsson Stadium. As the seats are filling, a prerecorded voice roars over the public address system, "power, passion, Panthers," whipping the fans into a National Football League frenzy.

Nestled among towering skyscrapers of banking giants like NationsBank and First Union, Ericsson Stadium provides a fitting symbol for the economic progress of both the City of Charlotte and the state of North Carolina. Business and industry are finding that nothing could be finer than to be in Carolina—particularly in the regions surrounding Charlotte and the Research Triangle Park.

During the past decade, per capita incomes have risen across the board, and the state as a whole has increased its presence and prestige as a business address—so much so that the NFL came calling. And it isn't by accident that the state's three-year-old football franchise carries the name Carolina instead of Charlotte. The franchise is marketing to the whole state and to South Carolina as well, signifying the new economic clout of the Southeast and of North Carolina in particular.

North Carolina's twin engines of growth—Charlotte-Mecklenburg and the Research Triangle Park region—have aroused the Rip Van Winkle state from its economic slumber. And with consistent number one rankings in attracting new and expanding industry, plus a recent plug for the Research Triangle Park region as the best place to do

business in the nation, it's getting harder to stay humble.

As the political scientist Daniel Elazar says of the Tar Heel state, "North Carolina is a leader. As times have changed and generations have passed, the same forces that once made it a vale of humility have raised it above the neighboring mountains of conceit. North Carolina may not have a golden age to look back to, but it does not have to, for its golden age is now."¹

The N.C. Center for Public Policy Research last looked at trends in the North Carolina economy in a theme issue of *North Carolina Insight* on economic development published in 1986. Then, the Center noted three transitions sweeping through the economy at once: from labor-intensive to capital intensive industry; from manufacturing jobs to trade, service, finance, transportation, and government jobs; and from small, tobacco-dependent family farms to large corporate farms producing diverse products such as hogs and poultry. Today, these transitions are still transforming the Tar Heel economy. Like rivers gaining tributaries as they flow to the sea, the waters are rising and lifting many boats, though some, like North Carolina's distressed rural counties, threaten to be swept away by the flood tide of change. (See "Can We Brighten the Future For Rural North Carolina?" pp. 100-120 for more.)

Leading the Way: Changes in the Financial Services Sector

In the mid-19th Century, it was Sherman's march on the South. Today, it's NationsBank's march

on its rivals in the financial services sector. With deregulation of the banking industry, North Carolina has become a new powerhouse in financial services. Charlotte now is considered one of the nation's top five financial centers. But the banker suits are in evidence well beyond Charlotte. Winston-Salem is home to two major banks, and even smaller cities like Rocky Mount and Granite Falls are home to banks that are players in the financial services industry. The numbers bear out the growth. A total of 144,600 North Carolina workers now work in the financial services industry, up from 109,400 in 1985.

Sports, Filmmaking, and Tourism

Sports as economic development has taken on new meaning since the mid 1980s. Long a hotbed of motorsports and Atlantic Coast Conference basketball, North Carolina is now home to three major league franchises: basketball's Charlotte Hornets; football's Carolina Panthers; and hockey's Carolina Hurricanes, with the Triad region now bidding for major league baseball. As for golf, Greensboro long has hosted the Greater Greensboro Open and Pinehurst has attracted the 1999 U.S. Open along with numerous other professional events. Even professional bass fishermen are getting in on the act with the Bassmaster's Classic. (See J. Barlow Herget and Mike McLaughlin, "Not Just Fun and Games Anymore: Pro Sports as an Economic Development Tool, *North Carolina Insight*, Vol. 14, No. 2 (September 1992), p. 2.)

The state also has enhanced its presence as a location for filmmaking since the Center's 1986 look at trends in the economy. A school of filmmaking has been incorporated into the School of the Arts in Winston-Salem and on-location filming has become a fixture of the state's economy. (See Sharon Overton, "Filmmaking as Economic Development," *North Carolina Insight*, Vol. 14, No. 3 (February 1993), p. 2 for more on this topic.)

And tourism is getting increased focus. Organizations like HandMade in America in the west and the North Carolina Partnership for the Sounds in the northeast put a new spin on the old family vacation through promotion of heritage and environmental tourism. Increasingly, the Tar Heel state is being discovered by out-of-state travelers—its beaches and mountains the major attraction, but counties across North Carolina ringing

up new highs in tourism impact. (See "North Carolina's Tourism Industry," p. 19, for more.)

But the More Things Change . . . the More They Stay the Same

Yet the macrotrends identified by the Center in 1986 still stand. North Carolina continues the march toward a more urban state, though firmly rooted in its agricultural past. Farms are getting larger, though they are still small by national standards. Tobacco still plays a large role in the state's economy, though farmers are diversifying and the percentage of farm income attributable to the golden leaf is getting smaller. Hogs have arrived in a big way, displacing tobacco as the state's second most important agricultural commodity, behind only poultry, and bringing both prosperity and problems for some eastern North Carolina counties.

North Carolina continues its long-term transition from low-paying labor intensive industry to better paying capital-intensive industry. And manufacturing claims a declining percentage of the state's work force as the job growth shifts to sectors such as services, trade, government, and finance. Yet manufacturing remains a crucial part of the state's economy. The shift to more capital intensive plants may mean fewer workers per operation, but productivity has improved and so has worker pay. And there are five times more people employed in manufacturing than in banking.

With unemployment rates hovering around 3 percent in some areas of the state, employers are faced with a new problem—finding enough workers. In high-tech areas like computer programming, and in even in service sector areas like retail and fast food, jobs are going begging for lack of a qualified applicant.

Despite North Carolina's newfound economic strength, with per capita incomes surging above the national average along the Interstate 85 corridor, there are still areas that may be left behind. Many things have changed in the past decade, but the big picture remains largely the same. Thus, the Center begins its latest look at economic development in North Carolina with an updated version of a venerable classic, "Making the Transition to a Mixed Economy," by former *Insight* editor Bill Finger.

FOOTNOTE

¹ Daniel Elazar, "Introduction" in Jack D. Fleer, *North Carolina Government and Politics*, University of Nebraska Press, Lincoln, Neb., 1994, p. xxvii.