

Point of View:

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## Yet again, N.C.'s economy will adapt

**BY MICHAEL L. WALDEN**

RALEIGH - It's easy to feel hopeless in today's economy. North Carolina's unemployment rate is the seventh highest in the nation, and it's likely headed higher. We've lost almost a quarter million jobs since the recession began. Families barely touched by previous recessions have seen this one decimate their savings, pound their home's value and create worry about what's next.

The recession will eventually end. Most economists now think the downturn will stop at the end of this year or the beginning of 2010. However, a recession's ending doesn't mean everything immediately returns to where it was before the recession began. It simply means the economy stops going in reverse and begins moving forward. But the time it takes to get back to where we were may be long -- some have said two years or more.

So then why am I hopeful about the economy?

I'm optimistic because we in North Carolina have successfully dealt with economic adversity before. Over the past 30 years the state's economy has been literally remade and transformed. Recessions create opportunities for economic rebirths and renewals. Because we've created a "new North Carolina" many times before, we are in an excellent position to push our economy to new heights in the years ahead.

Some perspective is helpful to understand where we've been. A generation ago we were a state dependent on low-wage manufacturing. Over 500,000 jobs were in textiles, furniture and tobacco. Don't get me wrong -- these were (and are) important industries that built our state in the early 20th century. But salaries weren't high, and our state's per capita income was only 80 percent of the national average.

Fast-forward to today. The traditional "Big Three" of tobacco, textiles and furniture now account for less than one-tenth of our economic output. The relatively new industries of technology, pharmaceuticals, banking, food processing and vehicle parts (the new "Big Five") are over twice that share of state output. While traditional manufacturing has faded, new manufacturing in technology, instruments, machinery and motor parts has found an important place in 21st century North Carolina.

But perhaps the biggest change has come in the job market. High-paying professional jobs doubled their share since 1970 and now account for one-third of all jobs in the state. This increase was twice as fast as in the nation and is largely responsible for North Carolina's per capita income now climbing to near 90 percent of the national average.

So our state and her people know something about adaptability to new conditions, because we have been forced to change or sink. The new paradigm of reduced trade barriers, international competition, fast communication and transportation, and efficient manufacturing made our former reliance on a low-wage economy untenable in the new century.

And as our economy moves out of the recession and into the second decade of the century,

change will come again. The "Big Five" will likely give way to new industries in food and nutrition, health care, communications and energy. Nanotechnology, precision engineering, "smart" materials, and information management will be areas of development and focus. Hubs of economic development centered around universities and colleges will be the spark for new enterprises.

International trade already touches one-third of our economy, and growing foreign markets will give a boost to North Carolina industries. Agriculture is a good example. Farming and its related processing, wholesaling and retailing sectors already are a \$70 billion industry here. As standards of living rise in regions such as Asia, diets will change and there will be expanded marketing opportunities for our very efficient and productive farmers.

Lest you think I'm an ivory-tower professor with rose-colored glasses, I certainly realize the future is filled with challenges. There are deep economic divides in our state, both geographically and among workers. We have to get better at matching people to needed skills and then to available jobs. We want to make K-12 education more effective (better results) and higher education more efficient (improved four-year graduation rates). Technology will likely play a role in both. We need a new tax system with lower rates and a broader base. We have to find a better way for financing our roads and other infrastructure.

I think the economic future will be exciting. It will also be competitive. North Carolina is in a race not just with other states but also with regions and countries around the world. With sensible public policy and a business landscape conducive to discovery, development and entrepreneurship, it's a race we can win.

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