VIEWPOINT

Triad Business Journal welcomes letters to the editor

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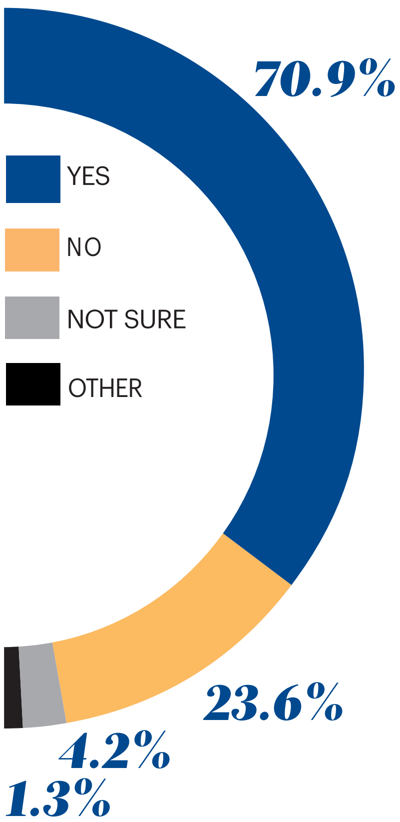
▸ BUSINESS PULSE SURVEY

WE ASKED

DO YOU APPROVE OF NORMALIZING RELATIONS WITH CUBA?



THIS WEEK'S QUESTION

20 STATES RAISED THEIR MINIMUM WAGE AS OF JAN. 1. SHOULD NORTH CAROLINA DO THE SAME?

POINT OF VIEW

Predictions? Nope, just questions for the new year

This is the time of year when pundits make predictions. But when I look at 2015, I just have questions. Here are a few of them.

1). Will growth pick up? As of November, North Carolina had added nearly 99,000 jobs in 2014, which will almost certainly be the best year of the recovery so far. Leading state forecasts point to continued growth in 2015.

However, last year's performance merely brought us back up to the national pace of job creation since 2008. Other states in the Southeast did about as well last year as North Carolina. And the UNC-Charlotte forecast of 2.6 percent growth in state GDP is anemic by historical standards, even when it's revised upward after the latest good news in the national economy.

For the most part, we're mirroring the national recovery, which remains weak. But many people are optimistic, and perhaps 2015 will live up to that.

2). Was last year's surge in unemployment a statistical artifact? North Carolina's unemployment rate fell to 6.2 percent last April, then shot up to 6.8 percent in August, and then fell sharply to November's 5.8 percent. Did the state jobs picture suddenly get worse and then just as suddenly reverse itself? It seems unlikely.

But we may soon have an answer. Early each year, the federal government and its state partners recalibrate their

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employment surveys. For the survey that gives us the state unemployment rate, the revisions can be significant. Data nerds like me will be watching the revised data with great interest.

3). What will happen to the Congressional Budget Office? The CBO is the closest thing to an objective voice of policy analysis in Washington. Its studies often annoy both parties. But Republicans are hinting that they'll use their new majority to replace the current, widely respected CBO director and force changes in the way the CBO does its work.

In particular, the Republicans may require that the CBO use something called "dynamic scoring," which is the assumption that tax cuts always generate future economic growth and increase tax revenues. Unfortunately, that assumption flies in the face of economics. As much as we want to believe otherwise, cutting tax rates almost always reduces tax revenues.

In 2012, Senate Republicans pressured the nonpartisan Congressional Research Service to withdraw a report showing what the economics profession already knew: Lowering top marginal tax rates has had no noticeable effect on growth or jobs. It would be a shame if the CBO also fell prey to partisan pressures.

4). Will further cuts in state tax rates aggravate the revenue shortfall? In 2013, North Carolina cut tax rates for individual and corporate income taxes. We were told the cuts, in combination with a broadening of the sales tax, would be revenue-neutral. They weren't. The state's latest projection is that tax receipts for FY 2014-15 will fall by nearly $900 million.

This year those tax rates will fall a bit more. Will the revenue picture get even worse? What state services will have to be cut?

I have other questions as well. When will wages start rising again? Will gasoline prices continue to fall? Will the eurozone recession be deeper than expected? Will North Carolina's restructured economic-development apparatus begin to deliver results? Will we miss the movies and TV shows that are no longer made here now that we've cut incentives? And will North Carolina do the humane and fiscally responsible thing, and finally expand Medicaid?

▸ GAINERS & LOSERS

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MERGER FALLOUT

The Triad awaits the result of two major mergers that will play out in 2015 - the RF Micro/Triquint pairing and the Reynolds American/Lorillard/Imperial deal. The latter, especially, bears watching to see what impact it will have on jobs in Greensboro, Winston-Salem and Reidsville.

JULIE KNIGHT/TRIAD BUSINESS JOURNAL

DOWNTOWNS

Central Business Districts will be action-packed again in 2015, with construction starting or ongoing on a host of projects, including the Steven Tanger Center for the Performing Arts in Greensboro, Innovation Quarter in Winston-Salem and the depot district in Lexington, just to name a few.

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UNEMPLOYMENT

When is "down" good? When it's the unemployment rate in the Triad falling below 6 percent, as it has late in 2014. But work remains. People have left the work force in frustration. Underemployment is rampant. And better paying, higher-skill jobs remains a critical need.

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N.C. ECONOMIC DEVELOPMENT

After two quiet years for business recruitment, the McCrory Administration finally has its vision mostly in place. Tax reform, regional partnerships dismantled and a new private sector entity — the Economic Development Partnership of North Carolina — in place. Will it work?