

Grading the Gate City: Greensboro's Economic-Infrastructure Scorecard

by Andrew Brod

News & Record, May 25, 2003

I recently submitted my final grades at UNCG, and I'm still in a grading mood. The heat of summer is around the corner, and many of us are wondering when the local economy will heat up. So today I'll assess the Greensboro economy and generate a scorecard of some of its most important assets.

First, the depressing background. Unemployment has remained stubbornly high, and the Conference Board's index of leading economic indicators is flat. The Federal Reserve Board is worrying publicly about deflation, which could send us down the ugly road that Japan has traveled for over 10 years. The National Bureau of Economic Research has yet to determine whether the recession that started in March 2001 has ended. My guess is that it ended by last summer at the latest, but improvements in the economy have been so weak that it's difficult to identify trends.

Locally, the picture mirrors the national situation in a number of respects. The Triad Business Index compiled by UNCG's Don Jud has flattened out since rising from a low point last summer. Retail sales and home sales are slowing down and the apartment vacancy rate is rising. The pace of layoffs in North Carolina's traditional manufacturing industries continues, reminding us that our current woes are about more than just the current (or recent?) recession.

In view of all this, it's only natural for us to be concerned about the direction of the local economy and what programs and policies need to be put into place. There are two basic approaches to economic development. One is to undertake activist programs to attract and retain businesses via targeted incentives. The other one, the subject of my scorecard, is to enhance what I'll call our local "economic infrastructure."

The role of activist incentive programs has a long history in the Southeast, and by some accounts, efforts of this type were important in forging the economic renaissance of the region in the 1970s and '80s. Employment growth in the Southeast during that period was well above the rate elsewhere in the country, as Southeastern cities appealed to manufacturers and other businesses looking for cheap labor and a pro-business attitude in government.

However, while incentive programs were highly effective when the Southeast was the nation's leader in the practice, they're less so now that nearly every city and county in America is also a practitioner. The returns from this activity are unlikely to ever be as great as they once were, and yet we cannot afford to forego such programs altogether.

Fortunately, no useful toolbox has only one tool. The enhancement of our economic infrastructure is also extremely important. Economic infrastructure includes the physical infrastructure of roads, bridges, and ports, but it goes beyond them. I use the term

“economic infrastructure” to include any capital-like good that enhances the overall productivity of a region. Like roads, bridges, and ports, economic infrastructure provides services to a wide range of industries and thereby makes them all more efficient and productive. Studies have shown that the economic “multiplier effect” of physical infrastructure is much larger than for other kinds of government spending, and the same is true for economic infrastructure in general.

When I sat down to think about Greensboro’s economic infrastructure, I came up with the following list of seven factors: transportation network; primary and secondary education; higher education; quality of life; downtown; information-technology capacity; and entrepreneurial environment.

Two important characteristics of economic infrastructure are publicness and long gestation. Publicness means that these goods can be consumed jointly by everyone, and because of this we can’t expect the private sector to produce the right amount. For example, even the most hard-nosed conservative agrees that government should build our roads. Therefore, the production of economic infrastructure must be a collective action, either through government or through non-profit foundations that often take the place of government.

The other characteristic, long gestation, refers to the lag between when an investment is made and when it bears fruit. Education was one of the biggest factors that set North Carolina apart from its Southeastern neighbors in the 1900s, and the state’s investment in that area started as early as 1901, when Governor Aycock (the “Education Governor”) instituted a series of reforms in public education. One could argue that the state didn’t reap the benefits for decades, but the benefits were dramatic.

So now that we know what economic infrastructure is, and how important it will be to our future, let’s assess Greensboro’s economic infrastructure.

1. Transportation network: Greensboro has been a transportation hub since the mid-1800s, hence the city’s nickname, the Gate City. It is now home to a number of trucking fleets and the U.S. Postal Service operates a bulk-mail center in the city. Transportation, shipping, and logistics has been identified as one of Greensboro’s strongest cluster of industries, and the coming FedEx hub at Piedmont Triad International Airport will fit in nicely with that cluster. The Urban Loop will improve access further. Greensboro’s transportation network is strong, so my grade here is A.

2. Primary and secondary education: North Carolina’s low SAT scores convince many that our education system is poor (“Thank God for Mississippi!”). But when one corrects for various factors (such as the huge proportion of high-school seniors who take the exam), North Carolina finds itself in the middle of the pack among the states. Mediocrity is better than disaster any day. Action Greensboro is paying close attention to the school system here, but it’s fair to say that the Guilford County schools are not the most attractive thing about Greensboro. The New Economy is about “knowledge workers,” not assembly-line workers, and knowledge workers want a good education for

their kids. And of course we want to train home-grown knowledge workers. I'm hopeful for the future, but my grade here is C-.

3. Higher education: The McKinsey Report (the document that spawned Action Greensboro) urged the city to “leverage its institutions of higher education.” Unfortunately, the benign neglect that has been the hallmark of the city’s attitude toward its five colleges and universities continues, and those institutions are generally ignored as players in the region’s economic revitalization. This is a concern because one of the waves of the future in the New Economy is “technology transfer,” the commercialization of university research. Our colleges and universities are ready for this, but is the community? My grade here is C, not because of the colleges and universities themselves, but because of the community’s benign neglect.

4. Quality of life: Knowledge workers demand nice places to live, and Greensboro is a nice place to live. We’re in decent shape here. But the future is uncertain because city and county governments have demonstrated a lax attitude over the years toward urban planning. In the past, plans have been ignored as often as they’ve been followed. But perhaps change is in the air. Greensboro enacted a tree-preservation ordinance a few years ago, and it recently adopted a new and important Comprehensive Plan. Greensboro has ensured that the portion of the Urban Loop that lies within the city limits will be a scenic corridor. However, the county commissioners are a wild card as regards the Urban Loop and planning in general. My grade here is B, out of concern for the future.

5. Downtown: This is really just a component of quality of life, but I’ve broken it out as a separate factor because of its special role in attracting young professionals. Downtowns are cool, period. The largest chunk of Action Greensboro’s money is going to its Center City program, and this is a good thing. Downtown Greensboro has gone from wasteland to the beginnings of a renaissance in little over a decade, but it needs to build on early efforts to create a vibrant residential community to really put it over the top. My grade here is C+.

6. Information-technology capacity: Aside from education, no one factor screams “New Economy” more loudly than IT. E-business is becoming a big part of how business is done, and I’m not talking about websites that sell pet toys. E-business is about everything from managing inventories to taking orders. As it turns out, Greensboro is rich in IT capacity. There is a dark flip side to this, because if Greensboro were more active in New Economy ventures, there’d be less available capacity. But even so, I give this factor a grade of A-.

7. Entrepreneurial environment: One of the strengths of the American economy has been its flexibility. Change will be equally important in coming years. Not all new businesses will relocate from elsewhere; we’ll have to grow many of them ourselves. So an environment that makes this easier, through ample venture capital and high-quality incubator and mentoring programs, is a valuable asset for a community. Greensboro’s status in this regard is a mixed bag, having received both good and bad ratings in recent years. But as with some other factors, things are looking up. There is new energy

coming from the Nussbaum Center for Entrepreneurship (including a joint venture between UNCG and NC A&T), the Piedmont Entrepreneurs Network, and the Triad Entrepreneurial Initiative. All in all, I give this factor a grade of C+.

If we give these seven factors equal weights, then the overall grade for Greensboro's economic infrastructure is a B-. I must say that I expected a lower overall grade. However, we should probably give these factors unequal weights. In the New Economy, nothing will matter more than education, and you'll note that the two education factors received my lowest grades. I'll leave readers to combine all of these individual grades as they see fit, to question them and dispute them.

Above all, I hope our community focuses on these issues as we move toward what we hope will be an economy with renewed vitality. Because of the publicness and the long gestation of our economic infrastructure, we'll have to work together and expect to wait a while before we reap the benefits.

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