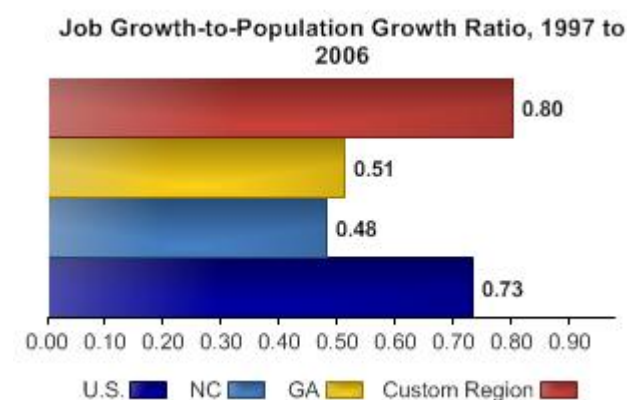




North Carolina's economy has been driven by the agriculture, manufacturing and banking sectors. Though tremendous social and economic barriers have been overcome over the past century to build today's North Carolina, challenges remain. Despite strong growth in biotechnology and finance sectors, the loss of traditional manufacturing jobs has plagued communities across the state. At a time when half of upcoming college graduates consider self-employment more secure than a full time job and Governor Beverly Purdue has launched the "NC Innovation Council" to foster strategic investments and policies, the promotion of innovation and entrepreneurship is an essential element of long-term economic success.



(custom region is Virginia)

### Recent History:

North Carolina's economic profile in the mid-twentieth century differed greatly from that of the state in 2010. In the 1950s, per capita income was low relative to even the rest of the South, and 56% less than the national average per capita income. Heavily reliant on textiles, forestry, and small-scale agriculture, the state's economy was also vulnerable to the "brain drain" effect of many college graduates pursuing more innovative and higher paying jobs outside the state. Beyond the economy, the North Carolina dealt with issues of segregation, creating a formidable social environment and another blockade to innovation and change.

In 1952, however, North Carolina business and academic leaders spearheaded an effort with Governor Luther Hodges to draft a concept report on an area of research, innovation and entrepreneurship in the state to "promote the use of research facilities" and increase "cooperation between the three institutions and industrial research agencies" with the end goal of "increasing opportunities of the citizens of this state for employment and to increase the per capita income of the citizens of the state."

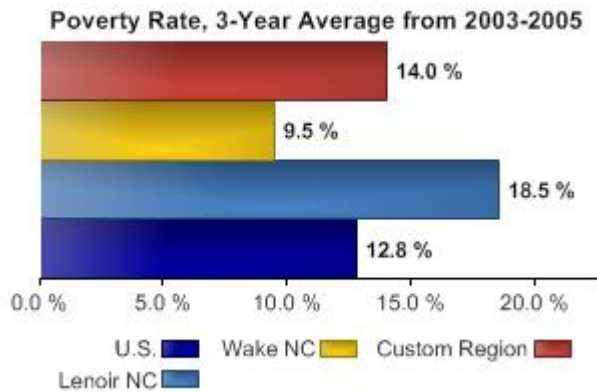
University of North Carolina, North Carolina State, Duke, and private funders guided the creation of Research Triangle Park, now one of the largest and most successful research parks in the world. Later in the century, Charlotte underwent a similar change, experiencing rapid growth in the banking sector with the creation of North Carolina National Bank (later to become Bank of America). Charlotte is now the second largest banking city in the US; one in five Charlotte residents has a finance-related job.

## **Challenges**

### **Urban-rural divide**

Indicators of economic strength, including average job growth, poverty rate, and high-tech employment share, demonstrate that North Carolina is on par with peer states like Georgia and Virginia. Across the Southeast, a significant development gap between urban and rural regions exists: in North Carolina, for instance, the bachelor's degree attainment rate in urban areas is 31.0%, compared to 18.3% in rural regions. Such trends affect compensation and poverty rates as well; the average salary in the Triangle is \$56,000, almost 45% larger than the regional and national average, just as salaries are far higher in Northern Virginia than the rest of the state

This urban-rural divide poses a great threat to sustainable, statewide economic development, and effective solutions must be developed to suit the needs of specific regions. In Western North Carolina, for instance, though the region has a high percentage of the adult population with some college education (30.6% vs. 29.7% NC vs. 29.6% US), it has a lower percentage with at least a Bachelor's (20.3% vs. 24.2% NC vs. 26.5% US). Urban areas such as Wake County have 43.9% of the adult population with at least a Bachelor's Degree. The types of businesses also vary widely between Western North Carolina and the state, with 433 establishments with less than 20 employees (vs. 360 NC vs. 371 US) per 10,000 workers, while there are 1.05 establishments with greater than 500 workers (vs. 1.14 NC vs. 1.10 US) per 10,000 workers.

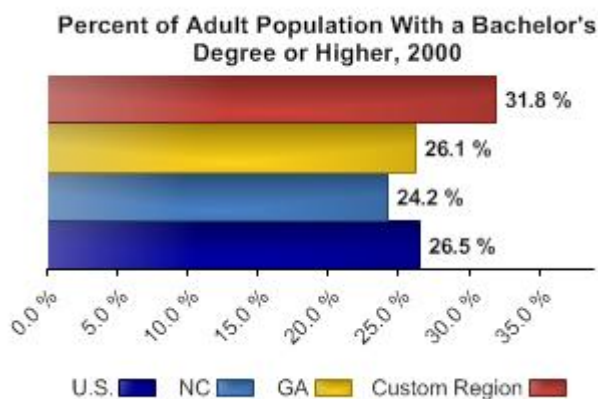


[custom region is NC total]

### Education and Skills

Education in North Carolina also fails to prepare students with the skills necessary to become leading innovators and entrepreneurs: With 70% of high schoolers interested in creating their own start-up, resources, not aspirations are lacking. Only 71.7% of North Carolina high schoolers will graduate high school in 4 years or less. But further limiting access to higher education is the quality of education provided, as evidenced by national standardized tests, such as the SAT, where the state average is 1006 with a participation rate of 63%.

### skilled work force- RTP vs elsewhere

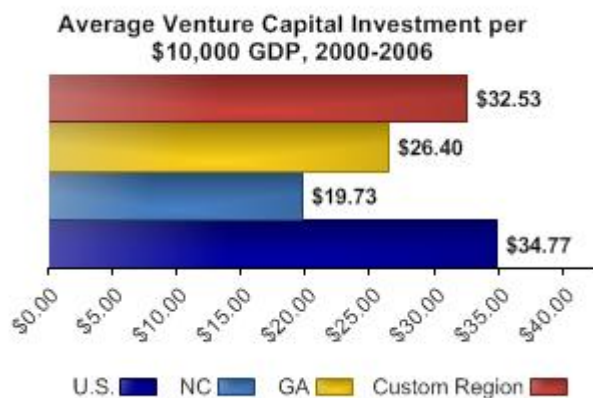


[custom region is VA]

### Business Climate

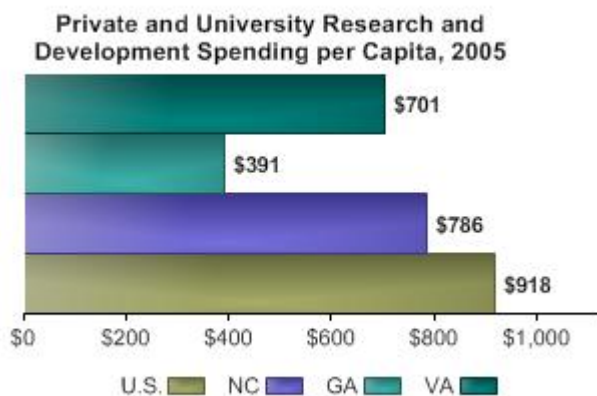
North Carolina ranks 39th in the Tax Foundation's State Business Tax Climate Index, which compares the states in five areas of taxation that impact business: corporate taxes; individual income taxes; sales taxes; unemployment insurance taxes; and taxes on property, including residential and commercial property. Compared to national and peer state averages, venture capital investment in North Carolina is low, increasing capital access barriers for entrepreneurs to launch or expand their

businesses. The strong university and research park presence in North Carolina, however, does bolster R&D spending per capita.



[custom region is VA]

## R & D



## Questions:

### geographic barriers and divide

How do you move forward trying to create cohesive state development when there is such a great divide between urban (Charlotte and RTP) and other more rural regions of NC?

If real estate/commercial development is unavailable (and otherwise a significant portion of economic activity in the state during non-recession years), what else can be done in rural regions to foster economic development?

### shifting from traditional industry

What industries can be cultivated that will be less vulnerable to changes in national economic landscape?

In sectors in which NC excels (such as biotech and ICT), in an ever increasing competitive arena how do we retain competitive advantage when other states and even nations are allocating huge amounts

of resources and money? How important is it to allocate resources to areas of success vs areas in which NC falls behind?

Does retaining this competitive advantage mean recruiting and retaining the best and most productive companies, encouraging massive breakthroughs in university labs, or creating incentives for individuals or small firms to do the best work possible?

What can North Carolina learn from the recent pull-out of Dell and the state's subsequent inability to recapture the full value of the original incentive grants? How should state policies change in the future to alternatively allocate funding to better economic development pursuits?

### **culture and history of entrepreneurship**

How does North Carolina foster an environment of creativity when it has been historically proven the state and politicians have been unable to predict increases of innovation?

### **education**

Are barriers to higher education for low income and immigrant students preventing highly-capable individuals from accessing resources necessary to do great things?

Should attending community colleges be free for all NC residents?

What is the role for private companies (especially major employers) in directing public higher education provision and developing skills training programs?

### **Role of state in policy and promotion of economic development**

How can the state create incentives and opportunities to offset risk for entrepreneurs?

