

Economy ^[1]

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Economy

by Lisa Coston Hall and Wiley J. Williams, 2006

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Colonial to 2004

The economy of North Carolina has changed dramatically since its establishment as an English colony in the seventeenth century. From its almost entirely agricultural origins, the state has moved steadily toward what has been described as a “dual economy,” characterized by growing, economically strong urban centers and depressed rural areas. While agricultural products continued to represent a large percentage of North Carolina’s economy, by 2004 North Carolina was also the fifth most industrialized state and among the national leaders in banking, manufacturing, health services, technology, and other industries.

During the colonial period and through early statehood, about 95 percent of North Carolinians engaged in [farming](#) ^[9] and related industries. The abundance and fertility of the land, the demand for exports such as [naval stores](#) ^[10] and lumber, and the desire of the people to be self-sufficient all created an environment conducive to a simple, agrarian lifestyle. While some planters owned large tracts of land, North Carolinians primarily maintained small farms and cultivated crops such as tobacco, corn, peas, beans, wheat, rice, and a variety of fruits. Those not reliant on agriculture for their living included merchants, lawyers, doctors, public officials, teachers, and other professionals.

The nineteenth and early twentieth centuries saw the tremendous growth of the aptly named “Big Three” North Carolina industries—[tobacco](#) ^[11], [textiles](#) ^[8], and [furniture](#) ^[12]. The manufacture of the many products related to these industries grew naturally from the availability of raw materials in the state. Textile mills of all kinds, factories making a variety of tobacco products, and dozens of high-quality furniture manufacturers were established, creating employment for thousands of North Carolinians. The majority of people still lived in rural areas and often worked both the land and a factory job to make ends meet.

After 1900, the infrastructure for greater economic progress began to appear in the state, as vast improvements were made in transportation facilities, educational initiatives, urban and [rural electrification](#) ^[13], and modernization of agricultural and factory production. Personal income rose steadily in the first half of the twentieth century, moving from only 47 percent of the national average in 1930 to nearly 67 percent by 1945. (Per capita income reached about 91 percent of the national average by 2000.)

Despite the cultural and financial malaise of the [Great Depression](#) ^[14], North Carolina emerged during the World War II era with a great deal of economic promise. The state remained the nation’s largest producer of textiles, tobacco products, and furniture during the mid-1900s, and new industries began to develop. Shifts occurred from labor-intensive industries to more automated but capital-intensive industries; from manufacturing jobs to jobs in trade, insurance, tourism, finance, transportation, high tech, government, and other service industries; and from small tobacco-dependent family farms to large, often corporate-owned farms producing diverse products such as [hogs](#) ^[15], dairy products, and poultry.

Beginning in the 1960s, with the founding and success of modern, technology-oriented facilities such as [Research Triangle Park](#) ^[16] in the [Raleigh](#) ^[17]-[Durham](#) ^[18] area and similar complexes in [Charlotte](#) ^[19], [Greensboro](#) ^[20], and [Rocky Mount](#), the state’s economy was transformed from a predominately rural culture dependent upon agriculture and low-wage industries to an increasingly urban economy. Most economic growth took place in the so-called Piedmont Urban Crescent, represented by booming regions such as the Triangle area (Raleigh, Durham, and Chapel Hill), the Triad (Greensboro, [Winston-Salem](#) ^[21], and [High Point](#) ^[22]), and the greater Charlotte area. But while the economies of the state’s urban counties (Wake, Durham, Orange, Alamance, Guilford, Forsyth, Davidson, Rowan, Cabarrus, Mecklenburg, Gaston, Catawba, Buncombe, Cumberland, and New Hanover) were expanding, the gap between rural and urban workforces continued to widen.

The national economic woes that followed the 11 Sept. 2001 terrorist attacks on New York City and Washington, D.C., affected North Carolina’s economy greatly. In 2001 there were 63,222 total layoffs in the state, with 11,695 in textiles and 42,521 in manufacturing. The state’s unemployment rate in March 2002 stood at 6.6 percent. Rural areas were hit particularly hard: 87 percent of job losses in rural counties were due to manufacturing layoffs, and those counties’ unemployment rate averaged 2 percent higher than the unemployment rate in urban counties.

By 2004 the state's leading industries by gross annual production included finance, insurance, and real estate ^[23] (\$54.9 billion); government (\$34.2 billion); retail trade (\$24.1 billion); transportation and utilities (\$18.7 billion); construction (\$13.9 billion); health services (\$13.2 billion); chemicals (\$11.4 billion); and tobacco products (\$10.6 billion). One-fourth of the workforce was employed in manufacturing, with textiles leading the way and the state's approximately 70,000 furniture workers still producing a large percentage of the furniture made in the United States. Charlotte was the second-largest banking center in the United States, and the Research Triangle ^[16] area was an increasingly important technology and medical research center.

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Subjects:

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- [1] <https://ncpedia.org/economy/colonial-to-2004>
- [2] <https://ncpedia.org/agriculture>
- [3] <https://ncpedia.org/banking>
- [4] <https://ncpedia.org/exports>
- [5] <https://ncpedia.org/furniture/overview>
- [6] <https://ncpedia.org/information-technology>
- [7] <https://ncpedia.org/manufacturing>
- [8] <https://ncpedia.org/textiles>
- [9] <https://ncpedia.org/agriculture/overview>
- [10] <https://ncpedia.org/naval-stores>
- [11] <https://ncpedia.org/tobacco>
- [12] <https://ncpedia.org/furniture>
- [13] <https://ncpedia.org/rural-electrification>
- [14] <https://ncpedia.org/history/20th-Century/great-depression>
- [15] <https://ncpedia.org/hog-farming>
- [16] <https://ncpedia.org/research-triangle-park>
- [17] <https://ncpedia.org/geography/raleigh>
- [18] <https://ncpedia.org/geography/durham-city>
- [19] <https://ncpedia.org/geography/charlotte>
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