

**THE 2004 REDEFINITION OF THE U.S. BUREAU OF ECONOMIC ANALYSIS' (BEA) ECONOMIC AREAS FORMS A BLUEPRINT FOR SOUTH CAROLINA'S MAJOR MARKET AREAS**

BACKGROUND: The Bureau of Economic Analysis (BEA) is an agency of the U.S. Department of Commerce. BEA prepares national, regional, industry, and international accounts that present information on issues such as economic growth, regional economic development, interindustry relationships, and the Nation's position in the world economy.

In the early nineteen-seventies, the Bureau's regional economic program identified geographic areas surrounding metropolitan and micropolitan statistical areas or nodes as regional markets. These BEA Areas contain one or more Metropolitan Statistical Areas (MSA's) plus the surrounding counties economically interdependent on these nodes. The BEA Areas reflect regional markets for labor, products, and information based on Census' commuting patterns, the Office of Management and Budget's definition of statistical areas and newspaper circulation data within an area. Based on the 2004 redefinition there are a total of 179 BEA' areas nation-wide. This long-standing BEA program has been validated by several academic studies on regional economic development.

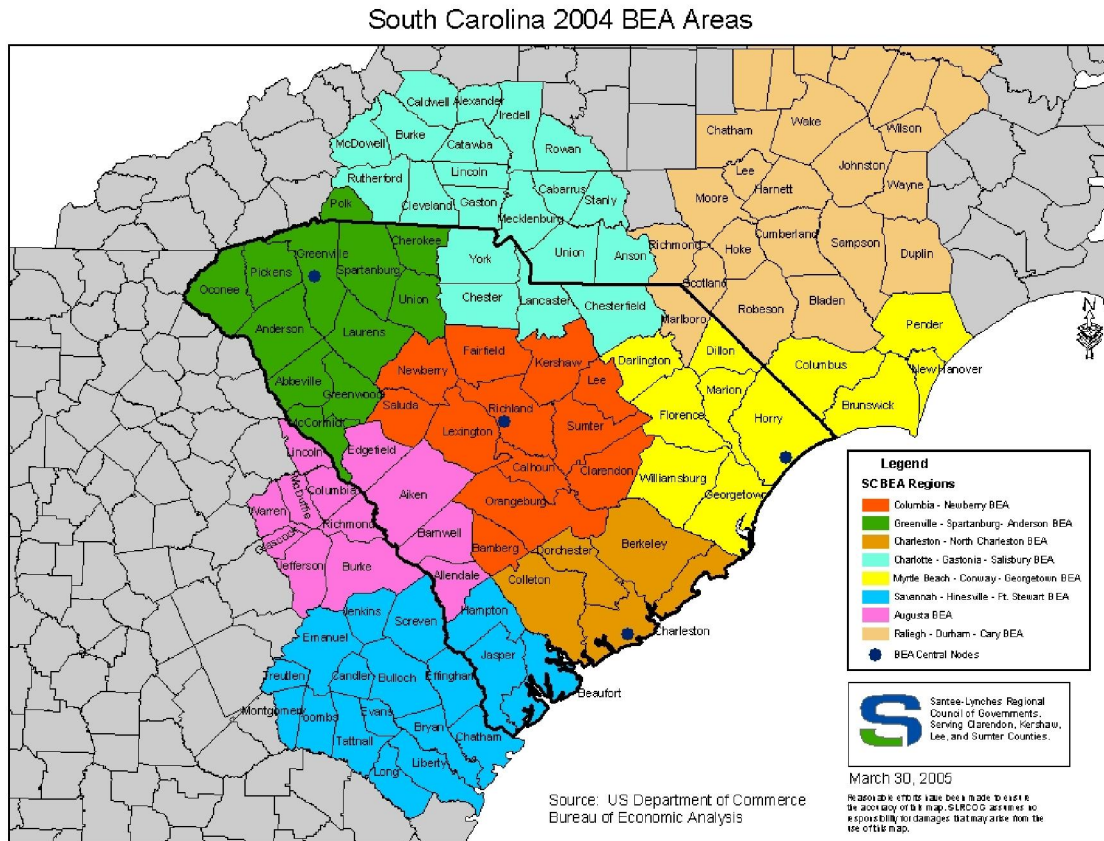
BEA AREAS IN SOUTH CAROLINA: Eight of Nation's 179 BEA Areas include all 46 South Carolina counties. Four of these economic areas have their economic node located within the South Carolina. These in-State nodes are Greenville, Charleston, Columbia, and Myrtle Beach. The other four BEA areas have out-of- State economic nodes - Charlotte, Augusta, Savannah, and Raleigh-Durham. These out-of-State node-centered BEA Areas incorporate approximately one quarter of South Carolina's counties into their market areas.

The Bureau of Economic Analysis (BEA) redefined its 1995 established economic areas in 2004. This redefinition resulted in seven additional BEA Areas being established nation-wide. While none of the added BEA Areas affected South Carolina, the 2004 redefinition did make some minimal changes to South Carolina BEA Areas.

1. Marlboro County was moved from its 1995 location in the Charlotte BEA to the Raleigh-Durham BEA.
2. Myrtle Beach (Horry County) replaced Wilmington N.C. as the node for the BEA Area that encompasses the coastal counties located on the North and South Carolina border.

The replacement of the fast growing Wilmington North Carolina node with Myrtle Beach Metropolitan Statistical Area attests to the rapidly expanding economy of South Carolina's coastal region.

The following map depicts the eight BEA Areas that incorporate the 46 South Carolina counties:

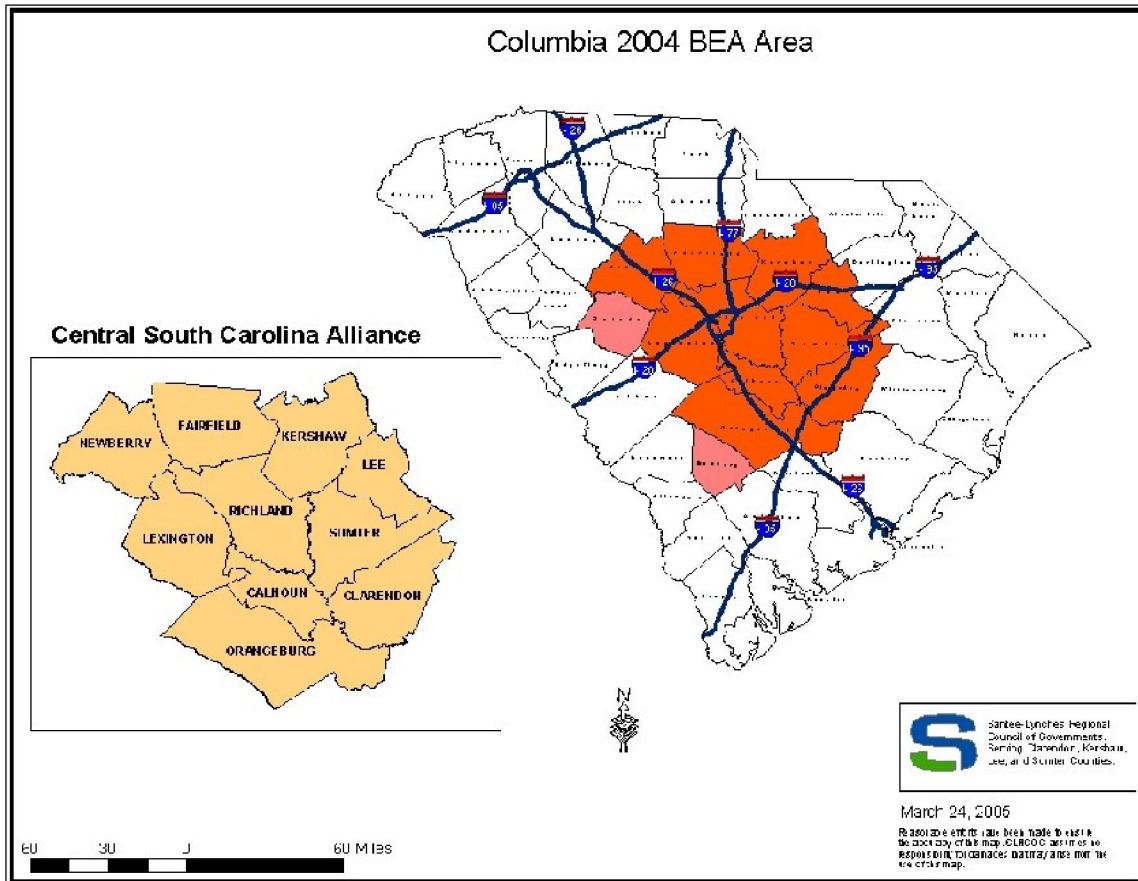


**THE COLUMBIA BEA AREA:** Located in the middle of the State, the Columbia BEA is one of only two South Carolina BEA Economic Areas that consist exclusively of South Carolina counties. From a Council of Governments (COG) perspective, this BEA includes the entire Santee-Lynches and Central Midlands Regions plus 3 counties from the Lower Savannah and one county from the Upper Savannah Region. Since the Columbia BEA contains our entire Region, it deserves our special attention.

The City of Columbia is the major node in the BEA, with Sumter MSA being a secondary node in the Area. The counties adjacent to Columbia (Richland County) form the primary ring of industry, labor force and consumerism. The outer counties provide a supplemental labor force plus limited consumerism for the central node and the primary ring counties.

Within the Columbia BEA Area awareness of the BEA concept, while not identified as such, has grown over the past five years. The continued expansion of the Central South Carolina Alliance (CSCA) is a prime example of this developing awareness. The CSCA, a super regional economic development organization, recruits new business as well as fosters expansion for existing businesses in the Alliance’s ten Midlands counties. In the last three years, four counties (Sumter, Clarendon, Orangeburg, and Lee) have been added to thee Central South Carolina Alliance. All four of these counties are included in the Columbia BEA. As a result of these additions, the Central South Carolina Alliance now includes 10 of the 12 counties of the Columbia BEA Area.

In addition to economic development, the BEA Area’s workforce commuting patterns and outer county retail sales leakage reflect the strong “pull” of the Columbia/Richland County economic node on the citizens of its surrounding counties.



Source: Bureau of Economic Analysis & Central South Carolina Alliance

**GOVERNMENT RESPONSE TO REGIONAL MARKETS:** While BEA established the parameters for regional markets in the early seventies, these markets have undergone continual refinement over the last thirty years. Although developed by BEA, the regional market concept is a product of citizen’s decisions on where they will work shop, etc.

With the emergence of the global economy and the United States’ transition from a manufacturing to a service economy, the needs of industry are significantly different in the 21<sup>st</sup> Century. In *“Economic Development in the New Economy”* Dr Richard Florida points out “old line” manufacturing industries required area’s suited for large plants and a semi-skilled workforce. The “new economy’s” manufacturing base is much more dependent on locations near research institutions and a highly skilled, technically trained workforce. This situation changes the dynamic, assuming other amenities such as: water, sewer, land costs, transportation are comparable, of where to locate new production facilities relative to where to attain a suitable workforce. According to the MDC Inc. produced *“The State of the South 2000 Report”* the result has been that more production facilities are being located in metro areas with a workforce recruited from throughout the regional market. This new dynamic has significant implications for both regional recognition and cooperation on a wide variety of economic development factors.

Workforce flow from the outlying counties to the core city is shown in the following table.

Workers Commuting from Santee-Lynches Region's Counties to Columbia

	Clarendon	Kershaw	Lee	Sumter	Total
1990	42	1,233	49	481	1,805
2000	204	6,582	218	1,373	8,377
Percent Gain 1990 - 2000	686%	534%	445%	285%	465%

Source: U.S. Census Bureau 1990 & 2000

This worker flow exemplifies the broad implications of industry growth in the core city (Columbia) during the last decade of the 20<sup>th</sup> Century. It also identifies the willingness of workers to commute for either higher paying or more personally satisfying employment. This commuting attests to the willingness of many workers to travel long distances (30 plus miles one-way) in order to retain a residence that meets their desired "quality of life" requirements. Business has been responsive to these "new economy" realities, while government has often been slow to recognize and react to these same realities.

The increased workforce flow toward the core city is complimented by regional consumers and amusement seekers traveling to the central node. The lure of upscale shopping locations, dining facilities, sporting events, and cultural attractions brings large numbers of people from the outlying counties into the core city. Again, BEA Area central core businesses have identified this daily/weekly migration and taken steps to profit from it.

Some elements within State government have recognized this trend and expended time and resources in fostering a more regionally-oriented governmental approach. From an economics of scale perspective, this approach works in the State's favor, not only because it is reality based, but also because it reduces the number of entities with which a single State agency must directly coordinate. Those State agencies, that recognize and subscribe to a regional market philosophy, often effectively use the ten South Carolina Regional Councils of Governments' network to facilitate the State's economic policy or other mission specific requirement.

In 2005, local governments work together when they recognize it is in their mutual interest, but many are not yet willing to sacrifice some local gain for the ultimate benefits of emerging regional markets.

**CONCLUDING REMARKS:** A major component of regional markets is the voluntary flow of workers from the outlying counties to jobs in the core city/county. Since these workers earnings provide economic benefits to both the resident county's businesses and government, it is essential that local governments recognize this fact and manage resources to ensure that current and new workers remain competitive in the regional labor market. As business' employment needs become more technical, rural public education systems must be continually upgraded to meet these increasing job requirements. In many South Carolina rural counties these education upgrades are often unachievable by the local school system without outside resources and management assistance.

Since the concept of regional markets is a citizen-driven approach to local economics, all levels of government throughout South Carolina must work in unison to maximize the positive benefits of this economy created in large part by their residents' interests. This is especially true of individual counties or municipalities, who for a variety of reasons are often reluctant to work closely with neighboring government entities to foster recognition and contribute to the expansion of the regional marketplace. Effective use of Regional Councils of Governments (RCOGs) can facilitate holistic coordination by their member counties and municipalities. Since most BEA areas contain more than one South Carolina Region, the RCOGs can also play an important role in intergovernmental cooperation and Region to Region negotiations.

Regional markets pose a strategic challenge for the more isolated, rural counties of South Carolina. The Interstate Highway system combined with many four lane, divided State highways are essential to the travel necessary to develop these core-centered markets. As new and expanding business and industry locate closer to the core city/county, more workers, consumers, and entertainment seekers will travel or in some cases relocate from their rural residences to the core city. If overtime, rural counties continue to lose their industry base and become more residential in nature, these counties' present tax base will decline and local governments will be hard pressed to meet the educational and social needs of their citizens.

Finally, it is important that South Carolina governments at all levels recognize the ongoing evolution of the regional marketplace and the potential drawbacks this citizen-driven phenomenon poses for the more rural counties. Since recruitment of low-wage, labor-intensive manufacturing industries, so successful in the 1980s and 90s, carries much less credibility in this new centralized market economy, rural counties within the outer ring of many of the BEA Areas must recognize the evolutionary process taking place and establish new economic growth formulas. Unless these rural counties can achieve economic growth at a rate sufficient to sustain the level of public service delivery deemed satisfactory by their citizens, mandated State and federal performance outcomes will be adversely affected. Regardless of the expanding growth in the metro areas/counties, the internal needs of rural counties are subject to tax base growth trends within those counties. Based on the potential risks to these rural counties and the State's economy, it is essential that the State of South Carolina in conjunction with the affected counties identify and undertake a strategic approach for developing alternative economic growth options for these "at risk" geographic areas.