

**ATLANTA'S DIVERSE ECONOMY**  
**Remarks by Robert P. Forrestal, President**  
**Federal Reserve Bank of Atlanta**  
**To the Atlanta Rotary Club Vocational Service Group**  
**March 16, 1987**

Good morning, students! I understand that you're all juniors in high school and that your teachers nominated you to attend this program because of your good work in their classes. I'm happy to have this chance to talk to such an intelligent group of students about a subject that many people older than you do not understand all that well. I'm going to discuss the makeup of Atlanta's economy and how citizens, businesses, and community leaders work together to make it grow and prosper. I hope that when I'm finished you'll have a good idea of what makes our city tick.

**Atlanta and Other Cities**

When we think about an area's economy, the first thing that comes to mind is the types of businesses that are important locally. Let's try this for a few major cities. What kind of businesses do you associate with Detroit? Right--Detroit, "Motown," is identified with automobiles. Of course, automobiles are not the only things made in Detroit, and the auto industry doesn't provide all the jobs. But it is important enough that when cars aren't selling well, the city's entire economy suffers as it has in recent years. What about Pittsburgh? Most people think of steel when they think about Pittsburgh, and for years that industry prospered there. Like Detroit's auto makers, though, the big steel producers have fallen on difficult times lately. That affects not only the workers in the steel mills who might have lost their jobs, but the stores that sell them groceries and furniture, the movie theaters and restaurants--just about everybody in the city feels the pinch. Orlando? Tourism--Disney World and the hotels, motels, and restaurants that take care of the people who visit Disney World have helped build Orlando. Do you think the economy is good or bad there? It's quite good. In fact, it

helps to make the economy of the entire state of Florida better by drawing lots of people who buy lots of things along the way to Orlando.

Now let's ask the same question about Atlanta. What's Atlanta's main industry? Did someone say Coca-Cola? For many people around the world, Coca-Cola and Gone with the Wind are symbols of Atlanta. But Bell South is larger than Coke in terms of sales and profits, and Lockheed has more employees. In fact, the Lockheed plant in Marietta is the biggest private employer in the entire state of Georgia. We can't really point to any single industry as representative of Atlanta's economy. In fact, that is one of Atlanta's great economic strengths. We have the kind of diversification that allows the entire economy to maintain its growth even if one particular industry slumps a bit.

I'd like to take a look at Atlanta's diversified economy as it is today and the direction I see it going in the future. Some of the main ideas we'll encounter are the growth of the city, both in the area it covers and in population. We'll also see an economy that emphasizes services--things people do for other people--over manufacturing, which involves tangible goods that people make and sell to others. This is important because in our country as a whole job opportunities in services like health care, entertainment, banking, making repairs, and serving food are growing faster than the manufacturing of things like cars and steel. I'll also discuss several things we can do to help our city's good economic conditions continue so that you and your children can enjoy their benefits.

### **The Atlanta Metropolitan Area**

A moment ago I said that the Lockheed facility in Marietta is the largest employer in Atlanta and the state of Georgia. Do you consider Marietta to be part of Atlanta? Just what does Atlanta include? For an economist, a city stretches beyond its political

boundaries—the city limits—to include everything in what is called the metropolitan area. This is the downtown area plus the outlying counties whose inhabitants work in the city itself or serve the needs of the people who do. A good way to think of this relationship is to look at the origin of the word "metropolitan." It comes from Greek roots meaning "mother city." The cars streaming in and out of the city during the morning and afternoon rush hours bring their drivers and riders to the "mother city." The mother gives them the things they need to survive as your mothers give you food, clothing, and shelter. In this case, however, the commuters receive money for their work, and they take this money back to their malls, super markets, and medical centers to purchase goods and services. The "mother city" is therefore providing opportunities to the people in its suburbs to work and make money. Suburbanites depend on the city center not only for economic support but also for fun and recreation—everything from pro football and basketball to rock concerts.

As the first chart in your packet shows, the Atlanta metropolitan area includes 18 counties

**(Chart 1: Georgia)**

bounded by Cherokee and Forsyth counties to the north; Barrow, Walton, and Newton to the east; Butts and Spalding to the south; and Paulding, Douglas, and Coweta to the west. Covering over 5,000 square miles—about 9 percent of Georgia's land, metro Atlanta was home to nearly two and a half million people in 1985. That equates to over 40 percent of Georgia's six million people. We can get a sense of the way these counties work together as a "mother city" and its "children suburbs" from the fact that on average 45 to 50 percent of each county's residents commute to another county in the metro area to work.

### **Diversity of Employment in the Atlanta MSA**

Now let's see what all those people do after they leave home in the morning. As I said earlier, Atlanta's employment picture reflects the nationwide movement away from a manufacturing base and toward services.

When we look at the employment pattern for Atlanta in the next chart,

#### **(Chart 2: Pie charts of Atlanta, Georgia)**

we see that trade—both wholesale and retail sales of groceries, furniture, clothes, and everything else we buy in stores—has the biggest share, accounting for 28 percent of the city's employment. Such diverse service businesses as medical care, private schools, cleaning, protection—private guards and the like, and hotels, add up to 23 percent. Manufacturing provides only 15 percent of local jobs. Atlanta's diversified economic base is rounded out by other kinds of economic activities. Federal, state, and local governments employ 14 percent of Atlanta workers. This is an interesting statistic, because in the rest of the state—and in general in the Southeast—the average percentage of the work force engaged in government service is closer to 20 percent. Atlanta has a relatively smaller number of government workers, even though it is the state capitol. This tells us that the city's private sector—all non-government types of business—is far stronger than the private sectors of many nearby areas. Transportation firms like Delta Airlines and Southern Railroad along with public utilities like Georgia Power account for 8 percent of jobs. Finally, banks, insurance companies and other financial businesses bring the area 7 percent of its jobs.

### **Atlanta in Relation to the State, Region, and Nation**

The service orientation of Atlanta's economy stands out when we look at Georgia's makeup. In the rest of the state, industries like apparel production, textile plants, and

sawmills account for 28 percent of jobs, whereas services provide only 14 percent of employment.

In recent years businesses that provide services--not just doctors and lawyers but the whole range of services including banks, airlines, restaurants, and stores -- have been creating jobs much faster than factories that produce goods like clothing and cars. There are various reasons for this, and I don't have time right now to go into them all or to discuss whether this is a good or bad thing for our country. But, I can say for Atlanta that this service base helped this city grow and prosper. We can see this by comparing recent employment growth in Atlanta with the rest of Georgia. Last year the number of new jobs in Atlanta grew by more than 5 percent, whereas in the rest of Georgia the figure was less than 3 percent.

We see a similar story if we compare Atlanta to the Southeast and the nation as a whole, as shown in these next few charts.

**(Chart 3: U.S. map with Southeast highlighted)**

When I talk about the Southeast, I'm referring to the states encompassed by the Federal Reserve District of Atlanta which I oversee as the Atlanta Fed's president. These 6 states includes Alabama, Florida, Georgia, Louisiana, Mississippi, and Tennessee.

**(Chart 4: Employment Growth)**

This next chart shows that Atlanta's employment grew almost 90 percent from 1970 to 1986 compared to 60 percent for the Southeast and just under 40 percent for the U.S. That means that you'd probably have a better chance of finding work in Atlanta than in many other places. Over the same period, as the next chart shows,

**(Chart 5: Income Growth)**

income grew fourfold compared to a threefold rise nationally. While that doesn't say that people in Atlanta make more money than everyone else, it means that their salaries

are increasing faster than the average for the Southeast and the United States. Both employment opportunities and rising wages are positive features that make people interested in moving to Atlanta.

### **Reasons for Growth**

And people are attracted to Atlanta in great numbers.

#### **(Chart 6: Population Growth)**

You can see from the next chart that our population is growing more rapidly than in the rest of the Southeast and over twice as fast as the United States as a whole. In fact, when we ask what makes Atlanta's economy so healthy and diversified, population growth stands at the top of the list. An increase in the number of people in an area tends to create more jobs. An increase in the number of people working means more money in more people's hands. And what do they do with that money? Right--they spend it. That's one reason why trade is Atlanta's largest employer--new arrivals need food, clothes, furniture, and so forth, and new stores that sell these things. The construction industry is also affected by population growth. New people need new homes and offices as well as stores. When business is vigorous, new families and new companies need credit and loans. That translates into healthy growth in the banking industry, which is one that I'm quite familiar with because of the Federal Reserve's role as guardian of the safety and soundness of our nation's banking system. So population growth leads to faster growth in a variety of economic sectors.

The availability of jobs and population growth are part of the reason Atlanta continues to grow faster than other areas. Another factor that makes our city an excellent place to do business and explains why the jobs are available in the first place is that Atlanta has become a crossroads for producers and suppliers all over the eastern United States.

The city's central location allows for speedy distribution of goods. This is why so many firms set up regional headquarters here. Atlanta has served from its earliest days as a transportation hub, first by virtue of its railroad service and more recently by highways and airlines. New York, Cleveland, Chicago, Kansas City, and Dallas are each 14 to 16 hours away by the expressways that branch out from Atlanta. Raleigh, Memphis, New Orleans, and Orlando are only an 8 hour drive or less. The airport is another important transportation link. It ties Atlanta to the country and even the world. Atlanta's Hartsfield airport is the second busiest in the world after O'Hare in Chicago. New York City handles more passengers, but it has 3 airport and more than 3 times as many people.

**(Chart 7: Airline Passengers)**

The decision of multinational companies like R. J. R. Nabisco to locate here is influenced by the ease of traveling to and from Atlanta by air. MARTA, too, is a transportation advantage influencing the growth of Atlanta's economy. The link to the airport will make the system even more effective in alleviating traffic congestion and moving people to and from jobs.

In addition to the cost savings provided by the city's geographic location and transportation facilities, individuals and businesses are attracted by Atlanta's climate, which makes for pleasant living conditions and lower heating costs than in colder areas. Yet another cost-saver is the relatively low-priced labor in the area, a result of competition for jobs among new arrivals and the region's tradition of cooperative labor relations. The city's good reputation in race relations also encourages business to locate here.

### **Planning for Growth in the Future**

Will Atlanta's good economic fortunes continue into the future? The economic benefits I have just outlined--central location, good climate, and new jobs and business opportunities gained from the city's population growth and good people relations--will, I believe, continue to fuel growth in our economy in the coming years. However, we cannot expect to receive these benefits without working for them. The forces that set Atlanta's growth in motion were a combination of the city's natural advantages and the progressive vision of leaders who thought of ways to make the most of those advantages. Atlanta didn't become an air transport hub because planes just decided to start landing here. Rather, the city's leaders had the foresight to build an airport that could accommodate passengers and cargo from around the nation and around the world. Our important convention industry is the result of calculated risks on the part of public policy makers and private developers who gambled that first-class hotels and meeting sites like the Georgia World Congress Center would attract sufficient business to repay their investment.

My experience in working with many of Atlanta's business and community leaders is that our city's great historical tradition of a public-private partnership to achieve economic growth and prosperity is being carried forward. That's good news because there are new opportunities waiting for decisive action and also certain situations that could slow our momentum if we're not careful.

One of the major recent news stories has been the decision of the Democratic Party to hold its 1988 convention here. That's great news not only because we will have a chance to show off our city to the millions of people who will watch the convention on T.V., but also because it means that a good number of people will come to the city and spend money on hotels, food, and amusements. While we plan for this event, however, we

are reminded that the downtown area has not kept up with the growth of some of the suburbs. Not many people stay in the city's center after working hours because the downtown area is not really people-oriented. It has few people who call it home and few attractions to draw outsiders in. We should work on ways to make the downtown more hospitable with an eye to the future of the city, not just to put on a good face for 1988. Underground Atlanta will help, and I also support the idea of developing Auburn Avenue.

More important for the future, however, are programs to provide a reasonable pattern of downtown housing. Last year I had the honor and pleasure of working with Mayor Andy Young, chairing a special task force to look into this issue. All of us who served on this task force came to agree that downtown housing would be an asset to Atlanta. Such housing would allow us to return a human touch to the midst of the glass and concrete towers at the city's core and draw the small shops and restaurants that form the nucleus of colorful neighborhoods in cities like Boston, New York, and San Francisco. We must also press for cultural attractions like the proposed museum of science and technology and develop areas that reflect the city's special charms. Advances in this direction would keep people in downtown Atlanta after working hours, and the presence of local residents would help promote the city to tourists.

Another challenge is planning for future transportation needs of our growing city. Now is the time for outlying counties to tie into MARTA, not ten or fifteen years from now when a daily traffic gridlock forces emergency actions. Development of mass transportation will also help us deal with the problem of air quality control that is especially important for the future of Atlanta, because its peculiar climatic conditions cause air masses to stand still—really stagnate—over northern Georgia. Our strategies for the future must take account of this phenomenon. Otherwise we risk fouling our air with auto and industrial emissions and diminishing the geographic advantages I discussed earlier.

Looking to the future also means looking beyond our own boundaries. Atlanta's city administration and business community are working hard to make Atlanta truly international. Today's markets are global. Companies that can't compete against foreign producers will be hard pressed to survive. By virtue of its transportation facilities, Atlanta is in a position to become the heart of international activity in the South. However, workers here will have to be competitive on a worldwide basis. To be successful, they--that is, you and your fellow students--will need a high quality basic education and training in the skills demanded in a changing economy. You in this room are evidence of what improved education can do. On average, though, we are still a ways off from providing Atlanta students a world-class education. What that means, in my opinion, is not learning how to program a computer that is going to be obsolete in a few years. Rather, it involves a sound basic education that teaches people how to think. That kind of training, rather than overemphasis on technical skills that quickly become outmoded in today's fast-changing economy, will enable workers to adapt to meet the challenges they're sure to face over their lives.

Teachers and school administrators shouldn't have to shoulder the entire burden of preparing for tomorrow's economic challenges. Businesses have a role to play, and so do students. Businesses can, should, and are doing more to interact with students in high schools and colleges to prepare them for the world of work. The Atlanta Fed, along with some of the city's major commercial banks, works closely with Harper Magnet School, providing internships to students who are interested in careers in finance. Programs like this show that businesses are doing their part; I hope that you will do your share by doing the best you can as students.

## **Conclusion**

These three things--making the downtown area more livable, planning for future transportation needs, and equipping our people to survive in the new international marketplace--are not, of course, the only problems that need attention. But how successful we are in handling them now will be an important factor in determining the strength of the economy you inherit when you take your places as Atlanta's decision-makers in a decade or two. We have seen that, in the economy of a city like Atlanta, growth has come from certain natural advantages and from capitalizing on natural advantages by intelligent planning.

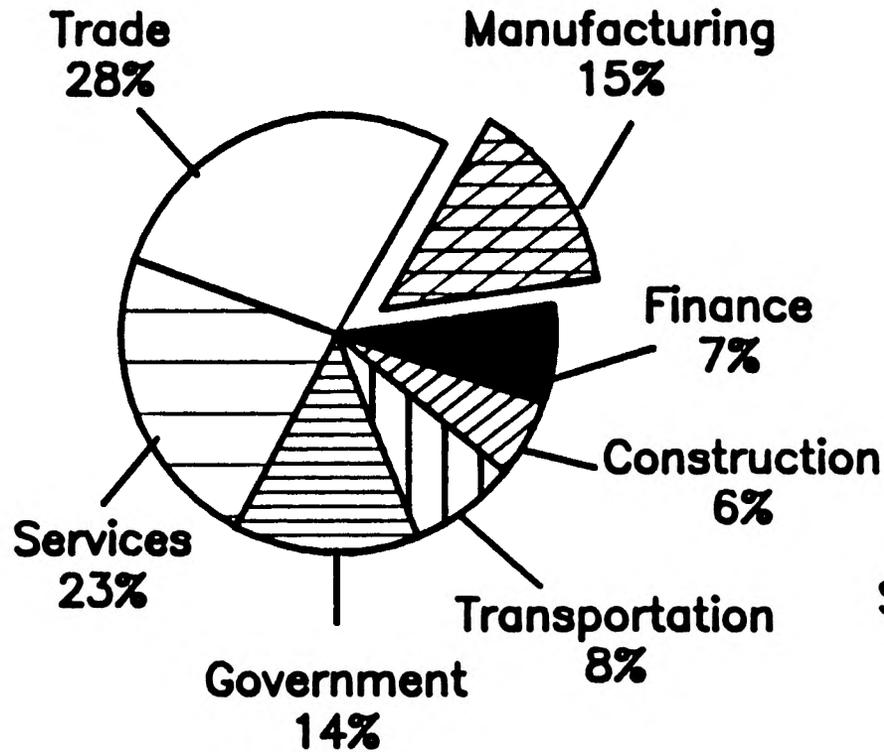
I think this last point is the most important one, and the one you should keep in mind whether you eventually go to work for a business, a school, a government or community service organization. There are many things in an economy that can't be controlled, but we can work to map out the general direction we take. I've made a commitment to work on economic development, not only at the national level through my role in helping to decide monetary policy but also in a variety of ways in Atlanta and throughout the Southeast. A similar commitment that I've seen among other business and community leaders makes me optimistic that we can successfully meet the challenges that lie ahead for our city. Now I'd like to hear what you think about Atlanta's economy, as it is today and as it may be tomorrow. Let me hear your questions and comments.

Chart 1

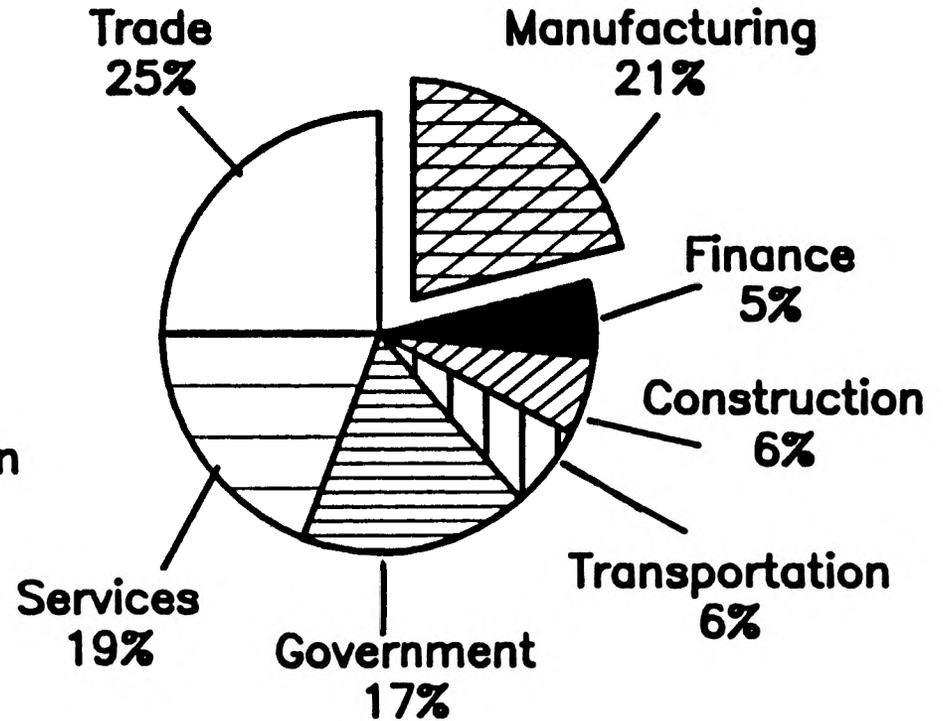


# EMPLOYMENT DISTRIBUTION 1986

## Atlanta



## Georgia



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Chart 3

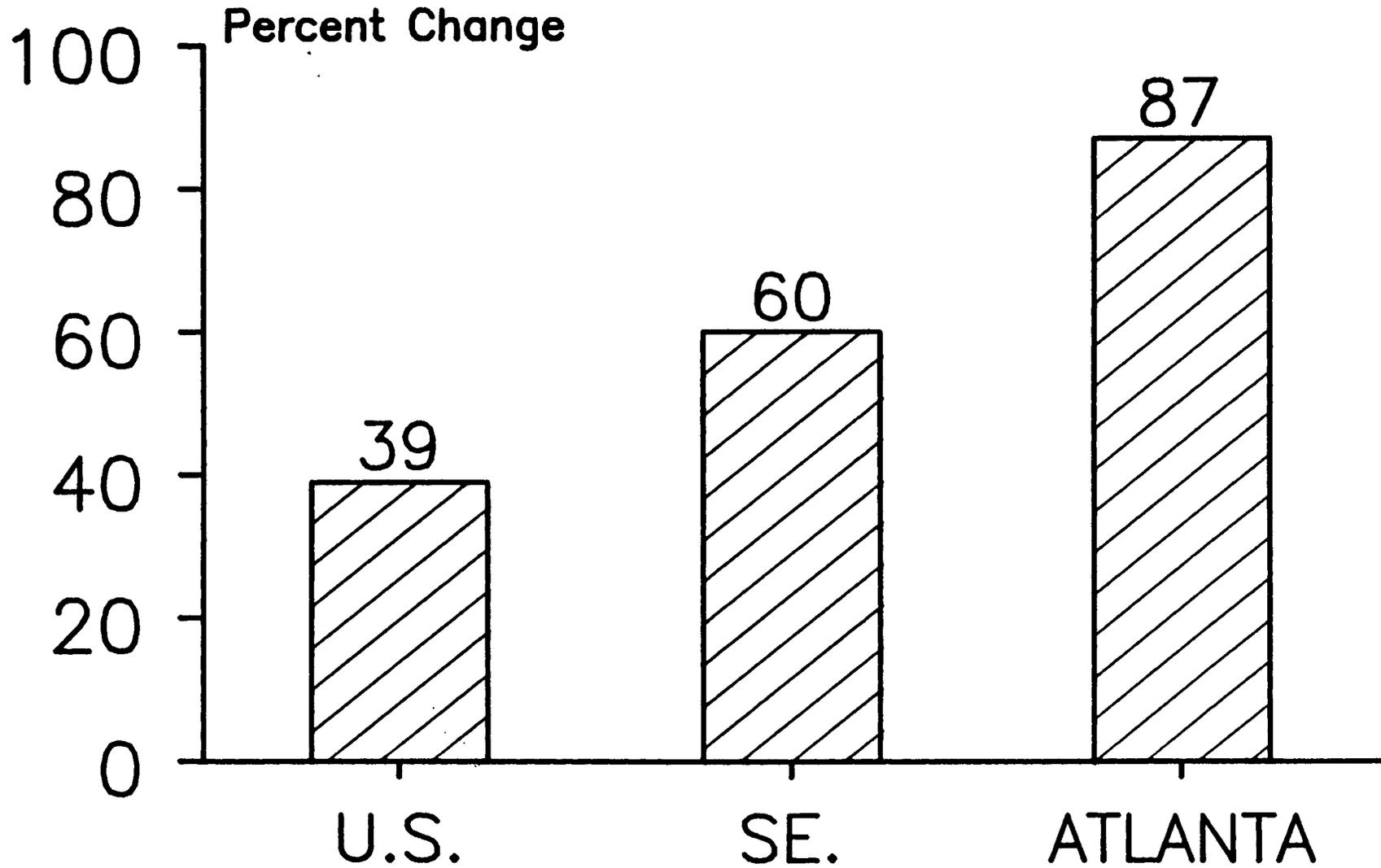
# ATLANTA AND THE SOUTHEAST



Federal Reserve Bank of Atlanta

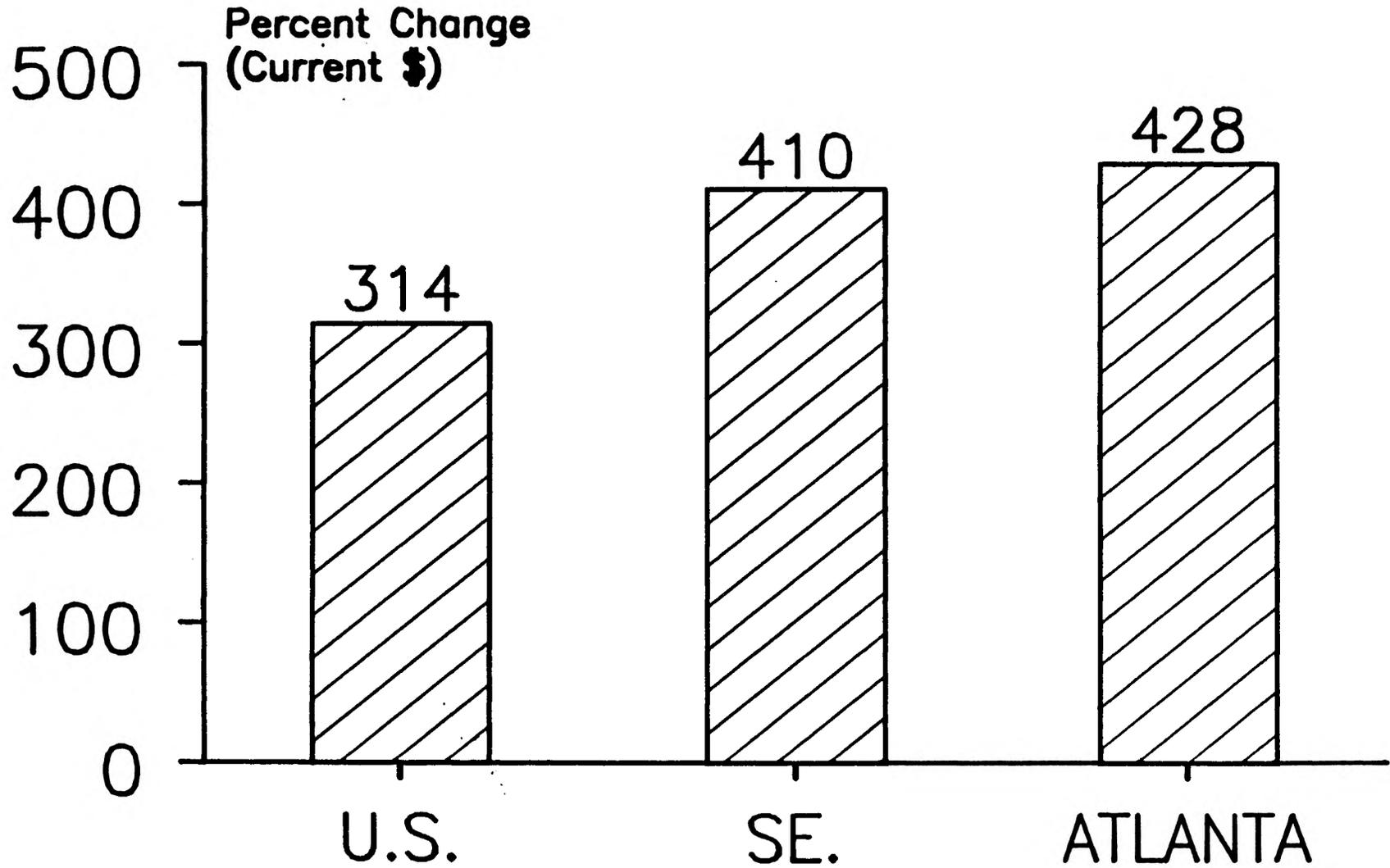
Chart 4

# EMPLOYMENT GROWTH 1970-86



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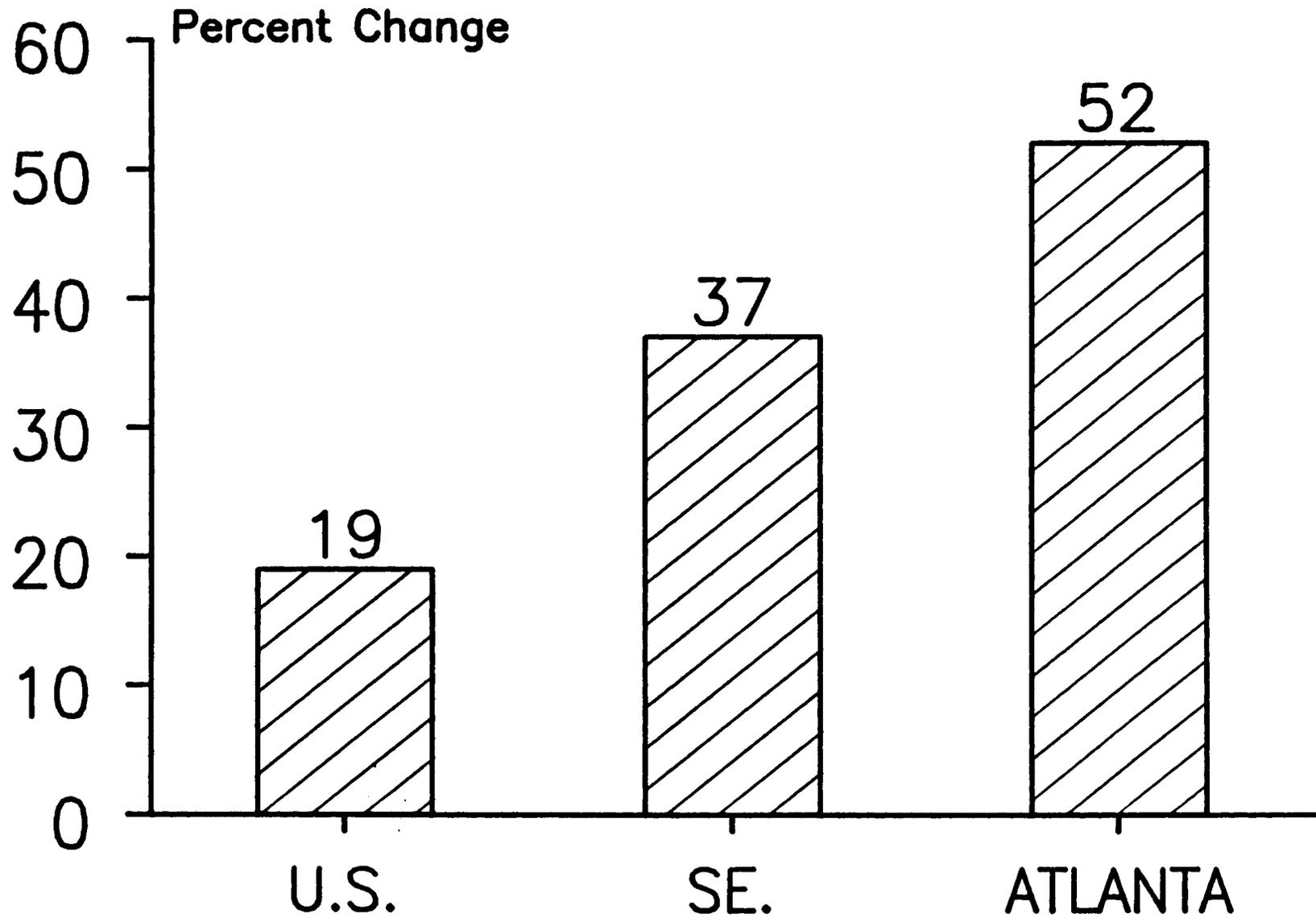
# PERSONAL INCOME GROWTH 1970-85



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Chart 6

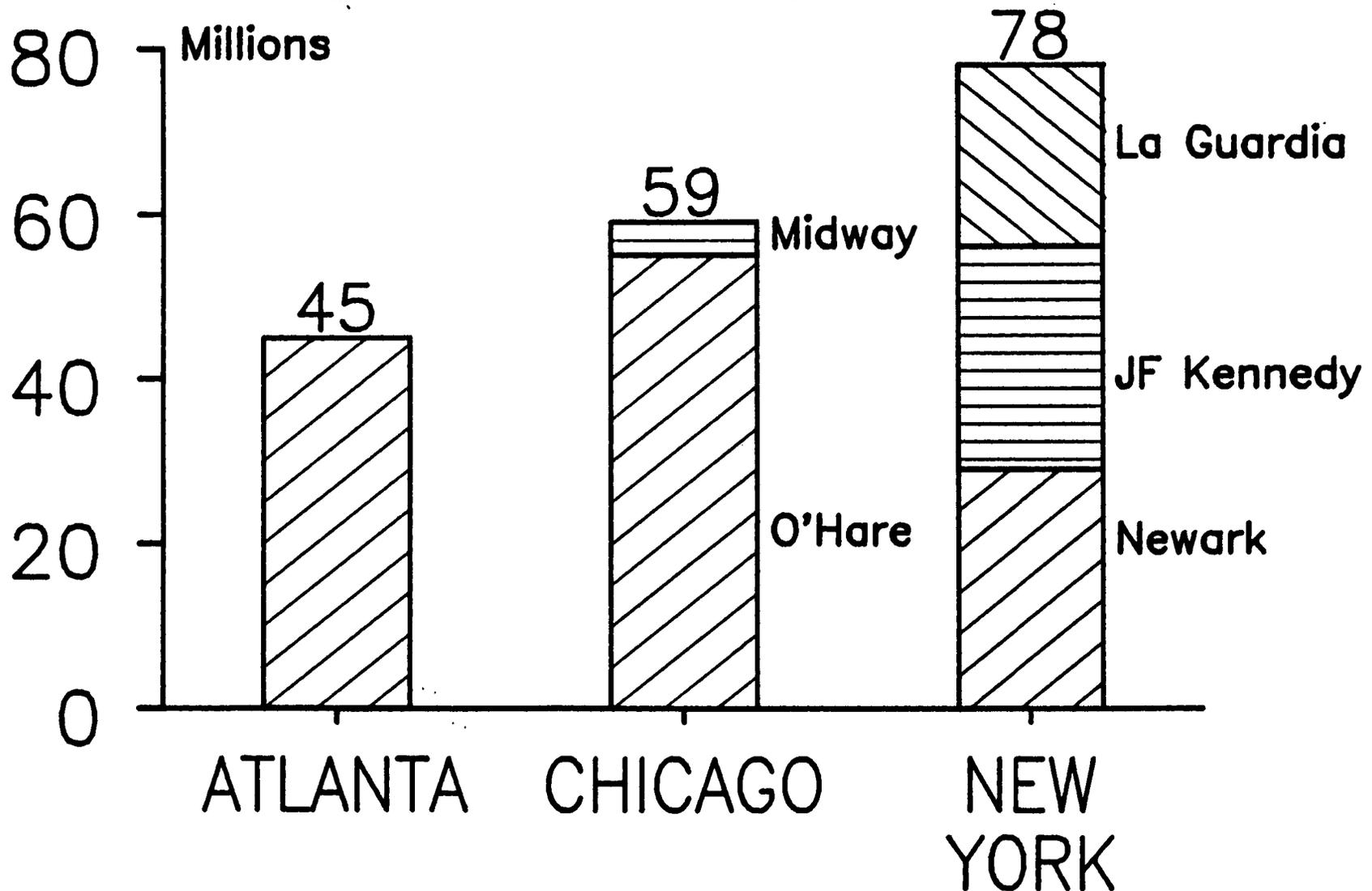
# POPULATION GROWTH 1970-86



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Chart 7

# AIRLINE PASSENGERS 1986



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