Winston-Salem: A Study in Growth, Resilience, and Adaptability

A. Paul Norby, FAICP, Co-Contributors Frank Elliott, Mayor Allen Joines, and LeAnn Pegram

Winston-Salem is a proud city with a rich heritage. Throughout its history, it has continually overcome the challenges of modernization with forward-looking strategies based in entrepreneurship and economic diversification, which continue to facilitate the city’s growth today.

Early History

When the Moravians migrated to this area from Pennsylvania in 1753, they quickly turned to the task of carefully planning and developing the large tract of land they called Wachovia and later the central community of Salem. The peace-loving Moravians saw Salem as a place where they could be free to worship in their tradition, to welcome visitors, to work at their trades, to enjoy music, and to have real community. This community was determined to be self-sufficient, and combined farming with trades, a mill, and other lucrative business ventures—establishing a tradition of entrepreneurship that continues to this day. Salem grew steadily, and when the need to provide a courthouse became apparent after Forsyth County was created in 1849, the Moravians provided the site for the new Forsyth County Courthouse one mile north of Salem Square. The legislature eventually named the county seat that grew around it Winston, after military hero Maj. Joseph Winston. The worldlier enclave of Winston attracted a new breed of entrepreneur, known for being shrewd, ambitious, and hard working.

Winston grew from being half the population of Salem in 1870 to being more than three times the population in 1910. The Reynolds and Hanes families...
and others steadily grew small tobacco and textile companies into major firms, attracting new workers and residents in droves. Roads and streets were improved, and Thomas Edison helped inaugurate one of America’s first streetcar lines in 1890, sparking more growth. Simon G. Atkins established the Slater Industrial Academy, which eventually became Winston-Salem Teachers College—now Winston-Salem State University. Fourteen years after the U.S. Post Office combined the postal addresses as the hyphenated name Winston-Salem, the two towns officially merged in recognition of their common interests.

Golden Age

The 1910s and 1920s saw unprecedented growth in Winston-Salem, as evidenced by the City’s population rising to become the largest in the state in 1920. The DNA of the combined cities, described by one observer as “Salem’s conscience and Winston’s purse,” led to the emergence of Winston-Salem as the second greatest industrial city in the South, behind only Baltimore. R.J. Reynolds Tobacco Co. and the Hanes Knitting and Hosiery Mills became national leaders in their respective industries. They were joined by many other industries that manufactured items as diverse as batteries, wagons, humidifiers, tires, furniture, bricks, and steel components. Civic and industry leaders took full advantage of existing railroad linkages from Winston-Salem to other markets, and the first municipal airport in the South was opened east of the city in 1919. Frances Henry Fries had earlier opened Wachovia Loan and Trust, and in 1911 he went on to head Wachovia Bank and Trust, which eventually became known as the largest bank in the South.

Winston-Salem grew upward, being among the first to utilize high-rise construction for the 7-story Wachovia Bank building in 1911. This building was followed by several successively taller buildings, culminating in 1929 with the 22-story Reynolds Building. Ranking as the tallest in the state until the 1950s, the Reynolds Building won the national Best Building of the Year Award when it was constructed and was used as a model by its New York architects for the subsequent construction of the Empire State Building.

The city also grew outward. Country estates and new neighborhoods led to Forsyth County’s reputation as the wealthiest county in the state. Concern over the huge growth rate and haphazard development led the Chamber of Commerce in the 1920s to encourage and fund a new city plan.
Depression, War and Rebuilding

The Depression years and World War II ushered in an era of austerity, but Winston-Salem held its own during this time. The city’s industrial base was producing goods that the population needed during the depression. During the war years, a great demand existed in the military for clothing and cigarettes, and the city was well-positioned to supply them.

At the end of the 1940s, Winston-Salem was the second largest city in the state behind Charlotte, and it was emerging from the Depression and war years shopworn but ready to rebuild. Huge changes occurred in the city over the next two decades. The first city-county planning operation in the state had already been authorized in 1947, and this joint organization went right to work writing a new comprehensive plan, subdivision and zoning ordinances. Old Salem became the state’s first locally zoned historic district. Urban renewal plans were assembled to address slum conditions, and the city was the first in the state to receive federal housing funds. The Wake Forest College School of Medicine, which had been transplanted from Wake Forest, North Carolina in 1941 and renamed Bowman Gray School of Medicine, was soon joined by the rest of Wake Forest College after the Z. Smith Reynolds Foundation funded the construction of a new campus. An ambitious plan for downtown renewal was developed in the 1950s and led to redevelopment in the ’60s and ’70s of such additions as a downtown convention center and hotel, Hall of Justice, and a new 30-story Wachovia Building—at the time the tallest in the Southeast. Plans were implemented for both east-west and north-south freeways converging adjacent to downtown. Thomas Davis established Piedmont Airlines, which grew to become a strong airline with routes across the country. Winston-Salem became a giant in the trucking industry, with McLean, Hennis and Pilot Motor carriers headquartered in the city. Outside industries like Western Electric, later known as AT&T, came to town.
and opened two large plants employing thousands of people, including new transplanted residents. The Arts Council became the first umbrella group in the country to coordinate arts activities and funding.

The political structure was also slowly shifting away from what could be described as the company town “oligarchy” that came with Winston’s swift industrial rise. The temporary unionization of factory workers at R.J. Reynolds helped African Americans become more politically organized, resulting in the 1947 election of Rev. Kenneth Williams, the first African American City Alderman in all of the South. In 1949, Marshall Kurfrees was elected mayor; he was the first mayor not hand-picked by the power elite of business, and served for the next 12 years.

**Setbacks of the 1980s and Response**

In contrast with the heady rebuilding days of the 1950s and ’60s, Winston-Salem experienced a relatively calm period in the 1970s, but a series of setbacks and losses occurred in the 1980s. The 1980 Census revealed that, for the first time, the City lost population as the community expanded but the municipal boundaries did not. Then came a series of economic shocks that continued throughout the decade. Deregulation of the trucking industry in the early ’80s led to a series of changes that fostered the demise of the three big trucking companies during the decade, affecting thousands of jobs. Piedmont Airlines was a victim of its own success and grew to the point where it was bought by expanding USAir in 1987, causing Winston-Salem to lose the Piedmont headquarters. In 1988, the forced breakup of AT&T resulted in the closure of its Winston-Salem plants, again yielding thousands of job losses. R.J. Reynolds Industries, which had been diversifying since the 1950s and ’60s, Winston-Salem experienced a relatively calm period in the 1970s, but a series of setbacks and losses occurred in the 1980s. The 1980 Census revealed that, for the first time, the City lost population as the community expanded but the municipal boundaries did not. Then came a series of economic shocks that continued throughout the decade. Deregulation of the trucking industry in the early ’80s led to a series of changes that fostered the demise of the three big trucking companies during the decade, affecting thousands of jobs. Piedmont Airlines was a victim of its own success and grew to the point where it was bought by expanding USAir in 1987, causing Winston-Salem to lose the Piedmont headquarters. In 1988, the forced breakup of AT&T resulted in the closure of its Winston-Salem plants, again yielding thousands of job losses. R.J. Reynolds Industries, which had been diversifying since health concerns about smoking prompted the tobacco company to rethink its strategy, went through a process which turned Winston-Salem upside down: first, the company was eclipsed as the largest cigarette maker by Philip Morris; then, after a merger with Nabisco Brands, Inc, the new leadership moved its headquarters in 1987 to Atlanta; and in 1989, the company went private and experienced a leveraged buy-out.

While these changes rocked Winston-Salem to its core, the city fought back in the 1980s and ’90s with the same kind of creativity and determination that has marked its past. In response to the need to create more jobs to replace losses in the manufacturing, business, and professional office sectors, private business leaders from Wachovia, RJR, Sara Lee and other firms worked together to form the Forsyth Community Development Council and Winston-Salem Business, Inc. They sought ways to aggressively target and recruit new business, and they were successful in bringing Lee Apparel, Siecor, Southern National Bank and Pepsi to the city. Forsyth Technical Community College created custom training packages for potential employers the City was recruiting. Commercial buildings downtown were constructed or expanded, and a public-private partnership created a new downtown park and office building that became the headquarters of Southern National (now BB&T). Wachovia Bank, which had just acquired First Atlanta, decided to keep its headquarters in Winston-Salem and build a new, taller tower. Sara Lee Corp, which had acquired Hanes Hosierly and Hanes Knitting, chose to expand Winston-Salem operations and placed four company headquarters in the city.

Perhaps most interesting was a new initiative created through a collaboration among the business community, R.J. Reynolds Tobacco Company, and Wake Forest School of Medicine to create a downtown research park specializing in biomedical science. This venture was conceived in order to take advantage of the increasing stature and reach of the medical school’s research capabilities, along with the resource of R.J. Reynolds’s unused downtown building and land resources. The idea was to couple biomedical research capabilities with new business start-ups that would make use of that research in medical applications. Amazingly, Winston-Salem ended the decade of the 1980s with more jobs and more employers than when the decade began. By the end of the 1990s, the city was pursuing a new set of initiatives and riding the momentum.

**The Challenges Post-2000**

Winston-Salem’s cycle of crisis and response repeated itself again shortly after 2000. Wachovia Bank, one of the more respected banks in the country, was acquired by First Union in 2001 in what was billed as a “merger of equals.” The merged bank assumed the name Wachovia but moved its headquarters to Charlotte, dealing another seismic blow to Winston-Salem by transplanting its namesake to another city. Winston-Salem did, however, retain Wachovia’s Carolinas headquarters, wealth management headquarters, and the data center. (Ironically, Charlotte is now experiencing similar anxiety with the demise of the merged Wachovia and subsequent acquisition by Wells Fargo.) R.J. Reynolds Tobacco Co, now a free-standing publically traded company, suffered continued decline in sales and production, forcing further downsizing. Foreign competition spelled the decline of the furniture industry and resulted in the closure of Winston-Salem’s remaining furniture manufacturing. Sara Lee was looking to divest Hanes Brands, and some questioned the fate of its operations in Winston-Salem.

As in the 1980s, civic and business leadership in the community has responded with perseverance, creativity, and financial backing. The City and County in 2001 adopted a new comprehensive plan that embraces smart growth principles and encourages more compact, mixed-use development patterns and a greater emphasis on multi-modal transportation. Business leaders formed a
new organization named the Winston-Salem Alliance and established a Millennium Fund that raised $45 million to use as seed money for three strategically designed economic initiatives: downtown residential development, downtown project and infrastructure financing, and economic recruitment/site development. A downtown plan adopted in 2002 has triggered reinvestment for downtown restaurants, over 1,500 new residential units, and much more street life. In 2003 a Comprehensive Economic Development Strategy prepared for the region recommended accelerating the growth of design-intensive businesses in northwest North Carolina. The goal is to transition the economy from reliance on tobacco, textiles and furniture manufacturing toward knowledge-based services and creative enterprises. The University of North Carolina responded by establishing the Center for Design Innovation in Winston-Salem.

The Piedmont Triad Research Park developed a plan to expand from 20 acres to 220 acres with an urban mixed-use research park that will ultimately employ 20,000 and use all the old vacant R.J. Reynolds manufacturing facilities on the eastern edge of downtown. Wake Forest Health Sciences has scored major breakthroughs in human organ regeneration that have resulted in the success of new companies in the park. Current Mayor Allen Joines loves to remind audiences that within twenty years, city industries “shifted our economic development emphasis from jean—Lee Jeans—to genes”.

Controversially, some growth has been lured by incentives. In 2004, Winston-Salem and Forsyth County combined $37.3 million in public funds with additional State incentives to recruit Dell, Inc to build its most advanced and largest computer manufacturing plant in Winston-Salem on land that was targeted for business park development in a recent area plan. The incentives are linked to anticipated annual tax revenues of almost $1.2 million and the creation of 1,700 jobs. The City and County successfully recruited Lowes hardware with $3 million in economic incentives to build a new $150 million data center in Winston-Salem, and also enticed Sara Lee/Hanesbrands with $850,000 in incentives to continue their presence and expansions, which together are valued at $35 million.

The health care sector has continued to expand, as well, with major construction at both hospitals. Forsyth Technical Community College, ranked as the fourth fastest growing community college in the country, has expanded its educational offerings so that the local workforce can access the skills required for new jobs. The other five colleges and universities that call the City home have also expanded and updated their master plans. Many of these efforts were cited in the City being named in 2004 as one of America’s Most Livable Communities by the Washington-based Partners for Livable Communities.

While no one can foresee all that may come in the future, Winston-Salem demonstrates that with discipline, entrepreneurship, innovation, and determination, a community can positively face its challenges and create new opportunities. Archie Davis, a beloved Winston-Salem native who became Senior Vice President and Chairman of Wachovia Bank and Trust and was instrumental in so many positive local and statewide initiatives, perhaps said it best some time ago: “We have an enviable past and an enviable character. I’m far from pessimistic, particularly if people handle the future as they have the past. We have great momentum.”

References


Winston-Salem in History, a series of monographs published by Historic Winston.

Additional assistance provided by the Winston-Salem Alliance.