

The Spokesman-Review

Economic numbers game

Opinions differ on the best way to rank Spokane's progress

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For the past six years, Spokane has been chased by numbers: 161, 66, 55.

Those are among the rankings assigned Spokane by various outside entities. The city was 161st out of 162 "best places to do business" in 1999, according to Forbes magazine. It was 66th of 91 cities on a similar Inc. magazine list last year. The Milken Institute put Spokane at 55th out of 200 U.S. metropolitan areas on the basis of strongest economies.

Economy-watchers here insist we're better than that. They're convinced that with consistent effort, they can trade in Spokane's sluggish four-cylinder sedan for a shiny road-cruising economy with power to spare.

But whether we get there or not, some business and civic leaders say, will depend on how well we can agree on the yardsticks, or economic indicators, that track where we are and how well we're making progress.

"There's a saying among those who do this kind of work that what you measure, you get," said Kim Pearman-Gillman, a vice president involved in economic development with Avista Corp.

Our success may well depend on people forming a consensus on the collective "dashboard" that keeps track of things like family per-capita income, wages, investment in the community and other indicators, she said.

At present, there's no consensus for what belongs on that development dashboard here, she added.

Forming such consensus is "not something that's a quick process," said Pearman-Gillman.

Choosing several key indicators and sticking with them is critical for a number of reasons, she said. The biggest benefit is community accountability, since several million dollars each year flow into groups like the Spokane Regional Chamber of Commerce, the Spokane Area Economic Development Council, the Inland Northwest Technology Education Center (INTEC) and numerous other entities.

"If we're going to target this much effort around achieving something, we need to know if we're getting there or not," Pearman-Gillman said.

A second reason, she said, is efficiency. Measuring progress against yardsticks is what a successful business does. "If we adopt the company analogy, you can drive focus among community leaders by everyone understanding their role within the organization," she said.

The goal of reaching initial consensus and a common roadmap for planning was one of the ideas behind the December economic summit meeting called by former Spokane County Commissioner Kate McCaslin. That session produced dozens of contending ideas, and will likely require several follow-up meetings to sort out a strategy, said McCaslin after the meeting.

In part because of that first summit, The Spokesman-Review asked 15 area business and civic leaders and educators which economic indicators this region should focus on as it tries to create better jobs, stronger businesses and a more prosperous population. The results showed wide variation in what people think are the best ways to watch where the economy is headed.

The suggestions included two basic kinds of indicators. One tracks numbers like job growth and per-capita income. The other tracks negative impacts on the local economy.

Lewis Rumpler, chief executive of INTEC, said he'd include the level of population living in poverty.

Robert Schwartz, director of entrepreneurial programs at Eastern Washington University, pointed to the need to track crime rates and the level of substance abuse in Spokane County neighborhoods.

All those responding hailed an effort being headed by EWU's Institute for Public Policy and Economic Analysis to create an online regional database of dozens of economic indicators for this region.

Patrick Jones, director of the EWU institute, and a committee representing several groups have created an initial list of more than 70 of those indicators, which fall in eight categories. Only one is economics, Jones said. The others cover health, education, the environment, housing and transportation, the arts, and a broad area called social capital. That last category has to do with gauges of social involvement, such as voting percentages and volunteerism. The categories will include Eastern Washington and North Idaho, said Jones.

That regional effort is part of a nationwide trend to gather data to understand the complex factors that influence an economy, said Audrey Taylor, an economic development consultant with Chico, Calif.-based Chabin Concepts. Taylor has looked studies done for Spokane-area groups and recently prepared an analysis for this area titled "Maximizing Spokane's Assets."

Instead of suggesting a standard set of indicators, Chabin said each community must select a unique group of development yardsticks, then stick to them.

Shaun O'L. Higgins, director of marketing and sales for Cowles Publishing Co., has studied the history of Spokane's economic development.

"In general, there was no consistency in what indicators were used. And as a rule, the indicators used (such as population increase or tons of lumber shipped to the East) were used to highlight the area's good traits," he said. "They didn't use indicators to analyze who we are and what we're doing."

Higgins' suggested key indicators for this region included median household income, average wage, total jobs, total size of work force and unemployment rate.

Whether Spokane's leaders can arrive at consensus on what economic indicators best reflect our economy is open to debate. "There's never been an explicit effort to get to our clear view of our economic development goals as a community," said Patrick Jones of the EWU policy institute.

Out of the more than 30 economic yardsticks suggested by the educators, economists, professionals and business leaders surveyed, the goal of total jobs created in the economy was the most frequently cited indicator.

The second most-commonly suggested measure was the increase in jobs over time.

Some suggestions involved trying to track numbers that many economists say would not be simple. Erik Skaggs, the new economic development director for Spokane County, proposed tracking the Gross County Product, a number similar to the annual gross domestic product tracked by federal economists.

EWU's Jones, for one, considers that number "fairly difficult to measure."

Retired Spokane banker Phil Kuharski, a longtime economy watcher, preached a "keep it simple" approach to defining progress, saying previous efforts led to failures because the data chosen wasn't easy to track.

He advocates following income in Spokane and Kootenai counties, measured over time against the averages for Washington, Idaho and the nation.

Those ratios track whether an area's growth in per-capita income, for instance, is simply due to inflation and population growth, or whether it's really due to the creation of better-paying jobs. And that's what a community is really after, Kuharski said.

While Spokane leaders can correctly say that Spokane County gained more than 7,500 total jobs in 2004, that number doesn't say a lot, argues Bill Fruth, a business consultant and analyst for a company called Policom, Inc., based in West Palm Beach, Fla.

Policom tracks data from more than 500 large U.S. metropolitan areas; Spokane ranks No. 191 out of 361, Fruth determined.

In an interview, Fruth suggested that communities "measure both terminals on their batteries," meaning both positive factors and negative factors that inhibit business creation, investment, expansion and wage growth.

Fruth's one-size-fits-all, basic indicator would be the increase in primary-industry jobs within any community. A primary industry, as the economists have defined it, is one that brings in wealth from outside, as do companies that make goods — like airplane ducts or computers — and ship them to buyers outside the community.

Spokane's health care sector can be viewed as a primary industry, Fruth said, if it's a regional service provider, bringing in dollars spent by patients from around the region.

If primary industries grow, that tends to add more above-average-wage jobs. "And that improves the overall standard of living there," Fruth said.

As for a general development strategy, Fruth advocates diversity within the economy.

"The strongest metros in the nation are those with multiple primary industries. With five or so primary industries, if a recession hits one or two, the others are there to pick up the slack," he said.

Some Spokane observers, like EWU Professor Shane Mahoney, warn that long-term strategies should look beyond what he calls "affluence measures" and identify economic drivers — projects that produce strong economic benefits, good jobs and above-average wages.

Mahoney is the author of a contentious EWU-sponsored study, published last year, on Spokane's economic-development culture. That study said the people Mahoney talked to regard Spokane as unable to look critically at itself, lacking clear support for a strong research university, and generally not well focused.

Mahoney said in his view, a key economic driver would be creation of a research university. He knows that won't be easy.

But over time, Spokane needs to build research programs with graduate and Ph.D.-level degrees in science and engineering, he said. The payoff will be an influx of highly paid teachers and motivated students.

As an academic, Mahoney has studied failed centralized planning in the Soviet Union. The advice he draws from that research, he said, is that Spokane doesn't need a central committee or even a master dashboard to move the economy into high gear.

"We do not need an agenda. Definitely not. But, as a region, we do need to better appreciate what a modern economy looks like and how it works," he said.

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