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Report Sparks Debate On Economic Development

Michael Murphey
Staff writer

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Bob Cooper agrees with Gary Smith's assertion that a bias toward manufacturing in economic development can jeopardize a community's economic future.

But, he disagrees with Smith's premise that such a bias exists within the Spokane Area Economic Development Council.

"I don't think we're preoccupied with the recruitment of manufacturing," says Cooper, president of EDC. "Our strategies go far beyond that."

He points to EDC's success in the recruitment of many non-manufacturing companies into the community, like Egghead Software and The Student Loan Marketing Association's West Coast services center.

Since 1988, economic development efforts in Spokane have been funded and guided largely by the Momentum organization, a private coalition of business interests. Cooper points out that Momentum has backed a broad range of economic development strategies, including things like development of the Spokane Intercollegiate Research and Technology Institute and improvement of Spokane's K-12 educational system.

"I think it's unfair to all of those leaders to assume that manufacturing recruitment has been their major focus," Cooper says.

At the same time, though, Cooper says he was uneasy when he saw the New Century Plan Task Force's list of five benchmarks by which Spokane's economic progress is to be measured over the next five years.

The benchmark that dealt with job creation sets manufacturing jobs as the standard by which Spokane will be measured.

"That's a very narrow focus," Cooper says. "Too narrow, at least, for the EDC's strategy."

"I think there should be other benchmarks for other industry categories, such as the service producers, who play an equally important role in our economy."

The New Century Plan is an effort by Momentum and a number of other community agencies and groups to broaden the economic development planning process here. It strives to address issues like poverty and crime much more directly than purely business-community-inspired economic development thrusts have in the past.

The New Century group is in the process of trying to build a "community consensus" as to where economic development resources will be focused. The group's task force will look specifically at economic development strategies in a meeting at 7:15 a.m. Monday at Red Lion City Center. The meeting is open to the public.

Stacey Cowles, co-chair of New Century and publisher of The Spokesman-Review, says he doesn't believe the New Century planning process reflects the bias that Smith, an economist at Washington State University, is concerned about.

Cowles thinks the issue is largely one of limitations imposed by the way the federal and state governments categorize their economic statistics-gathering process. While New Century leaders include the creation of intellectual property in their concept of manufacturing, the statistical process puts activities like software publishing or engineering into the services category.

"If you could really have a true benchmark," Cowles says, "you would measure the number of high-value jobs you could increase. Those are jobs that involve intellectual capital, whether it's creating software or publishing or producing hard goods."

Cowles emphasized that the New Century planners don't have in mind the recruitment of low-wage assembly line jobs. "That's not the kind of job anybody ought to be recruiting," he says.

Manufacturing is the benchmark chosen, he says, because the statistical category includes a higher ratio of high-paying jobs than does the very broad services category.

But, Cowles also emphasized that the New Century planners are guided by the belief that the creation of value in our economic society still begins with the primary manufacturing process. That philosophy holds that service jobs, particularly high-paying business-support services, still tend to cluster geographically around primary manufacturers. So in recruiting manufacturing, he says, you are automatically building in service-sector growth.

Smith and other economists question whether that distinction between the ability of the manufacturing and service sectors to create and support spinoff jobs is all that clear anymore, however.

In any case, Cowles says the New Century group's recommended approach to the recruitment of various economic sectors will be clearer following Monday's task force session.

Smith's research was the product of his long-term interest in analysis of the Spokane economy. Most economic research is focused more broadly, at state or national levels. Phil Kuharski, another longtime observer of the Spokane economy, says Smith's work represents an asset the community should take advantage of.

Smith and Kuharski are members of a informal economic roundtable. The roundtable is a regular gathering of local economists and analysts that meets to share thoughts and information. Smith initially presented his research to that group, which endorsed the work and urged him to publish it.

"I thought as an individual on the economic roundtable group - and I think the consensus of the whole group - was that this is a very legitimate, worthwhile analytical piece of work that those who are responsible for looking at the future of Spokane ought to pay attention to," Kuharski said.

Like Cooper, Kuharski says he was concerned that the New Century benchmark relating to manufacturing represents a bias that may prove counterproductive in the economic development process.

"But I didn't view (Smith's findings) as being critical of what any particular group, Momentum or EDC, has been doing here," Kuharski adds.

Cooper does view the report, though, as a criticism of EDC's policies. And he says that criticism is unfounded. He says EDC recognizes the pitfalls of a manufacturing bias, and strives to have a balanced economic recruitment effort that includes "the right kinds of manufacturing operations."

EDC focuses on three target industries. They are producer services, the high-wage sectors of the services industry; wholesale distributors, high-wage companies that like Washington because of its geographic proximity to the Pacific Rim and a favorable tax structure; and the specific manufacturing areas of plastic products, electrical equipment, instrumentation and software development - sectors that are expected to buck the slow-growth trend in manufacturing.

EDC commissioned a research group last year to do a study of its operations. The result was the Pace Report.

Cooper says the Pace Group, a Mississippi consulting firm that produced the report, felt the EDC's balance of economic recruitment efforts was good and should be maintained.

The Pace Report may appear to emphasize manufacturing over the other two areas Cooper says, but that's only because EDC specifically asked for help in the manufacturing area.

"We specifically paid them to help us find manufacturing targets," Cooper says. "We felt we already had a good handle on services and distribution types of things."

While Cooper believes Smith's report misrepresents EDC's view toward the role manufacturing plays in a healthy, diversified economy, he agrees that a pro-manufacturing bias likely does exist in the community at large.

Perhaps that bias is rooted in Spokane's long historical reliance on aluminum, mining, timber and agriculture. Many people look fondly back at the days when a high school graduate could get a job at Kaiser or the mines or the mills and make a wage that would afford him and his family a lifelong middle class lifestyle. And, they think, if Spokane could only make itself more amenable to their needs, those days would return.

"But that's not reality," Cooper says. "That's not what the world is doing."

American manufacturing production increased 35 percent between 1979 and 1992, Cooper points out, but at the same time, the number of manufacturing jobs decreased by 15 percent.

"Manufacturing isn't solely where it's at anymore," Cooper says. "It's a piece of where it's at. But even within the broad range of manufacturing, it's a pretty narrowly defined piece."

, DataTimes ILLUSTRATION: Graphic: Slow income growth

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