



Culture and Economic Development in the Spokane Region

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It is with great pleasure that I introduce you to the monograph series of the Institute for Public Policy and Economic Analysis from Eastern Washington University. I hope this research from Eastern faculty sheds new light on a particular aspect of life in the Inland Northwest.

The goal of the Institute is for our highly-qualified faculty to provide analysis and data that are relevant to your lives. The vision of a regional university that our Board of Trustees has adopted speaks directly to the notion of relevance to the Inland Northwest. Without relevance to the communities that make up this dynamic and beautiful corner of our country, our university is not fully living up to its mission.

Of course, our main mission at Eastern Washington University is to educate students to the highest levels possible, for the sake of their own careers, the future of the communities in which they will reside, and ultimately their growth as individuals. An increasingly important mission of Eastern is also to encourage faculty research. Not only does this help keep our faculty professionally current, but makes them better teachers, through the sharing of research opportunities with their students.

However, not all faculty research at Eastern need be written for professional audiences. In this day of increasingly specialization and complexity, I see an imperative for an informed citizenry. What better source can our region find to translate this knowledge into jargon-free, accessible information than a university like Eastern?

Since coming here five years ago, I am convinced there is a level of excellence at Eastern Washington University that is worthy of recognition and support. The university is a catalyst in the progress of the region – its economy, culture and way of life. The Board of Trustees and I regard the Institute for Public Policy and Economic Analysis as a striking example of our commitment to this region. My office and that of the Institute director welcome all comments on how we might better serve.

A handwritten signature in black ink, appearing to read 'S. M. Jordan'.

Stephen M. Jordan, Ph.D.



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I. Executive Summary

Through in-depth interviews with leading commercial, political, academic research and university persons, the research described in this report undertook to identify the main characteristics of economic culture in the Spokane region. In addition, a smaller number of similar interviews were conducted with industrial leaders in the Boise, Idaho area. Findings from both of these regions were then compared with the benchmark economic-cultural traits displayed in the Silicon Valley.

All human activity, including economic activity, is naturally embedded in a cultural environment that shapes it and is shaped by it. Those who have carefully studied the Silicon Valley's economic success commonly attribute it to that region's culture. In particular, the Silicon Valley's culture is noted for its openness, rich texture of interpersonal and organizational linkages, appreciation and support for its research institutions as economic drivers, and its capacity to link the elaborate system of manufacturing firms with supporting elements in the social-political environment.

Among the Spokane area respondents, themes quickly emerged that contrast sharply with those identified in the Silicon Valley. If conclusions about the cultural source of the Silicon Valley's advantage are not wide of the mark, then the contrasting ethos found in the Spokane region likely functions to limit this area's high-tech economic development:

- 1) Spokane culture is distrustful, making the formation of innovative, cooperative networks very difficult.
- 2) Spokane culture is taciturn. Important public issues, especially those related to economic development, are difficult to discuss frankly in a public forum. Public disagreement is viewed as disruptive, while good manners and deference to the domain of others rule out certain conversations altogether. Thus, successful public policy, or even coordinated private action, is difficult to fashion.
- 3) Spokane culture displays a profound distrust of local and state government, which makes it difficult for government to be employed as a tool to enhance the social-esthetic environment so important to the ability of firms to attract talent and retain it in the area. Furthermore, this outlook tends to make government responsible for the absence of robust economic growth, especially in relation to tax and economic policy. Paradoxically, this

same culture easily looks to government as a source of economic development, especially through various forms of imported subsidies.

- 4) Spokane culture does not fully understand and appreciate the role of a research university as an economic driver for the region. Even high-tech firms in the region tend not to perceive a need for a vigorous, local research climate. Though pockets of support for research can be identified, such research is not synonymous with support for a research-university. Corporate support for a research-university is not strong. Those who desire a research presence in the region have no well-thought-out approach to its creation and sometimes possess operational codes that are at odds with it.
- 5) Spokane culture has a very weak sense of regional symbiosis. Thus, most individual participants in the area do not link their own future success with that of the region as a whole. Rather, economic success is more likely to be seen as an individual or corporate matter that may be threatened by the success of others. In addition, such an outlook impairs development of a political mechanism that might be used to encourage appropriate instances of regional policy integration.

In the Boise interviews, similarity to the Silicon Valley ethos was quickly apparent — though it had not been anticipated. In particular, high-tech leaders there give every indication that they regard a research-university as crucial to the region's future success. The challenge of foreign competition was quickly identified and linked with the need for advanced research to permit American high-tech firms to prevail. More importantly, however, those in Boise tended to see the research-university in broad terms, not only as a source for ideas, but also as a regional asset to attract and retain the best talent to the area.

In Spokane, research tends to be understood in far more linear terms, as something that moves rather directly from the laboratory to the production line. While sharing certain problems with Spokane, such as public transportation issues and integration of regional retail interests, the cultural ethos in Boise gives strong evidence of far more optimism with respect to future economic success. Leaders in the Boise region believe that they now have the essential ingredients in place to ensure a high-tech economy that is capable of reinventing itself. Data recorded in this study suggest that they may be right.

The findings contained in this research report should be regarded as preliminary. Given the limited dimensions of this study, approximately 30 interviews between Boise and Spokane, and the methodology employed, its findings can be criticized for the unavoidable measure of conjecture that they contain. On the other hand, those who participated in the interviews occupy strategic positions in their respective communities; and the thematic patterns reported in the study emerged rather quickly and conspicuously — without being solicited or forced by highly structured questions. Moreover, for the attentive consumer of local media, these same patterns are visible, though often in a somewhat esoteric formulation.

In addition, the study does not endeavor to address all variables that might be related to regional economic development, such as labor force structure, market strategies of local firms, the critical mass or growth potential of various technologies, or the prevalence of venture capital. Although this study contains no particular policy recommendations, the cultural patterns or operational codes that it identifies do suggest aspects of regional economic development that deserve to be examined more closely and perhaps rethought. Subsequent research might then be employed to define specific public policies and private initiatives to address the issues that are identified in such a reexamination.

II. Objectives

This is a preliminary study of culture and its relationship to economic development in the Spokane region. Culture or ethos can be thought of as a complex template of subliminal attitudes, beliefs, tastes, rules of thumb, and operational codes that assist individuals with everyday choices and decisions. It is acquired, even without realization, as people mature and learn in a given cultural setting. In matters as wide-ranging as food preferences and what is expected from government, culture guides our views without requiring any sort of complex deliberation at each instance of choice that confronts us during the day. Like a computer subroutine, it serves a critical but usually unexamined function. It is not that it can't be examined, but as long as it seems to be working, there's no reason to raise it to the observable level. This study is an attempt to elevate selected features of regional culture, those relating to economic development, to an observable level.

All of human activity is embedded within a cultural setting. And the ability to organize and cooperate is fundamental to everything that societies undertake — including economic development.¹ As formulated by one observer, “Lack of such association is a very important limiting factor in the way of economic development in most of the world. Except as people can create and maintain corporate organization, they cannot have a modern economy.”² In other words, some cultures may include features that prevent or inhibit the rise of a modern economy. Even with access to resources, technology, and an able work force, they may be incapable of achieving or maintaining the formal, sub-formal, and personal organizational dynamics that such an economy requires.³

Ironically, efforts to create or spark economic development often run headlong into this very dilemma. For economic development — as opposed to stagnation — requires that prevailing patterns of commercial equilibrium be disrupted. Yet, in the realm of culture, established ways of doing things are comfortable or sometimes sacred, even for those who are seeking change. Oftentimes, this leads to strategies of development that actually do more to reinforce the

established and failing patterns than to spark creative disruption.⁴

For the Spokane region, therefore, or for any region professing an interest in the sort of economic development that relies on modern technology and human creativity, the question is whether the prevailing civic culture lends itself as well as it might to the requirements of a modern knowledge-based economy. This study defines such an economy as one that exports services and manufactured products beyond the region and possesses a capacity to reinvent itself through the inevitable ups and downs of the business cycle.⁵ The Spokane region, of course, has not been without economic growth. But the subliminal operational codes that produced success in one environment may yield less favorable results or even failure in another.⁶

III. Methods

While abundant research has established important insights into the industrial and managerial culture of the Silicon Valley, not even minimal work in this regard has been directed at the Spokane region. Existing research, however, has amply demonstrated that economic cultures differ not only on a country-by-country basis, but also along regional lines within countries. Thus, it makes sense to inquire about the nature of economic culture in Spokane and the surrounding area.

With this goal in mind, interviews were conducted with various industrial, political, and university leaders. Industrial leaders were selected from several different sectors: biological technology (B-tech), medical technology (M-tech), and electronics (E-tech).⁷ Political leaders included selections from local, county, and state governments. Those interviewed in the academic community included both researchers and administrators. Supporting interviews were conducted with state officials, local government officials, organization leaders, and journalists. Because Spokane sometimes compares itself to Boise, a small number of interviews were also conducted with industry leaders closely connected with that region's economic success. Between the Spokane region and the Boise area, at least 30 interviews were conducted. Those with principals commonly lasted more than two hours.

The interview technique for the Spokane and Boise regions was an open-ended conversation initiated by a "thematic starter" that asked respondents to freely speculate as to what one might find in a newspaper article headlining a hypothetical economic boom some ten years hence in the Spokane region. So as to elicit very candid sentiments, all of the interviews were conducted on an off-the-record basis. Therefore, neither the names of those interviewed nor attributions identified with them will appear in this report. Where names and quotations are used, they have been taken from the public record and are employed only to illustrate themes that can clearly and generally be identified in the interviews; and it should not be inferred that those referenced in such illustrations were necessarily part of the interview pool. Those who participated in this research gave

generously of their time. Only a very small number of interview requests went unfulfilled. Without the very candid cooperation of the respondents, this research would have been impossible.

Given the open-ended nature of the interviews, respondents established their own priorities in response to the imaginary scenario of an economic boom. This not only unveiled what they regarded as important in defining and promoting economic development, but also how they ranked the various elements in relation to one another. At the same time, what the respondents did not say, or noted only in response to subsequent questions in the evolving conversation, proved equally interesting. When specific questions were presented to the respondent, they attempted to direct attention toward those features of a knowledge-based economy that are identified below.⁸ Completed interviews were then compared and parsed into similar thematic categories. Subsequently, the data in these categories was compared to a benchmark model of high-tech industrial success.

For purposes of analysis and comparison, the Silicon Valley (SV) was selected as the cultural benchmark for this study.⁹ Careful research points to the dynamic vitality of that regional economy and its demonstrated capacity to reinvent itself through the normal business cycles. This is not to suggest that other successful, regional, economic models do not exist. Though that would seem to be a worthwhile issue, it is not examined here. Nor does the research reported here confirm or refute other research that has been done on the SV economy. Rather, this report first takes the central, defining attributes of SV success as a model of the generic requirements of a successful, modern, high-tech, knowledge-based economy. Then, findings gleaned from interview data gathered in the Spokane region are compared to those requirements.

In general, the question pursued by this study is whether and to what extent the Spokane region displays economic-cultural qualities commonly associated with the SV — or to what extent the Spokane region incorporates values, perceptions, and related behaviors that contrast to what one finds in the SV. There is no presumption made that the

Spokane region wants to become another SV. The research, however, does build on the conviction that successful, knowledge-based economic development, wherever it occurs, will, of cultural-structural necessity, hinge on the ability to approximate many of the features of economic success displayed in the SV. A number of these elements are conceptualized

on the “modern” side of the following graphic. The “traditional” side not only provides a conceptual contrast, but also reflects cultural habits that have historically typified regions like the I28 corridor in Massachusetts. There, economic development has displayed a much more uneven history and, in general, has been less robust.

IV. The Silicon Valley Model

A large literature confirms that cultural-economic patterns in the SV are heavily (though not exclusively) defined by the elements on the modern side of the chart below. Amidst these, however, some seem to be central. In the first place, SV leadership is clearly reflective on the past economic success of the region. With an interest in sustaining and even expanding its high-tech industrial performance, the region has examined it in some detail. Through the efforts of a wide variety of ad hoc organizations, quite reminiscent of de Toqueville’s observations on the organizing habit

of the founding American civic spirit, Bay Area leaders have undertaken studies and policy initiatives to better understand and support their own regional economic vitality.¹⁰

The table below synthesizes these studies and displays the salient characteristics of the SV culture. It then contrasts these attributes to those of a traditional, industrial regional economy. In the following paragraphs, some of the key attributes of SV’s culture are taken up.

Table 1. A Brief Typology of Cultural Attributes for Two Economies

TRADITIONAL	MODERN
Closed Organizations	Open Organizations
Long-term Careers	Short-term Projects
Government Subsidized	Government Enabled
Centralized	Decentralized
Vertical Integration	Horizontal Integration
Self-sufficient	Interdependent
Deferential	Contentious
Self Focus	Regional (Systemic) Focus
Particular Agenda	Regional Agenda
Taciturn	Gregarious
Private	Public
Ideological	Reflective/Introspective
Zero Sum	Exponential
Import Development	Export Development
Suspicious	Trusting
Cautious	Daring
Isolated	Integrated

Second, the SV is a gregarious place. If Chicago is “the city that ‘works’”, the SV might be termed “the region that talks.” Through its extensive formal, subformal, and personal networks, conversation is constant. Nothing, or so it appears, is regarded as inappropriate for discussion. At the subformal and personal levels, a complex array of horizontal networks relates separate firms to one another and to the research and development community.¹¹ Whereas the firms and research institutions of the I28 corridor have well-defined boundaries, those in the SV are porous.

Third, the SV clearly understands itself in broad, systemic terms — exponential rather than zero-sum. As is evident from the behavior of manufacturing firms as well as broadly inclusive organizations, like the Association of Bay Area Governments (ABAG), economic vitality is not measured in terms of the relative success of individual corporations. Rather, participants in the industrial process seem quite aware of their synergistic relationship to one another as well as to the non-manufacturing features of the region. In a sense, the SV seems to recognize itself as a single, massive, interconnected, industrial process in which both private as well as public arenas have a critical role to play. Of course, high-tech firms are very sensitive to the fact that their survival demands their own, constant product innovation in response to competition from both domestic and foreign markets. At the same time, however, they are very mindful that their success in this endeavor relies heavily on the region’s ability to continually generate a highly-educated work force, supply affordable housing, and present a natural and cultural environment that is attractive to very mobile professionals. In this respect, government has an obvious and important role to play.

Finally, given the importance of product innovation, the SV fully recognizes the fundamental role of its research institutions. In addition to many smaller establishments, the SV encompasses nine major research universities and specialized laboratories. The basic and applied knowledge produced by this intensive research and development community is viewed as a public good — something that all profit from but none alone can sustain without support from the public sector. In particular, there is awareness that the industrial strength of the region is intimately linked to the presence of the research community. What is

more, beyond the direct matter of product innovation, the role that these institutions and those related to them play in the innovative and entrepreneurial spirit of the region is not overlooked.¹² In reflecting on its history of success, the SV insists that the relationship between its industrial accomplishments and the health of its research community be maintained as a subject of informed public discussion.¹³

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V. Spokane Regional Culture

Though it is well recognized that regional cultures, even within the same country, may display palpable difference, the reasons for such differences are not altogether clear. It seems reasonable to conclude, however, that cultural patterns can be shaped by historical events unique to a given region and by the gradual development of habits in response to them that have tended to yield favorable results. Though the research undertaken for this report makes no effort to discover or explain reasons for particular cultural habits in the Spokane region, it does document that they appear to largely differ from those displayed in the SV. On the other hand, as noted in the conclusion, there is no reason to determine that these cultural traits are a permanent feature of the region. Too, other less prominent characteristics of regional culture might be identified as promising foundations for the generation of change with regard to operational codes of economic development.

Distrust

One of the most important perceptions, especially in terms of its capacity to shape other attitudes, is the degree to which respondents demonstrated or referenced the absence of trust in one another and in the political process. Though this tendency is unevenly displayed across the interviews (as are other perceptions), it emerged to one degree or another in almost every conversation. In some instances, it was explicitly noted; in others it could readily be inferred. To be clear, this is in no way a matter of mean-spiritedness. Rather, it seems more to be a sense that everyone has his or her own agenda; in the absence of a commonly understood commitment, one's own interests may be threatened by the interests of others. A pronounced theme that can be parsed from the interviews is that "lip service" is given to the need for cooperation. Individual agendas can be expected to prevail despite agreements that are struck. While some spoke of the need for a new attitude, and one even spoke specifically of a new regional "ethos" as an indispensable preface to economic development, none gave any evidence of a perception as to how this might be brought about — aside from a deliberate "change

of heart" or epiphany of some sort. In the absence of such change, the operational code seems to be that it is prudent to pursue one's own interests because others can be expected to give priority to their personal agendas.

Fighting Over Scraps

In light of the fact that trust seems thin and common agendas unreliable, it is not surprising that respondents tended not to think in systemic or synergistic terms when conceptualizing the regional economy. Though firms engaged in commercial competition appear to have a refined understanding of their own product line, and the importance of maintaining close vertical ties with suppliers and customers, linkages to one another seem sparse. It is important to note, however, that this conclusion appears to apply more to the E-tech than to the B-tech or M-tech sectors. Both B-tech and M-tech organizations and personnel, more than those in E-tech, tend to appreciate the importance of horizontal linkages, at least at the subformal level, among individual participants in their respective sectors.¹⁴ Yet, few readily tended to perceive regional economic development in systemic terms that link a variety of sectors. It was among those who have had professional responsibilities for economic development issues, including those pursuing entrepreneurial start-ups, that appreciation of the regional economy as an interconnected system was most closely recognized. However, it was not common for this appreciation to spontaneously encompass the entire Spokane and Kootenai County areas.

As publicly expressed by a former CEO of the Economic Development Council, regional economic development tends to be a matter of "fighting over scraps."¹⁵ The perception that economic prosperity is largely a question of one's own success in a zero-sum competition seems deeply ingrained. Though it was occasionally observed that regional economic prosperity would require many firms and organizations to succeed, such an outlook was not normally articulated.

The Sounds of Silence

A well-developed theme that surfaced in nearly all of the interviews was that some of the issues that require discussion in a public conversation are difficult to raise in that venue. Talk, at least public talk, is neither easy nor cheap in the region. As this sense was probed, more than one respondent referenced the term “Spokane-nice”: a deferential tendency that requires those with good manners to avoid certain topics in public. In particular, matters that have traditionally been perceived to lie in the realm of someone else’s interest are not one’s prerogative to discuss — at least not in public — because it may offend and cause a disturbance, or be reciprocated by a similar lack of restraint with regard to one’s own domain.¹⁶ Sometimes mentioned in this regard is the issue of a research university for the Spokane region. Despite the central importance of this matter to economic development, it is not easily discussed in the public forum because it clearly cuts across distinctly different interests and might threaten to disrupt the prevailing equilibrium of advantage.

As a consequence of Spokane-nice, it becomes much easier to address potentially disruptive topics at the subformal or personal level, where the circle of participants can be narrowed. As some expressly noted, inhibition with regard to public conversations and the related tendency to push such discussions to the subformal or personal levels (if they occur at all) actually enhances the atmosphere of mutual distrust noted above. Even at the subformal level, however, the Spokane region does not have an historical record of economic development interests working together. JoAnne Mathiesen, then chairwoman of the Spokane Area Chamber of Commerce, worked to encourage ten different economic development organizations in the region to formulate a common agenda. She noted that while such organizations had ordinarily worked independently of one another, she was “...hoping for an open and frank discussion of the few vital things this area must do to enhance and preserve the quality of life and the health of the community where we can grow our businesses and raise our families.”¹⁷ Clearly, “open and frank discussion” has not been the norm.

With regard to the regional media, both print and television, interview respondents often noted that, with few exceptions, it made a very poor contribution

to public awareness and understanding of important regional issues. Some expressed the view that it contributed to a pronounced sense of inferiority in the region — an “inferiority complex.” Others noted that what coverage the media did provide lacked sophistication and continuity. No respondent saw the regional media as a substantial contributor to informed public discussion. Some expressed strong distrust and even bitterness. The cultural outlook with regard to the media would, at the very least, seem to shape an operational code that directs one to look elsewhere for the complete, truthful story.

Prosperity as an Import

Government is the third largest, non-agricultural employer in Spokane County, after services and wholesale-retail establishments. For the region, it is larger, especially if the six surrounding counties are included — or if its impact is measured in terms of dollars added to the economy. In fact, despite an oft-articulated political preference for smaller government, the Spokane region has historically depended heavily on government investments. From hydroelectric power, irrigation systems, and forest products, to farm supports and Fairchild Air Force Base, the regional

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economy has been dependent on what some refer to as “imports” — or economic prosperity created by state and federal government dollars funneled into the region. Except for the E-tech sector, most of the interviews revealed the persistence of this idea of economic development. Some respondents were actually emphatic about it; economic prosperity for the regional economy will necessitate that significant government dollars be “imported.” It was primarily in the E-tech sector that one found sensitivity to the importance of exporting a product beyond the region and to be very competitive in broad, international markets.

Of course, M-tech professionals are very much aware that their industry depends heavily on federal medical reimbursements; and B-tech researchers understand the importance of large federal grants. While E-tech is not closely linked to direct federal funding, it is sensitive to the importance of state tax structures. Even in the agricultural sector, the supportive role of federal funding is very familiar.

Thus, for many, regional economic development is a function of federal funding and state tax relief. At the same time, however, there is also a perception that federal and state monies are likely to become much more difficult to leverage into the region. No one interviewed appears to have given careful thought as to how this dilemma might be addressed. A few imagined that it might be resolved as a result of homeland security spending, with its emphasis on bio-terrorism and health-related research. And some took the view that “the West Side [of the state] takes more than it is entitled to and will have to do a better job of sharing.” Others, however, perceived that state and federal dollars, especially as they become scarcer, will go to those interests that are most politically skilled. When quizzed as to the identity of such interests, the traditional agricultural and retail sectors were referenced. While all who addressed the issue fully acknowledged that this dilemma represents a serious problem for the perspective that economic development will require a large federal investment in the region’s new technologies, none demonstrated a well-thought-out perception as to how this might come about.

With regard to Fairchild Air Force Base, one of the most significant “imports” from the federal level, nearly all respondents took for granted that it is critically important that the Base be maintained for the sake of the region’s economy. Though a very small number of those interviewed took the position that the demise of Fairchild may be good for the region, none had given even the smallest contemplation to how the Base’s closing, were it to come about, might be addressed. Only one had given thought as to how the presence of the Base may actually impact economic development beyond its obvious dollar input into the region, noting that it may ironically have a negative effect. This was attributed to the fact that the significant retired veteran population it attracts to the region, with its understandable economic stake in maintaining present levels of affordability, is hesitant to support public spending that is aimed at economic development measures.

A Role for Government

None of those interviewed assigned highest priority to local and state government policy actions with regard to economic development. As already noted, a prevalent suspicion of government and the motivations of those in it was expressed. On the other hand, most respondents did, at some point in the conversation, note that government action is important, quite aside from the direct funding and subsidies it provides. In particular, those who have a direct political responsibility tended to emphasize the role of government in supporting education. At the same time, however, the same people were alert to the fact that given the perception and interests of the voters, this is far easier to address with respect to K-12 than it is for higher education. Only those in the B-tech and M-tech sectors quickly referenced the importance of government support for higher education in their work; and only one placed it at the top of the conversation.

In general, none were quick to link the role of government with the maintenance of a cultural and esthetic environment that will help to attract and retain highly qualified, mobile professionals. In fact, the E-tech sector, which gave indication of being the most disillusioned with government, tended somewhat to regard government as an obstacle, limiting its

role to the maintenance of communications and transportation facilities. Some in the political sector agreed with this view. Others, however, expressed the sentiment that social service needs must be addressed. Among those in the political sector, however, all agreed that more demands on local government budgets were being accumulated as a result of federal and state governments shifting burdens to lower levels. At the same time, political authorities expressed the view that local government funding options have not been expanded, thus making it even more difficult for local governments to address basic responsibilities related to economic development.

One point of perception, however, did unite all respondents, including those in the political sphere: government is not working as well as it should when it comes to its role in economic development. Though some expressed the view that it is getting better in this regard, even those who did agreed that when it comes to city-county coordination, considerable difficulty remains. What is more, there is an express perception that this difficulty must be overcome if regional economic development is to become robust. Some expressed the view that the only way to address this issue is through city-county

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consolidation. And they tended to add the perspective that Spokane Valley incorporation has only added to the difficulty of getting government coordination in the region. Virtually no one, however, expressed the perception that city-county consolidation was likely in the foreseeable future. To add to the difficulty, few of those who were inclined to treat Kootenai County as an indispensable factor in the regional economic development formula could see any prospect of achieving high levels of governmental coordination across the state and county boundaries.

Finally, a significant portion of those interviewed expressed the conviction that government must act to make the business climate more friendly in the state of Washington. In particular, it must reduce the tax and regulatory burden on business. Though none took the view that business should be given license to harm the environment or treat employees with disregard, a view prevailed that it is not easy to work with government to adjust broad legislative requirements to the peculiar circumstances of a given manufacturer. Even when the application of a regulation in a given instance was clearly at odds with its intention, government was perceived as commonly unyielding. While access to government was not perceived as difficult, it was noted that access did not easily translate into influence. Frustration with “bureaucrats” was a common but not manifold theme among respondents in the manufacturing sector.

As for the impression expressed by some that Washington is an unfriendly state in which to do business, aside from an occasional reference to the *Forbes* annual ranking, none provided more than anecdotal examples. Except for some in the B-tech sector, none referred to the extensive tax exemptions and reductions provided by Washington law for specific kinds of commercial activity — including high-tech start-ups. Moreover, while there were those who mentioned the Business and Occupations tax as unfair and onerous, none gave any hint of awareness as to its very uneven, pyramiding impact on Washington businesses — making it far more unfair to some than to others. Although careful studies by the Washington State Department of Revenue clearly show that the state business climate is very different for different commercial endeavors, and particularly favorable for many, perceptions among those interviewed did not reflect this understanding.¹⁸ One observer offered

the view that an ethic of solidarity in the business community prevents such distinctions, though real, from being defined or discussed. This was thought by some to be true because the very commercial establishments that are most successful enjoy greatest access to the political process and thus exercise the most leverage in shaping the tax structure to their advantage. To the extent that the perception of tax and revenue unfairness is too simplistic or even incorrect, it nonetheless constitutes an operational code that contributes a misdiagnosis to what is needed for economic development.

Regional Research Capabilities

Perception of the importance of research to regional economic development was uneven among those interviewed. It tended to be least evident in the E-tech sector, where some were emphatic that they could see no use for a research capability in the region. Support for regional research was strongest among B-tech and M-tech respondents. This is, perhaps, not surprising. For a cursory glance at the existing network of related subformal organizations reveals that B-tech and M-tech leaders are involved in collaboration with one another. As a result, they have focused combined energies on seeking federal, state and local governmental support for a bio-medical research capability to be located in Spokane. It is calculated that, once in place, such a concentration would constitute the foundation for a Mao Clinic-type treatment and research industry in the region. Interview respondents echoed this plan.

On the other hand, the majority of those who emphasized the importance of research to regional economic development did not perceive such research to be something that results from establishment of a research university. In fact, only one respondent referenced an “academic community” as central to regional economic development. By contrast, the research that most respondents have in mind tends to be targeted work that is defined in terms of very specific institutes or programs — beginning with diabetes and gradually adding cardiovascular, cancer research and prevention, neuroscience, rehabilitation and reproductive biology. In connection with the creation of a university district in Spokane, it is perceived that a “research campus” will materialize within its facilities and geography over a period of

perhaps as many as 15 years. Others expressed strong skepticism about this idea.

As for the state universities in the region, some respondents outside the universities conveyed the sentiment that the universities have offered little and produced less — thus an operational code that places little reliance on them. Only one respondent perceived that Washington State University would move substantial programs in support of technology-related research to Spokane.¹⁹ Others expressed a conviction that academic bureaucracy and inertia would never permit such a transfer — while funding limitations would preclude duplication. Though Eastern Washington University is nearby and has a long history of involvement in Spokane, some regarded its location in Cheney as a detriment to attracting highly qualified researchers while others admitted lack of familiarity with its programs and capabilities. Though a small minority expressed the idea that a research capability for the region could most easily and quickly be attained by investing in Eastern’s established capabilities, particularly the expansion of selected departments, the majority did not think in terms of Eastern as a potential building block for a regional research capability. In fact, some expressed the perception that failure of WSU, EWU, or Gonzaga to address the research requirement of the region compelled leaders to opt in favor of an approach that relies primarily on private initiative and private sponsors.

The view that a regional research capability would focus primarily on medical research and be carried out largely within institutes that rely heavily on federal dollars raised the unavoidable question of funding: What is the likelihood that significant federal monies will be available given the limitations posed by federal deficits, not to mention state and local shortfalls? No respondent demonstrated evidence that this matter was one that had been given much thought. While those who addressed the issue recognized it as a dilemma, none expressed a perception that there was a well-examined approach to resolving it.²⁰ In fact, as noted above, those whose responsibilities prompt familiarity with public budgets tended to express the perception that in future competition for scarce public dollars, the regional B-tech and M-tech sectors are not the strongest contenders, instead giving the edge to the especially well-organized agricultural and retail

sectors. With particular reference to the medical research institutes, some expressed the conviction that without close support from recognized academic institutions and departments, critically important National Institutes of Health grants would become increasingly difficult to acquire and renew.²¹ And, as expressed by a very knowledgeable person in the B-tech sector, “The NIH is a major, if not the major sponsor of bench research in the United States.”

Within the university sector, perceptions tend to confirm the “outside” view that not much has been done to address the research requirements of regional economic development. Although isolated instances of research accomplishment can be found — some translated into product start-up endeavors — the general university pattern within the region has not focused on research. As both university academics and administrators point out, however, this is not the result of personnel who are incapable of research, for the vast majority of tenured and tenure track faculty possesses the doctoral degree, which is the premier research degree. Rather, no regional university, including WSU at Spokane, commands the resources or, where necessary, the authorization to define its

mission in terms of research. Thus, classroom teaching tends to be the primary responsibility of faculty.

At Eastern Washington University, for instance, those interviewed noted that classroom teaching is required to constitute the largest consideration in decisions of promotion and tenure. Assignments to research responsibilities are the rare exception. Although this orientation does not preclude research altogether, it does substantially diminish any incentive for faculty to vigorously engage in it. The faculty who were interviewed uniformly and quickly pointed to this dilemma. At the same time, they went on to express the idea that research activity at Eastern would be easy to significantly increase were the necessary changes in state authorization and support forthcoming. Looking forward, some expressed the judgment that elements of change are slowly emerging, particularly with regard to faculty-industry interaction.

Washington State University, on the other hand, is designated by the state as a research university. Nevertheless, its primary location in Pullman substantially isolates most of its personnel from routine interaction in the region, a reality that is clearly perceived within the Spokane area.²² As some expressed in the interviews, modern communications have brought researchers closer together, regionally, nationally, and even internationally. At the same time, however, they also voiced the perception that there is no substitute for the intellectual stimulation that comes with spontaneous, face-to-face encounters among colleagues. What is more, strong expectations from the agricultural community and from related, federal, funding agencies have directed WSU’s chief efforts toward agriculture and veterinary medicine. As yet, WSU has not deployed a substantial research presence in the Spokane region. As noted above, regional perceptions as to its future actions in this regard are, at best, very uncertain. As a seasoned observer noted, this uncertainty is reinforced by budget shortfalls at the state level and their impact on higher education: Given budget cutting exercises at the main university campuses, cutting further to invest in programs at Spokane is very unlikely. By the same token, the chance of significant, new, state monies for university program development in Spokane is perceived to be a very low probability.

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Planning for Development

Against a background of regular but less than buoyant economic growth in the region, local economic development authorities have, from time to time, solicited outside analyses of the matter.²³ Based on this work, various economic development plans have been fashioned, and attempts to implement them have been undertaken. In each instance, economic development has been interpreted as something that can be achieved by planning and coordinated guidance. Thus, it is not surprising that among those interviewed, the importance of a plan was commonly emphasized. Though the failure of past plans was sometimes noted, the perception that economic development can be triggered or jump-started by the right plan and its faithful implementation remains strong. While this did not play out in the view that economic vitality must be continually planned, there appeared little inclination to interpret a robust, regional economy in terms of decentralized, “creative destruction.”

In several instances, respondents expressed the conviction that the region needs “leadership to get us all on the same page,” to ensure cooperation and faithful adherence to an agreed plan of action.²⁴ Often, the proposed plan of action tends to focus on leveraging outside resources into the area. In keeping with the already noted tendency to see the economic region in somewhat limited terms, perceptions of economic development plans tend to emphasize the city of Spokane and Spokane County as opposed to the Spokane-Coeur d’Alene corridor.²⁵ What is more, respondents who expressed faith in planned initiatives tended to link perceptions of regional economic development with revitalization of downtown Spokane. It is worth noting, however, that a small minority of respondents regarded Spokane’s persistent search for the right economic development formula as a futile “search for a silver bullet” — suggesting that Spokane may have to be satisfied with being a center for government institutions, medical services and tourism — along with the modest economic growth such an economy implies.

Networks

A small minority of the respondents noted the vital importance of formal, subformal, and personal networks among the different components in a

modern industrial economy. In fact, one respondent quickly related knowledge of how personal contact between researchers in very different disciplines, elsewhere in the country, had led to an imaginative application of the basic research findings from one area to the other. The result has been a large and very dynamic commercial application. Another respondent explained how a personal network had produced not only a very promising new idea in the field of technological applications, but also how that same network had been used to secure venture capital to launch it. In general, those involved in research evidenced a sense that networks are a vital part of intellectual stimulation and idea generation.

With this said, however, all who addressed the network issue noted that such relationships in the Spokane region are very weak, at best only nascent.²⁶ Although manufacturing firms seem to display the internal, administrative “flatness” and responsiveness of the most successful, modern corporations, they also seem relatively self-contained; except for vertical relations with suppliers and customers, employees from one firm seem not to have significant interaction with their counterparts from other firms. Too, the historical absence of a well-established university research community in the region has clearly delayed the accretion of personal level linkages among university and industrial personnel.

Though the failure of past plans was sometimes noted, the perception that economic development can be triggered or jump-started by the right plan and its faithful implementation remains strong.

VI. Reflections and Comparisons

That Spokane is undergoing an economic transformation is a point noted by many observers. In the words of *Spokesman Review* reporter Tom Sowa, “Those who track the area’s economy and history agree in general that the region is enduring a difficult metamorphosis into another kind of economy.”²⁷ Moreover, it is a transformation that is unlikely to permit an option of standing still; for it has been thrust upon the region by large forces that originate well beyond this area. The World Trade Organization, the North American Free Trade Agreement, new federal and state budget priorities sparked by 9/11, and other influences have combined in recent years to alter the economic foundations of every locale in the United States. In addition, most would agree that while the impact on local economic regions is unavoidable, the outcome is hardly predetermined. For if the new model of economic success is truly a so-called knowledge-based economy, it is hard to identify forces that ensure a favorable outcome for all regions. In fact, just as with earlier economic models of regional commerce — from agriculture and mineral extraction to steel and automobile manufacturing — some regions of the country fared better than others. It is only a truism to observe that those regions with advantageous attributes enjoyed an edge or upper hand; but it is a useful truism, for it prompts us to inquire what the advantageous attributes of a knowledge-based economy might be.

As noted above, the SV has a record of amazing economic vitality and inventiveness. It has successfully applied technological knowledge to product development, manufacturing techniques and supportive social and political structures in the Bay Area. Though there is not a simple, reliable model of economic success to guide us, it does not seem unreasonable to take the basic elements of SV success and compare the Spokane region’s economic habits to them.²⁸

First, and likely most important, is the matter of trust. As reported above, respondents for this study referenced a regional ethos of distrust. In addition, “good manners” were noted to often make public discussion of important issues difficult or impossible. By contrast, though the SV has a history of

controversial issues and is hardly known as a breeding ground of genteel political manners, it manages to systematically talk about public issues. Public dialogue is encouraged by a variety of Bay Area organizations, such as The Association of Bay Area Governments (ABAG), Joint Venture: Silicon Valley Network, The Bay Area Science and Innovation Consortium (BASIC), The Bay Area Council, and The Bay Area Economic Forum. Among these, however, ABAG has special importance.

In 1961, ABAG was formed as a voluntary council of Bay Area cities and counties. Through periods of difficulty and setbacks, this organization has emerged as a mechanism that structures and encourages wide-area discussion of all public issues. ABAG incorporates an extensive list of participants, aggregating their interests and massaging them into compromised agendas that can then be presented to city, county, state and federal governments as items to be addressed. As explained to this author by an ABAG official, “We are talking constantly — about everything that is of concern to our members.”²⁹ Though ABAG is chartered in accord with California code, it is a subformal organization, for its provisions and procedures are matters for its members to determine.

More importantly, with its membership drawn from all of the city and county governments in the region, ABAG elicits very broad-based participation in regional issues. As a subformal organization, it has functionally achieved city-county consolidation in an unthreatening format and in a context far more complex than that presented by the Spokane-Coeur d’Alene corridor. Cities and counties retain final authority, but the interests that are articulated and aggregated through discussion in ABAG serve to set regional agendas, which wise political leaders in the counties and cities are hard pressed not to ignore. Through encouragement of broad participation and the unrestricted access of public issues, ABAG and its related organizations contribute to an atmosphere of trust among participants — or sometimes just as good, a begrudging acquiescence to compromise and the common good.³⁰

Second, with trust, useful networks at the subformal and personal level can evolve. Mark Granovetter, a sociology professor at Stanford University, has studied SV networks extensively. He concludes that “the level of trust in a tie [network] is crucial, in Silicon Valley as elsewhere.”³¹ This does not mean that with trust come networks; but it does mean without trust networks are very unlikely to form. By all accounts, subformal and personal networks are one of the most important variables in the industrial success of the SV. As one Spokane region respondent, transplanted from SV, explained, in the SV it was possible to sit in a bar and finalize large deals on a paper napkin. Here, that would be impossible, for there is not even a place where the relevant people meet. And another respondent related to the author how it proved necessary at a large social event to introduce leaders in the region to each other, persons whom one would have anticipated were already well-acquainted.

In the absence of a social-political-industrial-university fabric characterized by a rich texture of subformal and personal networks, knowledge in each sector tends to stay there. Cross-fertilization does not take place and innovation never reaches its potential within the region. Rather than occur within closed compartments, innovation frequently emerges “at the seams,” where one discipline or area of application comes into contact with another. In the process, the diversity of participants and the related stimuli for innovation are increased; and more innovation is produced.³²

Third, because the very structures of the SV organizations mentioned above encompass the entire Bay Area, participation in them tends automatically to instill a sense of region in matters of public policy and related economic concerns. In the Spokane area, a sense of “region” in regional economic development is not evident; there is not a clear awareness of regional synergy as a component that might influence success across firms, or economic sectors, or even state and county borders. In fact, as noted above, even economic development organizations in the Spokane region lack a history of cordial cooperation. This stands in especially sharp contrast to what one finds in the SV. As formulated in a study produced by The Bay Area Economic Council, the Bay Area is “...an environment in which the whole actually is greater than the sum of its parts.”³³ By contrast, the culture

of the Spokane region tends to focus one’s views much more narrowly, to one’s own organization or commercial sector. Attitudes tend more toward the zero-sum end of the opportunity spectrum rather than an outlook of interdependent pathways to mutual benefit.³⁴

Fourth, commercial and industrial leaders in the Spokane region do not have faith or trust in government; and government perceives itself to be misunderstood. While a portion of those interviewed recognize the important role that government must play to ensure the “public goods” infrastructure of regional economic vitality, government is not held in high regard. Some, in fact, see government as an obstacle to economic development, preferring that its activities be greatly restricted or more closely linked to business through so-called public-private partnerships. A prominent and oft repeated theme in the interviews was the identification of Washington State as an environment “unfavorable to business” because of taxes and regulations. Though a few regard such an outlook as common to business leaders everywhere, it is quite clear that it works as an operational code to shape economic development energies and strategies.

By contrast, those who have examined the success of the SV note that in the development of that region’s high-tech growth, “...there was no discernable involvement by any level of government.”³⁵ While it has been argued that large defense contracts

By all accounts, subformal and personal networks are one of the most important variables in the industrial success of the SV.

operated to spur the region's early growth, all accounts agree that these were attracted to the area because of the innovative ideas that were originating at Stanford University.³⁶ Moreover, the dimensions of that innovation were sufficient to attract prime contracts away from very well established East Coast defense firms. In any case, it is clear that economic development in the Silicon Valley is not the product of government design, focused stimulus, or planning.

An operational code aimed at making Washington's business climate more favorable would be appropriate were the belief that it is unfavorable supported by careful analysis; but it isn't. In actual fact, there is evidence to support the position that Washington is rather favorable to certain types of business, especially high-tech start-ups.³⁷ In addition, other economic analysis concludes that state and regional differences in taxes and regulations do not have a significant impact on business success. Whatever the case, belief that economic development is slowed in the region because of regulations and taxes is an operational code for those making decisions. As such, it influences choices related to economic development, if only by directing attention and resources along one path rather than another.³⁸

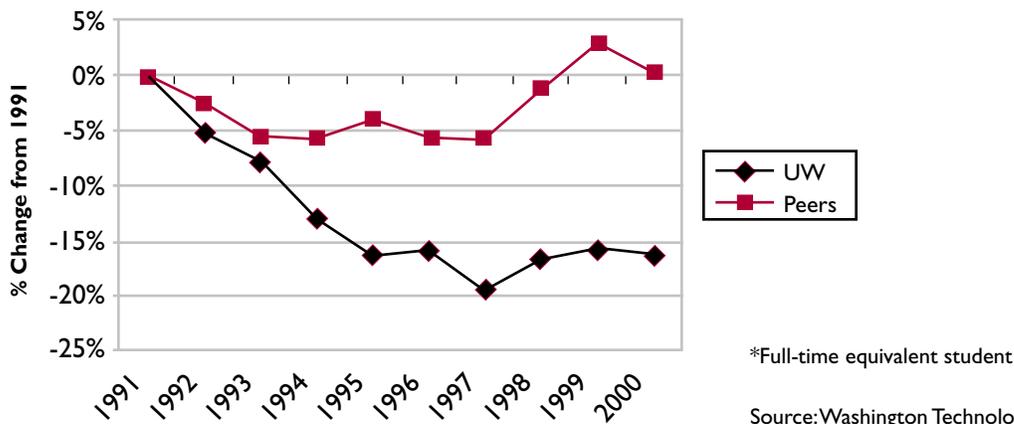
Despite recent budget controversy in California, the defining ethos of industry/government relations in the SV has not been adversarial. Commercial failures are common, even expected, and government is not blamed. Nor has industry tended to look to government for supportive subsidies or partnerships. By the same token, however, the SV does understand its high-tech, industrial success in terms of

"embeddedness."³⁹ It recognizes that government has a positive role to play in the development of the social and public services infrastructure so crucial to regional economic activities that are embedded in it.⁴⁰ Such infrastructure components include transportation, communications, efficient permitting systems, quality education, recreation, arts, public safety, housing costs and an attractive physical environment.

Here in the state of Washington, Seattle's economic success is attributed, in part, to the attention it has devoted to its social and public services infrastructure. As expressed by Paul Sommers at the University of Washington, government's efforts to shape the quality of life within a region helps to create an environment "...that visitors and residents find appealing, and that high tech companies definitely view as an asset in recruiting employees."⁴¹ In fact, evidence points to infrastructure considerations as more important than tax and regulatory burdens with regard to firm siting and regional economic development.⁴² Thus, viewed from this perspective, an operational code that single-mindedly or ideologically promotes lower tax rates and less regulation for business may inhibit government from fostering the very environment that spurs modern, high-tech business development. The SV clearly understands this important trade-off; the Spokane region, with few exceptions, gives evidence that it does not.

Fifth, the SV expressly recognizes that its research universities and laboratories constitute the centerpiece of its economic success. As expressed in a study of the Bay Area's scientific and technical infrastructure:

Figure 1. State Funding per FTES*: WSU versus Peer Institutions



The ease of communication among scientists and researchers, the geographical proximity of the research institutions to each other and to private industry, and the overall technological environment continually draw new talent to the institutions as they recognize the Bay Area as a place to do their best work.”⁴³

The result is a “culture of collegiality and openness,” a synergy, that elevates the work of all sectors.⁴⁴ In the words of a relocated East Coast manager, “There’s a different spirit here that makes people really want innovation. It creates an environment where workers think out of the box more often” — or what one insightful interview respondent termed an “intellectual ecosystem” that is supportive of high-tech development.

Plainly, there are a variety of important pieces in the complex puzzle of a knowledge-based, innovation economy. If the SV understands its own success correctly, then the geographically proximate research university is a critical piece that Spokane lacks. Moreover, it would appear that the cultural ethos of the Spokane region does not fully understand this. Or, if it does, it is not apparent in the interview data. From the point of view of the SV, even the federally funded research laboratories owe an important measure of their success to persistent network linkages with the research universities. In addition, it is worth noting that the SV sees its industrial technology success not in terms of a simple, linear transfer model — research institution to industrial production — but rather, more in relation to the “pervasive culture of innovation” that is fostered by a highly educated and interconnected population.⁴⁵ Put another way, good ideas that are generated in an unreceptive environment will either die or migrate to regions where talent is ready to exploit them.

In this regard, the SV seeks to ensure not only that good ideas will be generated in the region but that the regional culture will be prepared to retain and exploit them. According to the 2000 census data, for example, 40% of residents in the heart of the SV possessed a bachelor’s degree or higher; in San Francisco County it was 45%. Here in Washington, for King County, the figure was 40%; and for Spokane County, it was 25%. As expressed in a Bay Area economic profile:

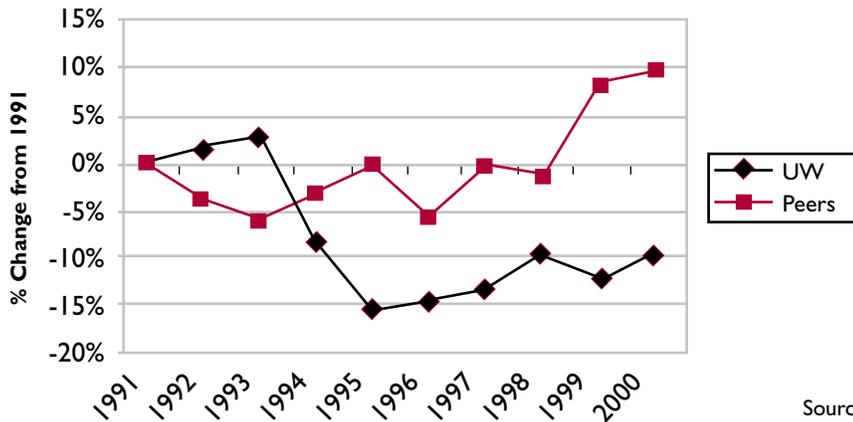
The importance of the high education levels of workers in the bay area cannot be overstated. Researchers have found strong evidence that a high concentration of skilled workers creates positive and enduring effects, including retention of high-skilled industries and attraction of other highly skilled professionals.... Interviews with Bay Area executives corroborate this finding. Regardless of the cost, one high-tech executive said, his company would continue to site its computer programmers in the Bay Area because ‘the quality of the labor force is unrivaled.’ A biotech company president noted that workers in the region are ‘more costly, but that’s the trade-off we’re willing to make for the raw talent that is here.’⁴⁶

In the Spokane region, high-tech companies commonly hire talented professionals from outside the area, usually from more highly urbanized locations. As reported in the interviews, after some initial reservations are dispelled, such professionals often come to enjoy the Spokane area. Nevertheless, they usually negotiate relocation-cost provisions in their contracts in the event the job does not work out, for opportunities to move within the region are not numerous.

Clearly, the education level of a regional population is not merely a function of its educational institutions; both exodus of educated talent and in-migration of those with low education levels can lower the education attainment profile of an area.⁴⁷ Moreover, regional levels of education will naturally reflect the nature of available employment opportunities, as well. On the other hand, low support for higher education is not likely to help — especially when it comes to fashioning a regional intellectual ecosystem. A recent study by the Washington State Technology Council has “benchmarked” Washington’s performance with respect to a number of important technology support indicators.⁴⁸

Among these is funding for higher education. The findings, reproduced below, would appear to be congruent with the cultural outlook this report has identified in the Spokane region. For the Technology Council, which regards higher education as a technology development driver, this pattern is worrisome, despite the high levels of education present in the Seattle-Tacoma corridor. For the Spokane region, where education levels are much lower, the picture is even more disconcerting.

Figure 2. Funding for Washington State Comprehensive Universities and 269 Similar Schools in Other States, FTE basis

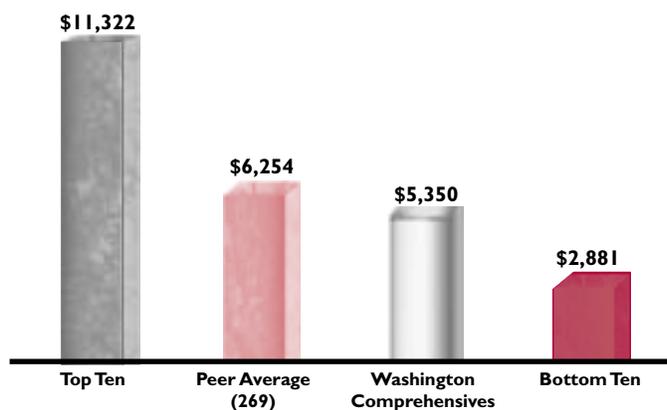


Source: Washington State Higher Education Coordinating Board, 2002

At the same time, however, it must be cautioned that measures of state average spending on education and comparisons with so-called peer institutions in other states can be very misleading. Merely increasing education budget levels will, of course, elevate the state's average if other factors, such as FTEs, remain relatively constant and capital projects are included. How much that might contribute to economic development, however, is the issue. If the question were addressed in terms of the SV model, then budget allocations to university research capabilities and related graduate programs, especially those that dovetail with regional industrial technologies, would appear to be the most relevant measure within the broader array of numbers.⁴⁹

Using National Science Foundation figures for state spending on research and development, the Washington State Office of the Forecast Council ranks Washington slightly above the national average in per capita spending on R&D and well above the national average for industry spending in the same category. Using the same measure, Washington also ranks far above Idaho. When R&D funds are calculated as a percentage of the gross state product, however, Washington is only marginally ahead of Idaho (3.5% versus 3.4%). With regard to the focus of this report, the data do not address regions within the state; and one may presume that such spending will most heavily cluster around the research universities, specialized laboratories, and more heavily industrialized areas.⁵⁰

Figure 3. Funding for Washington State Technical and Community Colleges and 136 Similar Schools in Other States, FTE basis



Source: Washington State Higher Education Coordinating Board, 2002

VII. Boise Regional Culture

With respect to economic development, Spokane occasionally compares itself to Boise, Idaho. As one Spokane observer reasoned, “Boise got hit by lightning.” From this point of view, luck explains the siting of Hewlett-Packard’s (HP) printer division there as well as the establishment of Micron, now the world’s largest memory chip manufacturer. Aside from the old aphorism about lightning not striking twice in the same place, this is not a very satisfying explanation. After all, it is well known that Spokane was one of the finalists in the HP printer division siting decision; and together, HP and Micron have spawned at least 60 spin-offs in the Boise area. Thus, within the context of this study, the pertinent question is whether Boise and surrounding Ada County embody a substantially different set of operational codes that have influenced that region’s economic growth. In an effort to shed some light on this matter, a small number of interviews were conducted with industry leaders in the Boise area. Virtually the same thematic starter was used in the Boise interviews as with those conducted in the Spokane area — with the exception that respondents were asked to imagine the reasons for possible long-term economic success in that region.

Contrasts

What immediately became apparent is a markedly different confidence in continued growth and economic expansion. Those in the Spokane interview pool expressed hope that growth will occur, though some said flatly that it will not. In Boise, however, most expressed strong confidence that vigorous growth will continue. In fact, respondents reasoned that such confidence is warranted because the basic elements of economic success are in place. As expressed by Carly Fiorina, CEO and Chairman of HP, “All of the elements that lend themselves to an entrepreneurial culture, to innovative success, are present here in Boise... We think this is one of the best places to do business... in the world.”⁵¹ On a similar note, Mark Duncan, Vice President of research and development at Micron, expressed the view that, “Boise has reached a state in its evolution where there’s enough critical mass in technology so the

resources flow around and create new opportunities. That positions us well for future growth.”⁵²

In the opinion of the Boise respondents, one of the most important elements of future high-tech success has been the transformation of Boise State University in the direction of a research university. This was immediately noted in the interviews. While an appreciation of tight budgets was acknowledged, the calculation is that with 10 to 15 years of development, Boise State, and the beginning of a presence for the University of Idaho, would mature to provide a vigorous atmosphere of research activity in the region. Strong financial commitment in the form of matching funds from local industry is anticipated to assist this effort.⁵³ In fact, technical and engineering programs were finally authorized for Boise State at the impatient insistence of leading firms in the area, noting to the legislature that the impasse with the University of Idaho in Moscow had to be broken or the future of new plant development in the Boise region would be in jeopardy. One respondent, however, while emphasizing the importance of a research university to help anchor firms to the region, did express concern that Idaho’s budget resources may never permit a competitive research university capability to be built in the Treasure Valley.⁵⁴

Unlike Spokane, where the linear model of research to commercialization is discussed, the Boise interviews clearly demonstrated a very different understanding of the role of the university. As one respondent observed, proximity to the graduates from engineering and other technical programs in the university will give local firms access to the very best students. Some 40 percent of HP’s 3,700 employees, for instance, are engineers. In addition, graduate programs in technologies related to local industries would allow these same industries to send their employees back to school for advanced degrees to take advantage of the latest ideas and research in their fields. Aside from the talent that would be transferred into local firms, the presence of opportunities in higher education was seen as a very important element in attracting and retaining excellent employees. At the same time, there is evidence of regional industrial support for university

research and signs of movement from industrial positions into university faculty.

As for the role of government in economic development and the region's economic success, it was never mentioned until expressly raised by the interviewer. While a perception has emerged among some that the state legislature must be persuaded to redirect its attention away from more traditional concerns, such as agriculture, and attend more to high-technology issues, all respondents agreed that the government had not played a direct role in the region's economic success; there had been no plan, no incubator, and no partnership with government.

In general, no distrust of government was evident. And virtually no mention was made of taxes or regulations.⁵⁵ When pressed, it was noted that such issues do not make a significant difference — though the amenities of the area definitely do; and they were mentioned frequently. In particular, it was stressed that regional amenities are especially important to an employee's family when a decision is made to accept a job in the region or remain with a company there. It is worth noting, however, that one respondent did reference the "bad business climate" in Washington, specifically mentioning the B&O tax and signs of economic development in Kootenai County as opposed to Spokane. On the other hand, this person was not aware of the significant tax exemptions offered by Washington statute. There seems little doubt that conventional wisdom in Washington has spread beyond its borders.

With regard to the critical factor of trust, Boise seems not to share Spokane's affliction. As one respondent explained, everyone knows everyone in the Boise area.⁵⁶ Many grew up and went to school with one another — and a handshake can still seal an agreement. Industrial leaders, law firms, and political leaders are well connected with one another through formal dealings, public service boards, and personal or family recreational pursuits — even restaurants frequented for breakfast. The reason for this apparent difference is not clear, though perhaps it is a function of community size and coincidental personal familiarity. Nor is it possible to conclude from the available interview data how deeply trust extends below the leadership level. However, it may be an indication that in 1994, Micron Corporation's board of directors

— sometimes referred to as "a group of agribusiness tycoons" — selected as its CEO Steve Appleton, a 34-year-old with a bachelor's degree in business from Boise State who began as a night-shift worker on the assembly line.⁵⁷ And, as matter of company policy, HP works to encourage diversity by funding and extending employee linkages into a variety of network groups, such as Boise Women's Network, People of Color Network, the Gay Lesbian Bi-sexual Transgender Network, the Physically Challenged Employee Network, and others.⁵⁸

Finally, Boise regional culture is expressly sensitive to the relationship between regional aesthetics and the capacity of firms to attract and retain employees. It is an issue that surfaced early in the interviews. Respondents in the Spokane area, when quizzed, expressed pride in the livability of the Spokane region and regarded it as an asset that should serve to influence decisions on firm siting. However, unlike respondents in Boise, those in Spokane were not quick to list aesthetics of the region as a crucial factor to economic development. Too, those in the Treasure Valley, while swift to draw the connection, also saw the maintenance and cultivation of regional aesthetics as a proper function of government. In the Spokane area, some, but not all, were keen on such an understanding, while a small number expressed opposition.

...regional amenities are especially important to an employee's family when a decision is made to accept a job in the region or remain with a company there.

Similarities

Proceeding from a foundation of trust and familiarity, it appears that the Boise region, or Treasure Valley, does not have difficulty with respect to public conversations. Though the interview evidence from that region is not strong enough to go much beyond conjecture, it is worth noting that both elected officials and private community leaders seem to be comfortable in taking public positions on community issues. Recently, like Spokane, the public conversation has wrestled with the matter of convention center construction and mass transit; and a variety of organizations and leaders have made their voices heard. However, while the conversation seems to be relatively more open than that in the Spokane area, similar difficulties are also apparent. As industry and housing developments have spread westward, beyond Boise, different intergovernmental and geographic perspectives have emerged. Motel and hotel operators in outlying areas are reluctant to be taxed to fund convention center construction that seems to primarily benefit downtown visitors — an outlook that does not regard economic development in exponential or regional terms. Similarly, funding for mass transit into outlying areas is a difficult issue for those whose sense of regional belonging is still relatively thin.

Like the Spokane region, the Treasure Valley has no umbrella organization to foster regional conversation and compromise. Judging from the Silicon Valley's experience, healthy network systems among firms

and research institutions may foster industrial vitality. But alone they are not sufficient. Social-political mechanisms may have to be devised to knit such high-tech communities together with their broader, sustaining environments.⁵⁹ As one observer put it, "We have grown so fast that we seem to have outpaced our understanding of ourself and what the community needs." Such an understanding may have to be deliberately cultivated through SV-type organizations, like ABAG and Joint Venture. In this regard, Smart Growth, a voluntary organization, has been created, and one of its co-directors has recently been elected by a very wide margin to the Boise City Council. Even in the absence of region-wide entities, however, community leaders who are responsible for addressing growth issues profess to see change in the prevailing cultural outlook and remain quite optimistic that the problems can be solved.

To be sure, a full and systematic comparison of the reasons for differences in the regional economic dynamics of Spokane and Boise would require more data than this study relies on. Too, variables other than culture, like the substantive differences in manufacturing firms, would have to be explored. That there is a difference, however, is born out by the data presented below. Moreover, based on these same data, it would appear unlikely that the difference can be simply traced to the conventional presumption of a fundamentally better business "climate" in Idaho than in Washington.

Table 2. Unemployment History 1993-2003

	High % (Date)	Low % (Date)	Average Past 10 Years (%)	% Change 1/2002-12/2003
Spokane	8.6 (2/93)	3.8 (9/97)	5.7	0.0 (6.5)
Boise	6.2 (2/02)	2.9 (9/00)	4.2	- 1.1 (5.7 - 4.6)

Source: Department of Labor, Metropolitan Statistical Area Data (2003)

Table 3. Healthcare Employment: Total and Share of Number Employed

MSA	**H P & T	Healthcare Support	Total Healthcare
Spokane	12,850 (6.9%)	6,710 (4%)	19,560 (10.9%)
Boise	11,250 (5.1%)	4,830 (2%)	16,080 (7.1%)

* Metropolitan Statistical Area includes Ada and Canyon counties for Boise

** Healthcare Practitioners and Technical Occupations

Source: Department of Labor, Metropolitan Statistical Area Data (2003)

Table 4. Sector Employment Distribution: Number of Jobs and Share of Total Employment

	Government	Manufacturing	Prof & Bus Services
Spokane	33,600 (15.5%)	15,800 (7.3%)	19,100 (9%)
Boise	36,200 (14.7%)	30,000 (12.2%)	33,800 (13.7%)

Source: U.S. Bureau of Labor Statistics

Table 5. Personal and Family Income

	Total Population	Per Capita Income (\$)	Median Family Income (\$)	Families Below Poverty Level
Spokane County	361,364	19,233	46,463	8.3%
Ada County	205,775	22,519	54,416	5.4%

Source: U.S. Census Bureau, 2000 Census

Table 6. Workers' Compensation Premium Costs Per \$100 of Payroll

	1994	1996	1998	2000	2002	94-02 Ave.
Washington	3.33	2.55	2.20	1.77	1.65	2.30
Idaho	3.88	3.00	2.48	2.11	2.37	2.77

Source: Washington State Economic Climate Study 2003

Table 7. State and Local Taxes Per \$1,000 of Personal Income

	1996	1997	1998	1999	2000	96-00 Ave.
Washington	119.79	117.49	115.00	111.25	107.53	114.21
Idaho	115.58	112.48	113.76	112.63	115.43	113.98
California	113.38	111.42	114.50	113.58	120.39	114.65

Source: Washington State Economic Climate Study

Table 8. Creative Index for Regions with 250,000 to 500,00 People

	Creativity Index	Overall Rank	Creative Class Rank	High Tech Rank	Innovation Rank	Diversity Rank
Spokane	637	97	54	81	163	142*
Boise	854*	30*	11*	23*	1*	187

* Indicates advantage position.

Source: Richard Florida, *The Rise of the Creative Class* (New York: Basic Books, 2002), pp. 335-352.

Table 9. Personal Income Percent Change

Region	1997-98	1998-99	1999-00	2000-01	Avg. Annual Growth Rate 69-00
Spokane County	5.4	3.8	8.6	1.5	7.8
King County	13	10.6	6.6	1.5	8.7
Ada County	8.3	11.0	12.9	2.6	10.5

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Table 10. Unemployment Insurance Compensation and Costs 2002

State/Rate	Recipient Rate* -- % --	Replacement Rate** -- % --	Tax Rate*** -- % --
Washington	50	52	1.5
Idaho	47	51	.80
California	45	38	.63
US Average	43	46	NA

Source: (U.S. Department of Labor)

- * Percent of unemployed receiving unemployment compensation.
- ** Percent of lost wages replaced by unemployment.
- *** Unemployment taxes collected as percent of total wages

VIII. Conclusions and Some Recommendations

This report contains no formula for economic growth and regional development. By the same token, it makes no presumption that implementing a menu of simple measures in other regions can easily clone the Silicon Valley's dynamic industrial success. However, it does conclude that the cultural patterns evident in the Spokane regional interviews are at odds with those usually linked to the SV's success as a modern, high-tech, knowledge-based economy. In addition, this report builds on evidence that regional high-tech success, wherever it occurs, will necessarily emulate the central features of the industrial-social ethos found in the SV. The presence of such values, while bringing with it no guarantee of high-tech economic success, likely increases the probability that it will take place. The absence of such values, on the other hand, virtually guarantees that it will not. The Boise region, for example, despite some similarities with Spokane, appears much closer to the Silicon Valley in its cultural outlook; and its high-tech success has unquestionably been larger.

Of course, this picture may lead some to suspect that ethos follows outcome rather than creates it. It is worth noting, however, that in both Boise and Spokane, leaders in very successful firms were interviewed for this research; yet their outlooks tended to be quite different. Moreover, comparisons of the Silicon Valley and the I28 corridor in Massachusetts, regions with very similar initial industrial success stories, demonstrate that the former has had the advantage when faced with economic downturns and the challenge of reinvention: success has not deposited the same mind-set in each region. Thus, it seems much too simplistic to conclude that success breeds a "success ethos" that then breeds more success. Rather, the evidence seems compelling that culture in the Spokane area, as in other regions, plays a central role in shaping regional economic development patterns.

In particular, Spokane's culture is distrustful; and this diminishes the capacity to build industrial networks that assist product evolution and innovation.⁶⁰ Moreover, distrust diminishes the public willingness to support government in its efforts to cultivate a regional "ecosystem" that is supportive of high-

tech growth. On the other hand, government itself is not fully aware of the manner in which it might productively engage the issue of economic development. In the absence of a region-wide, coordinating body, the addition of new governmental jurisdictions has only added to the problem. When these elements are combined with a public reticence on important civic matters, broadly supported solutions to important public issues become especially difficult to fashion. Instead, influential persons or groups may succeed in shaping public policy — thereby adding to the depth of prevailing distrust. As a consequence, the region's capacity for constructive self-awareness, a central ingredient of any adaptive system, is severely inhibited.

In addition, the Spokane region is ambivalent about high-tech related research and how to build its presence in the region. Some emphatically see no particular need or use for it — especially in view of their own modest R&D requirements and the increased state budget commitment that a research university would entail. Others, especially those in the B-tech and M-tech sectors, want sophisticated research but do not necessarily link it with the growth and development of a research university — except in the fond hope that a research-university will eventually materialize out of the buildings and geography of the proposed "university district." With respect to this idea, even those who share hope for its future are not particularly sanguine about the likelihood of its development. Others are very cynical, noting budget "realities" and opportunity costs; and a few interpret it as having primarily to do with land development. In general, where interest in a regional research presence is evident, it tends to be defined less in terms of the broad impact of a research university on the region and more in terms of the simplistic linear model of university lab to commercial start-up that specialists like Richard Florida have warned against.

In contrast to Boise, therefore, industrial leaders in the Spokane region have not been strong public champions for creation of a research university. Although a former Avista Corporation Chairman, President, and CEO warned a Spokane audience that Bill Gates had

said, “We won’t even think about coming to Spokane until, first, you have a Ph.D. program in technology that attracts a lot of research and grants,” Avista has not taken the lead in presenting such a demand to the legislature.⁶¹ In fairness to Avista, however, neither have any of the other business or political leaders in the region. As clearly reflected in the interviews, though a research university lies at the heart of a knowledge-based economy, the development of one in the Spokane region does not enjoy an unqualified sense of urgency and high priority among regional leaders.

Finally, economic development in the SV and elsewhere has seldom followed pre-existing geographic and political boundaries. While the SV is a relatively compact region, it spans at least five counties and arguably as many as nine, including approximately 100 cities. Nevertheless, it tends to understand itself as a systemically interconnected enterprise, where regional success is a prerequisite to the success of any individual firm. Not only is the Spokane cultural outlook not predominantly regional in its focus, but it also lies more toward the zero-sum end of the spectrum. One’s own success is understood in relatively narrow, individual terms, and the success of others is often worrisome. Reflecting concern about this operational code, a regional economic development leader recently noted that, “We need to think of ourselves more in terms of a neighborhood.”

Thus, within the Spokane region’s present operational codes, efforts to define and promote economic development by relying on direction from local industrial and commercial interests produces individual endeavors that often tilt such activity toward narrow, discrete advantage — what was earlier described as “fighting over scraps.” Where such interests are focused in the urban core, the tendency to equate regional economic development with land development and urban renewal, matters that in actual fact are related but fundamentally quite different, is very pronounced; and regional economic development is left without a voice. Moreover, if, in the absence of a research university, firms in the region see no pressing need for such an institution, reliance on such firms to define economic development strategies seems quite unlikely to result in the demand that such a school be established. On the other hand, the SV clearly regards its research universities as essential to that region’s

continued economic success; and leaders in Boise see Boise State and the University of Idaho at Boise as essential ingredients of the Treasure Valley’s future economic development.

The famous economist Joseph Schumpeter defined capitalism as a process of “creative destruction” — a social, political, and economic way of life in which established patterns of commerce are continually being redefined. However, it should be obvious that there is nothing inevitable about the emergence of a cultural outlook that sustains such a dynamic. Where a different ethos has become well established, organizations within it find it difficult or impossible to change themselves.⁶² In that context, operational codes function to ensure continuity rather than disruption — what might best be understood as positive feedback with negative results.

As emphasized above, the research contained in this report is not in itself a basis for particular public policy prescriptions. Nor does the research endeavor to address all elements of regional economic health. Though it obviously suggests that approaches to economic development in the Spokane region need to be reexamined, the specific pathways to something

Not only is the Spokane cultural outlook not predominantly regional in its focus, but it also lies more toward the zero-sum end of the spectrum.

different will require focused inquiry and evaluation by responsible authorities in both the public and private sectors. The dominant cultural perceptions identified in this report point to features of the economic development landscape that might profit from such a reassessment.

For instance, if regional self-awareness and integration provide important underpinnings to regional economic success, authorities in Spokane and Kootenai counties might explore the non-threatening model provided by the Association of Bay Area Governments (ABAG) as a device to ease formulation of a regionally-focused agenda. Aside from its potential to build an operational consensus, such an organization might also encourage a greater degree of regional self-awareness and regional confidence in essential, public discussion. It is easy to imagine that regional concerns, such as water quality, public transportation and the alternative perspectives on establishment of a more inclusive Metropolitan Statistical Area for census purposes, would be assisted by regularized regional dialogue.

By the same token, given the vital role of a research university in a robust, knowledge-based economy, this issue should be one of the most important items in a regional discussion. Judging from the experience of other areas, the prospect of such an institution redefining the culture of an area is very large. For the Spokane region, however, no reasonable observer would deny that this is a complex issue, for it lies at the intersection of a variety of different interests. Nevertheless, it is an unavoidable issue if it is a knowledge-based economy that the region wants. Whether or not there is a good probability that such an institution will slowly accrete through the establishment of research institutes and the gradual move of selected programs from Washington State University into Spokane should be carefully researched. Similarly, detailed consideration should be given to the potential benefits of investing available monies in the expansion of established programs and facilities at Eastern Washington University, just as Ada County has done with Boise State University, as opposed to the opportunity costs associated with other strategies.

As for government and the myriad area organizations committed to fostering economic development, the experience of both the SV and Boise suggests that the economic health of a region is closely tied to

the surrounding social and political system — the reality of embeddedness — such that the issue of economic vitality for a region is a matter that extends well beyond business itself.⁶³ An understanding of this reality, however, is not ground for anyone to conclude that government has a primary role in the direct promotion of economic development. Instead, an appreciation of embeddedness should result in governmental efforts to promote an environment that will permit decentralized commercial initiatives to flourish. In this regard, streamlined regional permitting procedures, attractive mass transit, a physical environment that is pleasing to young professionals, efficient highways and airport facilities, modern communications systems, and research universities are all more important than government-funded attempts to incubate commercial start-ups, “public-private partnerships” or policies that enhance local dependency on “imported” funding. If the models referenced in this research are instructive, government attention to the “commercial ecosystem” will strengthen prospects that the regional economy will thrive, especially because of the innovative products and services that it exports.

In particular, government should lead the way in an examination of what is commonly referred to as the business climate — the system of taxes and regulations within which commercial entities must operate. Clearly, business cannot flourish in an environment that actually penalizes economic initiative and innovation. At the same time, without the necessary revenues, government can hardly be expected to undertake those public projects that benefit commerce and are squarely in the domain of government. Of course, a culturally embedded operational code that uncritically attributes business failure or lethargy to onerous taxes and regulations benefits no one. Research should be directed at a careful and truthful assessment of these issues. Once such an enquiry has been completed, its findings will help to direct attention toward what must be changed as well as identify any self-defeating myth that may exist.

Dominant operational codes are seldom homogeneous throughout the entire social fabric of a region. Nor are they necessarily exclusive even within those who are strongly vested in them. In fact, even within the Spokane region interview pool, it is very clear that

those whose outlook has been significantly groomed by contact with a cultural environment more favorable to economic development tend to bring some of the related operational codes with them to Spokane. Viewed from this perspective, Boise's good fortune was not so much the decision of HP to locate its printer division in the Treasure Valley as it was the fact that those who came with HP brought the acclaimed "HP Way" with its defining ingredients of early SV culture.⁶⁴ At any given time, the number of HP employees who had been acculturated in the HP Way was probably no more than 10-15 percent of its total personnel; but given the relatively small population of the Treasure Valley, this unquestionably helped to reinforce similar outlooks already there, a culture that is reflected in the remarkable success of Micron and other high-tech firms in the Boise area.⁶⁵

Thus, it seems more than likely that alternative cultural dispositions, even though less pronounced, can be identified in the Spokane region. With proper attention and cultivation it may be possible to strengthen them and bring them to the fore as a "disruptive" foundation for change. Were such change to occur, however, there is no assurance that robust economic development would necessarily follow. On the other hand, if the basic premise of this research report is correct, economic development in the region is unlikely to reach its full potential amidst the prevailing operational codes that influence related policies and choices.⁶⁶

Endnotes

¹ Martin Kenney stresses the critical importance of local networks. In his view, “Should the network be truncated or destroyed, it is likely that even if some firms survive, the entrepreneurial component of the region will decay.” See his *Regional Clusters, Venture Capital, and Entrepreneurship: What Can the Social Sciences Tell Us About the Silicon Valley*, OECD Workshop Proceedings.

² Edward Banfield, *The Moral Basis of a Backward Society* (New York: The Free Press, 1958), p. 7.

³ The categories *formal*, *subformal*, and *personal*, as used in this study, refer to patterns of activity that possess different degrees of authoritative recognition. *Formal* activity corresponds to statutes, rules, or activity prescribed by organizational charts; *subformal* activity is routine but not formalized in statutes or rules; while *personal* refers to trusted, individual interactions. All may occur simultaneously.

⁴ See Annalee Saxenian, “Lessons From Silicon Valley,” *Technology Review*, Vol. 97, No. 5, (July 1994), pp. 42-47.

⁵ For an interesting discussion of complex, adaptive systems, see Richard T. Pascale, “Surfing the Edge of Chaos,” *Sloane Management Review*, (Spring, 1999), especially p. 2 where the author defines four traits of such systems. In particular, such systems constitute a reality that is greater than the sum of the parts.

⁶ There is a strong implication here that the initial impulse for regional economic growth may have to come from outside the region rather than result from a mere internal transformation.

⁷ Well-informed readers will recognize that various commercial activities are not easily classified. While the familiar Standard Industrial Classification system (SIC) or the newer North American Industrial Classification System (NAICS) may be used, each classification scheme contains industries that may vary substantially from one another. That variation within sectors characterizes firms selected for this study. Thus, for instance, significant differences would be found among activities within the B-tech, E-tech or M-tech sectors with respect to the sophistication of the technologies employed and the reliance on basic research for product development.

⁸ For example: the importance the respondent attached to creation of a research university in the region or the respondent's view of government's proper role in economic development.

⁹ By one account, the Silicon Valley consists of nine counties and over 100 cities — not to mention a great variety of other, functional, jurisdictions. With a population of over two million, it is larger than 18 individual American states. Narrower definitions include only five counties.

¹⁰ See, for instance, *After the Bubble: Sustaining Economic Prosperity*, Bay Area Economic Profile, No. 3 (January 2002), sponsored by the Bay Area Council, The Bay Area Economic Forum, and the Association of Bay Area Governments.

¹¹ SV networks link firms and research institutions as opposed to firms and government. See Larry Schweikart, *The Entrepreneurial Adventure: A History of Business in the United States* (Ft. Worth, Texas: Harcourt, 2000), p. 532.

¹² The important social impact of the research-university, beyond the basic knowledge and technology that it generates, is something that Richard Florida has emphasized. See his “University: Leveraging Talent, Not Technology,” *Issues in Science and Technology*, Vol. 15, No. 4 (Summer 1999), pp. 67-73. Florida has warned against the naïve view of a linear pathway from university research to commercial innovation and development. Instead, he stresses the “growth pole” function of the university as it helps to establish a surrounding community of talented professionals.

¹³ See *The Bay Area's Research Institutions: How an Extensive Research and Development Infrastructure Drives the Region's Innovative, Knowledge-Based Economy*, The Bay Area Economic Forum, March 1999.

¹⁴ Some have speculated that this is due to the proprietary nature of their products. Yet, E-tech firms in SV also have proprietary concerns and are not prevented from establishing systemic connections with one another. Those in M-tech have recognized a common interest in certain forms of cooperation; and their service network already extends over a very broad region — though this does not translate into a systemic view of the regional economy. Those in B-tech, given their understanding of the importance of research, do stress the advantage of personal-level connections — though such links are not yet well established.

¹⁵ *Spokesman Review*, August 10, 2003.

¹⁶ Informed observers provided the author with a variety of concrete examples of this phenomena. But they are also readily apparent in the public media; the recent resignation of Walt Worthy from the Public Facilities District Board provides a good illustration. While insisting that the Convention Center expansion plans are over budget, he declined to discuss the matter beyond his letter of resignation, saying that the “letter speaks for itself.” A new Board member, Tom Power, also charged that the plans are over budget; but he declined to be more specific. In Power's words, “We're just way the hell out of budget and nobody will talk about it.” See the *Spokesman Review*, March 10, 2004. Similarly, with regard to the funding dilemma for regional mass transit, a *Spokesman Review* editorial (March 1, 2004) noted that leaders in the area had provided nothing more than “quiet concurrence” on the need for public transportation, while “their voice needs to resound.”

- ¹⁷ “Economic Development Leaders to Meet on Goals,” *Journal of Business*, April 6, 2000.
- ¹⁸ See the Washington State Department of Revenue study, *Economic Vitality*, (March 2, 2002)
- ¹⁹ The view that a substantial movement of research capabilities from WSU to Spokane is unlikely is consistent with the conclusion of the Tripp Umbach report, *An Assessment of Opportunities for Biomedical Economic Development*, July 2002, p.21.
- ²⁰ Aside from the perception that the “West Side” would have to be convinced to share more with the Spokane region, some also expressed the hope that homeland security funding, given its concern with bio-terrorism, would result in increased federal funding for the B-tech sector. Another view articulated the notion that B-tech and traditional agriculture could be brought together in a mutual B-tech research undertaking, enticing the former to redirect some of its traditional funding.
- ²¹ The National Institutes of Health budget for 2004 has a 2.7 percent increase that represents a drop-off from double-digit increases. At the same time, against the backdrop of an expansion in research facilities that was encouraged by the prior double-digit budget growth, the number of grant applications has increased by 40%. Thus, competitive pressures for renewed funding will likely be substantial. Presently, as recipients of NIH monies, 118 institutions rank ahead of WSU.
- ²² There can be no doubt that distance counts — even the distance from Spokane to Pullman. See, for example, David Rosenberg, *Cloning Silicon Valley* (London: Pearson Education, 2002), especially pp. 7-9. Rosenberg concludes that, “For something to explode entrepreneurially, you have to have a community, a geographically compact entity,” that will support the “tom-tom” network of venues and activities where members of the “tribe” can routinely gather. The successful Research Triangle Park in North Carolina, for instance, has three research universities within a fifteen to twenty minute drive of the centrally located park.
- ²³ See, for example, the Tripp-Umbach report, *An Assessment of Opportunities for Biomedical Economic Development*, July 2002. See, also, *Spokane Area Competitiveness Assessment and Attraction, Retention, and Expansion Strategy*, October 1995, by the Pace Group, *The Innovation Economy* by Nathan Brown of the Morgan Leigh Group., and the report by David Kolzow, commissioned by a task force headed by former Mayor John Talbott. Though these reports tend to rely on a plan, some of them do interpret economic development as a “regional” undertaking.
- ²⁴ Aside from reference to the alleged failure of past economic development plans, success of the 1974 World’s Fair s was occasionally mentioned. In this regard, King Cole’s leadership is often taken as a model of what needs to be repeated. The depth of this conviction is illustrated by Tom Grant who wrote: “If Spokane had a saint, his name would be King Cole.” *The Local Planet*, January 17, 2002.
- ²⁵ See, for instance, the “Spokane Regional Comprehensive Economic Development Strategy,” July 2003, prepared by the Spokane Regional Economic Development Council.
- ²⁶ Some of the new networking extends into northern Idaho and draws specialized “techies” together regularly. As one information system specialist noted, personal contacts among computer specialists have increased with the arrival of viruses and security issues — acknowledging that such contacts often result in very helpful approaches to problem solving. In the absence of the “organic” growth of such networks, new efforts at INTEC are seeking to “engineer” them into the Spokane region.
- ²⁷ *Spokesman Review*, August 10, 2003.
- ²⁸ Andrew C. Krikilas, a research economist with the Federal Reserve, has surveyed the literature on the so-called economic base model of regional economic development. In general, he concludes that this model has a long history of serious failure when it comes to economic planning and policy analysis. To put it another way, we really don’t know precisely what buttons to push and levers to pull in order to produce regional economic development. Still, some reasonable judgments are possible after examining cases of success. See Andrew C. Krikilas, “Why Regions Grow: A Review of Research on the Economic Base,” *Economic Review*, (July/August 1992), p. 29.
- ²⁹ This same official had professional experience in San Diego and observed that San Diego is a reticent community. Others have noted that professional networks have not arisen naturally in that environment. Rather, it has been necessary to attempt to create them.
- ³⁰ For an example of conflict and compromise within ABAG, see Revan Trantner, *ABAG: A Concise History — Celebrating 40 Years of Service*, U. C. Berkeley Working Paper 2001-13, p. 6.
- ³¹ Mark Granovetter, et al., “Social Networks in Silicon Valley,” in *Silicon Valley Edge*, ed. by Chong-Moon Lee, et al. (Palo Alto, California, Stanford University Press, 2000), p. 219.
- ³² Kaufmann, Alexander, and Franz Todtling, “Science-Industry Inter-action in the Process of Innovation: The Importance of Boundary-Crossing Between Systems,” *Research Policy*, Vol. 30, 2001, pp. 791–804. Referenced in Eric V. Larsen and Irene T. Brahmakulam, “Building a New Foundation for Innovation: Results of a Workshop for the National Science Foundation,” Santa Monica, California: RAND Corporation, MR-1534-NSF, 2002.

³³ *The Bay Area's Research Institutions*, A publication of the Bay Area Economic Forum (March 1999), p. 4.

³⁴ In the interviews, respondents occasionally pointed out how others in the region felt threatened by their prospect for growth and success — even where cooperation to the advantage of both was conceivable.

³⁵ Kenney, "Regional Clusters," p. 8.

³⁶ This argument has been developed by Stuart W. Leslie in "The Biggest Angel of Them All: The Military in the Making of Silicon Valley," in *Understanding Silicon Valley: The Anatomy of an Entrepreneurial Region*, ed. by Martin Kenney (Stanford, California: Stanford University Press, 2000), pp. 48-67. It goes without saying that economic growth requires customers. That the military directed contracts to the Silicon Valley begs the question as to why. For even larger contracts went to the I28 corridor in Massachusetts, where firms have not demonstrated the same capacity as those in the SV to reinvent themselves. With regard to the more recent development of the B-tech community in the Bay Area, it has been pointed out to the author that it originated with the U.C.-San Francisco Medical School, U.C.- Berkeley and Stanford.

³⁷ The Washington State Department of Revenue has examined this issue using an approach that creates hypothetical firms from actual Washington tax data and tests them in the tax environments of different states. See its *Economic Vitality*, (March 2, 2002). In addition to finding that, in general, Washington is very competitive, it was also discovered that this might not make much of a difference in firm siting decisions. Such a finding is also reflected in the Tannenwald study cited below. However, the Gates Commission has observed that the structure of Washington's tax system encourages some businesses to locate certain portions of their operations in other states so as to avoid some taxes altogether, not only Washington's. See *Tax Alternatives for the State of Washington: A Report to the Legislature*, Vol. I (2002), William H. Gates Sr., Chairman, p. 113. Such nominal relocation can be done easily given modern electronic communications.

³⁸ Robert Tannenwald, "State Regulatory Policy and Economic Development," *New England Economic Review*, (March/April 1997), p. 106.

³⁹ For a discussion of economic embeddedness, see Mark Granovetter, "Economic Action and Social Structure: The Problem of Embeddedness," *American Journal of Sociology*, No. 91 (November 1985), pp. 481-510.

⁴⁰ "After the Bubble: Sustaining Economic Prosperity," especially pp. 19-25.

⁴¹ Paul Sommers, et al., *Ten Steps to a High Tech Future: The New Economy in Metropolitan Seattle*, A Brookings Institution Discussion Paper (December 2003), pp. 30-32.

⁴² Robert Tannenwald, "Business Tax Climate: How Should It Be Measured and How Important Is It?" *New England Economic Review*, (January/February 1996), p. 2. See, also, Michael Wayselenko, "Taxation and Economic Development," *New England Economic Review*, (March/April, 1997), p. 11. Here the author concludes that, "Taxes do not appear to have a substantial effect on economic activity among states."

⁴³ *The Bay Area's Research Institutions*, The Bay Area Economic Forum, (March, 1999).

⁴⁴ It is worth noting that the openness between research laboratories (Lawrence Livermore, Sandia, NASA Ames, etc.) and the universities is attributed to the fact that most of the research institutions trace their origins to the universities, making for the retention of important personal linkages. The clear implication is that such openness would not exist had the laboratories been established independently rather than grown out of the universities. "After the Bubble," p. 3.

⁴⁵ This is very much in keeping with the insights developed by Richard Florida. See his "University: Leveraging Talent, Not Technology." In Florida's view (p. 3), "Smart people are the most critical resource to any economy, and especially to the rapidly growing knowledge-based economy on which the U.S. future rests."

⁴⁶ "After the Bubble," p. 15.

⁴⁷ Fred A. Hurand, *An Analysis of Population Change in Spokane County, Washington and Kootenai County, Idaho*, EWU Institute for Public Policy and Economic Analysis, Monograph No. 4 (December, 2003). Projected population growth trends for the Spokane region predict increases due to the migration of retirees and people from other western states. Though it is not entirely clear from the available data, there is reason to believe that this pattern will lower the aggregate level of educational attainment in the region. In general, according to census data, educational levels among rural and elderly populations are lower than for urban and younger cohorts.

⁴⁸ Paul Sommers, *Drivers for a Successful Technology-Based Economy: Benchmarking Washington's Performance*, A Technology Alliance Report, May 2003.

⁴⁹ This feature of state educational spending is addressed in Ronald Fischer, "The Effects of State and Local Services on Economic Development," *New England Economic Review*, (March/April 1997), p. 57. Fischer notes that existing studies, while not decisive with regard to the impact of spending on education and its relation to economic development, clearly show the positive impact of spending on transportation facilities and highways.

⁵⁰ *Washington State Economic Climate Study*, Vol. VIII, 2003, pp. 26-31. Report of Office of the Forecast Council. These figures are far stronger than those for Idaho. Yet, among areas of similar size, the Boise region is the national leader in the number of patents it generates. Clearly, state-wide figures may not accurately convey the story of regions within the state.

⁵¹ *The Idaho Statesman*, November 11, 2003.

⁵² *Ibid.*, March 3, 2003.

⁵³ Micron matched Boise State's six million dollar, fund raising campaign with another six million. These funds were directed toward the construction of new engineering facilities for the university.

⁵⁴ During the economic downturn of the mid-1980s, corporate executives in Idaho urged the legislature to fund higher education. In the more recent downturn, corporations lobbied heavily for tax breaks. See the editorial in the *Idaho Statesman*, February 10, 2003, where this change is sharply criticized.

⁵⁵ Aside from the exemptions or reductions that are allowed, Idaho employs a property tax, a 7.6% tax on corporation profits, a graduated personal income tax (1.6%-7.8%), and a 6% sales tax (or a 5% use tax when sales tax is not paid). For exemptions, see www.ridenbaugh.com/ipad/salestax/stchart.htm.

⁵⁶ According to Rom Markin, interim chancellor of WSU at Spokane, "In Pullman, everyone knows each other and conflicts are easily diagnosed and addressed. In Spokane, to get known, you must join dozens of boards and organizations and then ask what should be offered." *Spokesman Review*, April 16, 2004.

⁵⁷ *Business Week*, May 13, 1996.

⁵⁸ *The Idaho Statesman*, November 23, 2003.

⁵⁹ Technology-defined, product-related networks do not constitute the same sort of linkages that are found in networks of civic involvement. In this analyst's view, successful regional economic development requires that the two communicate closely with one another. See Stephen S. Cohen and Gary Fields, "Social Capital and Capital Gains: An Examination of Social Capital in Silicon Valley," in *Understanding Silicon Valley: The Anatomy of an Entrepreneurial Region*, ed. by Martin Kenney, p. 217. In both realms, however, trust is crucial.

⁶⁰ Seasoned observers have assured the author that Spokane does, indeed, have networks; for it is easy to observe the prevalence of various persons on a variety of different boards. These same observers, however, have also suggested that not all networks contribute to economic development. Some may have the tendency to resist the disruption that is so essential to change.

⁶¹ *Journal of Business*, May 4, 2000. Avista's posture with regard to a research university is especially pertinent because of that corporation's substantial involvement in regional economic development issues and organizations; by its own count, it has supplied funding to ten of them and has even lent the service of its personnel. On the other hand, the interviews confirm that its outlook has certainly not been unique.

⁶² For a discussion of the concept of disruption, see Clayton M. Christensen and Michael E. Raynor, *The Innovator's Solution: Creating and Sustaining Successful Growth* (Boston, Massachusetts: Harvard Business School Press, 2003). Christensen and Raynor note (p. 191) that, "Organizations cannot disrupt themselves." In this analyst's view, such a conclusion may be too pessimistic, overlooking the capacity of determined organizational leadership to build and support disruptive processes, like R&D or contrarian components, in their organizations. In fact, these same authors (pp. 275-283) contradict themselves on this issue.

⁶³ In the Silicon Valley, Joint Venture was established to link business with government and civic leaders. One result was to identify high quality, basic education as a critical issue for the entire region in view of the need for a sophisticated labor force.

⁶⁴ David Packard, *The HP Way: How Hewlett and I Built Our Company* (New York: HarperCollins Publishers, 1995).

⁶⁵ This point was brought to the attention of the author by one of the most successful entrepreneurs in the Boise area.

⁶⁶ One curious and ironic theme that surfaced occasionally in the interviews, even amidst an avowed interest in economic development, is that Spokane should, perhaps, not seek a more robust economy or aspire to what other regions have attained. Two reasons seem to be associated with this outlook: first, Spokane is too deeply inured in its ways to change, and there is no use trying; second, vigorous economic development would risk environmental degradation and thereby disrupt a perfectly nice area to live in.

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From One to Z, artist: Ms. Carla Bernsten



Our Mission

Eastern Washington University's mission is to prepare broadly educated, technologically proficient and highly productive citizens to obtain meaningful careers, to enjoy enriched lives and to make contributions to a culturally diverse society. The University's foundation is based on career preparation, underpinned by a strong liberal arts education.

Our Students

Eastern is emerging with fresh, dynamic leadership and campus-wide enthusiasm for its future. As of fall quarter 2003, Eastern's enrollment numbers were 9,506 students.

Accreditations

The university is accredited by the Northwest Association of Schools and Colleges and many discipline-specific associations, such as the American Assembly of Collegiate Schools of Business, the National Association of Schools of Music, the Computing Sciences Accreditation Board, the National Council of Accreditation of Teacher Education, the Planning Accreditation Board and many more.

Exceptional Faculty and Academic Programs

Eastern provides a student-centered learning environment. Students have access to more than 130 undergraduate majors, nine master's degrees, four graduate certificates, 76 graduate programs of study and a doctor of physical therapy. The University consists of six colleges – Business and Public Administration; Education and Human Development; Arts and Letters; Social and Behavioral Sciences; Science, Mathematics and Technology; and School of Social Work and Human Services.

Eastern enhances its strong commitment to teaching and learning by vigorously pursuing grants, extramural funding and student-faculty research collaborations. For the most recent fiscal year, the university secured a total of over \$12 million in grants and extramural funding.

Several Institutes or Centers of Excellence add focus to faculty research and performance. They are: creative writing, music and honors. Student-faculty research projects are a priority of the institution. Every spring, the Research and Creative Works Symposium showcases undergraduate and graduate students' collaborative efforts with their professors.