

**A FORECAST FULL OF DOLLARS**  
Demographic Report and Economic Forecast  
of  
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to  
**Spokane Advertising Federation**

International Agricultural Trade Center  
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It's great to be with you today to share the good news about Spokane's rip- snortin' economy in 2004 and the even better news that's coming this year and that will continue through until at least 2008.

In 22 years of preparing economic forecasts for the region—20 of them in this series of presentations sponsored by Spokane Advertising Federation—there has never been a time when I have foreseen a more positive future for the local and regional economy.

The phrase "a perfect storm" has been overworked phrase to describe situations in which normal events—each unfavorable to some degree—come together to produce abnormally catastrophic consequences. In terms of the Spokane-Kootenai Spokane's economy the period 2005-2007 will be the opposite of that. No, not a perfect "calm;" but rather, the abnormally beneficial result of an unusual convergence of positive forces. This convergence will produce a banner period of population, job and income growth. One of the "good conditions" that will help is simply that we are unlikely to be fighting a weak national or state economy.

The state of Washington, which has been extremely weak for the past few years, is not "steadily growing, with the prospect of new Boeing jobs," the state's chief economist. Washington state will have created more than 32,000 jobs in 2004 and we'll likely see continuing job growth statewide in the coming year and most of it will be outside of Seattle and King County. (*AP—September, 2004*). While the state's recovery is slow, it seems sure and ongoing. It is particularly to hear Microsoft speak of planning the addition of 3,000 jobs this year and an additional 10,000 to 12,000 jobs in the Redmond area over the next 10 to 20 years! On the national level, the U.S. added jobs in 2004 at the fastest pace since 1999—a total of 2.2 million net new jobs (*S-R, January 8, 2005*) – and the average annualized unemployment rate was 5.5 percent, lowest since 2001. The Bush administration has projected growth of an additional 2.1 million jobs in 2005—"a figure most experts consider doable and even beatable."

(On a pro rata basis, this would translate into about 3,200 in Spokane County—and we'll beat that!)

Locally, the year will be part of a strong period for the economy which began last year, will continue into 2005 and extend forward to 2008. Just consider the base of good news we'll be building on from 2004:

- The Milken Institute ranked Spokane 55<sup>th</sup> Best Performing Cities in the U.S. for its economic performance in 2003. That's the best we've done in that survey. Our previous highest ranking was 98<sup>th</sup> in 2002. In 2003 we were 157<sup>th</sup> and in 2001, our lowest ranking, we were 161. The rankings are based on job growth, income growth and the health of the technology sectors in metro areas economy. (S-R)
- Net farm income seems to have risen about 24.5% across the U.S. last year, with potentially huge benefits as a result for retailers and others in farm-based communities. That materialized to some extent, but as *The Wall Street Journal* noted, the increase in income didn't necessarily mean a splurge in spending. Much went to pay off accumulated debt from previous lean years, or was invested in high-end capital items including trucks, tractors and combines. (WSJ-11/29/04)
- Home sales set record paces in Spokane and Kootenai counties. Realtors on both sides of the line say they expected the market to remain at current levels of activity for two or three years!
- In mid-October, Spokane was featured in a *TIME* Magazine article for its downtown high-tech "HotZone." The HotZone was later featured in technology reports on CNN.
- We saw record prices for silver and gold, which buoyed interest in opening old and even starting new mining operations.
- Wood-products industries were strong—one of the best years in memory!
- The National Civic League recognized Spokane as one of 10 All-America Cities.
- *Population Connection* named Spokane the nation's second-most KID FRIENDLY big city.
- The World Teleport Association named Spokane "one of the seven most INTELLIGENT Communities in the World."
- The National Arbor Day Foundation called Spokane TREE CITY USA.
- *The Journal of Japanese Gardening* named NISHINOMIYA GARDEN at Manito Park one of North America's Top 25 gardens of its type.
- *Forbes* magazine ranks Spokane 91<sup>st</sup> best place in the nation for business and careers among more than 320 cities.

- *Organic Style* magazine (2003) ranked Spokane the 41<sup>st</sup> most healthy metro areas in America.
- AARP calls Spokane one of 15 “DREAM TOWNS” in which Baby Boomers can ‘reinvent’ themselves.
- *Entrepreneur* magazine and Dunn & Bradstreet rank Spokane #6 among Midsize “Best Cities” in the West for ENTREPRENEURS.
- *Expansion Management* magazine ranked the city 49<sup>th</sup> among metropolitan areas as a place to expand or relocate a BUSINESS.
- Spokane’s TOURISM ATTRACTIONS have been featured in publications around the nation, including the *Indianapolis Star*, *Smart Meetings magazine* and *Skyways*.
- *CustomWeather.com* ranks Spokane 2<sup>nd</sup>-best in the nation for summer WEATHER.
- In August, *Forbes Magazine* Publisher Rich Karlgaard ranked Spokane as one of the 150 best places to live in America. In his book, *Life 2.0: How People Across America Are Transforming Their Lives by Finding the Where of Their Happiness*, Karlgaard described Spokane as a “Porch-Swing Community”. But, he said the city could also have landed in any of his five other city categories: Bohemian bargains, IQ campuses, Telecommuting heavens, Steroid cities and Happy Hootervilles.” All of these categorizations are positive. So, what’s a “Porch-Swing” city? “A place that has a Norman Rockwell feeling, complete with parades, county fairs and summer evenings playing kick-the-can.” ...a city where it’s possible for parents to leave their kids out in the evening with some degree of safety.”
- The Gonzaga Men’s and Women’s Basketball teams are both in the national spotlight, with the Zags in the Top 25 nationally and the women, with an awesome win streak, poised to enter those ranks. Past successes have put Spokane and Gonzaga made Zags games a television hit from Spokane to the Cameroons!
- Eastern Washington’s football team made the national Division II playoffs. That produced more ESPN coverage for the region!
- The city is featured in a national cable news channels Technology report that billed it as the “City of the Future.”
- The community landed rights to host the 2007 National Figure Skating Championships. Thank you, Barb Beddor and Toby Steward, for marshalling the support of the community behind this great event!

- Local economist Don Epley reported a perfect 1.0 score on his predictive index of local economic conditions—the first time in the history of the index! (*S-R*, September 19, 2004)
- And just yesterday came word that Spokane was named the 69<sup>th</sup> best city in the nation for men—at least *Men's Health* magazine says. Interested parties should keep in mind that this says we're an above average place for men to live, which is not necessarily the same as saying above-average men live here—though it's possible, even likely that both those statements are supportable!

All told, 2004 was such a good year that it prompted *S-R* business columnist Bert Caldwell to proclaim it “probably the best since 1974 and the Expo World's Fair. Caldwell noted that employment increased in every Eastern Washington county except Asotin, where it dropped by...*[pause]*... only TEN (10) people. Spokane and Kootenai counties added about 8,000 jobs between them and, as I predicted last year, unemployment rates fell below those for Washington state and the United States.

Picking up where Bert left off, I think 2004 was likely the start of a growth period that will exceed the one that followed in the wake of Expo. Spokane has gotten more positive national press mentions recently, than it has seen in years—testimony to the fine work of many private organizations and some excellent news placements and tourism promotion work by the Convention and Visitors Bureau! The media opportunities are flying—high—for the first time in 30 years. This level of national media exposure is another element converging to produce outstanding growth prospects for the region. Let's build on it! I challenge Ad Club, its members and those of you who may wish to become members to help keep Spokane and the Inland Northwest featured prominently, positively and frequently in national and regional media. As a community and region it has taken us years to restore the “top of mind awareness” Spokane had in the early years of this century. We got it again in 1974—and let it wane again. Now it's back and we need to keep the publicity ball rolling!

**Whoa! I see my hobby horse is acting up!** Let me settle him down by saying, simply, that it's time to form a local publicity consortium that pools agency resources and develops a permanent and comprehensive national promotional fund for Spokane.

That's where we've been and where we are -- sitting in a new Silverado — and, yes, precious metal prices are up, too!

Before I tell you where I think we are headed and why it's even better, I have to perform a couple of the standard bunkhouse chores and recognize some of the posse that make this presentation possible.

First, I don't just make this stuff up, so here are some slides that show the sources for the information I'm using today:

**[SLIDE: SOURCES]**

**[SLIDE: MORE SOURCES]**

**[SLIDE: MORE SOURCES]**

And, as you know, I always preface the forecast with a caveat, so here's the one for this year:

**[SLIDE: CAVEAT]**

**WARNING! Forecaster on the Loose!**

**Econo-varmint** like "Doc" are notorious hedge artists. They've got more footnotes than a podiatrist.

The accuracy of previous forecasts doesn't mean a thing; then again, this one just might be right no matter how wrong old "Doc's" been in the past.

"Doc's" opinions are his own and do not necessarily reflect those of Cowles Publishing Company, *The Spokesman-Review*, New Media Ventures, Print Marketing Concepts, Ad Fed, The Sons of the Pioneers, New Riders of the Sky, The Cowboy Hall of Fame or Billy Bob's of Fort Worth.

"Doc" will talk for about 40 minutes before you have to saddle up and hit the trail. (Meantime, if that chuck wagon coffee is spoiling your concentration, the Ladies' and Gents' are out back—and we'll let you back in, too.)

And. . .so you'll have a general idea of how this presentation will unfold, here's an overview:

**[SLIDE: WHAT YOU'LL HEAR TODAY, REVIEW AD LIB]**

Obviously, we've gotten the Yippee Ki Yi Yay for 2004 out of the way, so let's shift gears and look at some key demographic and economic findings showing what the regional looks like right now. Later I'll present the 2005 "Yee-Hah!" forecast, and close by taking a last ride on some of my favorite hobby horses.

## **Section 2: Review of Demographics**

Let's turn now to the demographics of the market, starting with the Inland Northwest region and then looking more closely at Spokane County.

**[SLIDE: INLAND NORTHWEST]**



Those of you who've attended these sessions before know that there is no "official" definition of the Inland Northwest, but most local economists now consider it to be an economically interdependent group of 23-counties with Spokane at its center. That definition is based on some work done by a group of economists, demographers and marketers in the late 1980s—and represents economic patterns as they existed at that time.

**Whoops! I see ol' Rafter's acting up again!** I'd better take a short ride and calm him down by pitching an important research project: Here goes: There is some indication that the flow of trade in effect in the 80s may no longer be valid and that Spokane is not the magnet it once was, particularly for the Lewiston, Idaho and western Montana regions. A new input-output and flow of trade study is needed that will enable us either re-affirm or redefine the region economically.

**That seems to have settled ol' Rafter down...so we'll return to our regular programming.**

This region includes all of northern Idaho, about a third of the landmass of Washington and most of the northwest quarter of Montana. The 23-county region is 36,534 square miles in area. If it were a state it would be about the size of Indiana or Maine. But, in terms of population, the Inland Northwest would be significantly smaller than either of those states. The latest estimates indicate that just over 1 million here. The region remains somewhat more populous than Montana, but a bit less populous than Rhode Island.

Regional population, by the way, remains only .34% -- only one-third of one percent -- of total U.S. population.

The region's economic core is comprised of Spokane and Kootenai counties which, together, Spokane and Kootenai County have about 56% of the Inland Northwest's population, about 63% of the Inland Northwest's disposable income and, consequently, about 63% of all Inland Northwest retail sales.

Here's what that two-county core—and soon to be two-county Metropolitan Statistical Area—looks like based on a model I've developed based on Year 2000 Census numbers, 2003 Census estimates and other sources.

**[SLIDE: CORE DEMOGRAPHICS]**

And here's the income picture for the region, and the two counties.

**[SLIDE: INCOMES: REVIEW AD LIB]**

### **Section 3: Economic Review and 2005 Forecast**

That completes the look at key demographics and spending numbers. Now I'd like to quickly review some recent economic developments and give you my best call on what's likely to happen as this year unfolds.

The national economic forecast for 2005 is less bullish than for 2004, but remains quite positive. Despite predictable dissent, there seems to be a broad agreement that GDP growth will most likely be about 3.5% range. Also, that interest rates and oil prices will rise a bit, putting a slight damper on consumer spending, as well as on the housing market in severely overpriced bubble areas like California. If it's bad news that interest and oil prices are likely to move in the wrong direction, it's good news that they are unlikely to move far. Oil prices will bounce back up between now and Memorial Day, but year-long average prices will be only pennies above this

year's level—if that! Interest might rise a bit, but that rise will be moderating, and not, in any way, devastating to housing markets in most regions of the country—and, particularly, not here.

That having been said, here's the summary forecast for the Spokane region for 2005:

[FORECAST SLIDE]

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- **Population:** **Spokane** +1.4% (up about 6,100 to about 442,750—strong!)  
**Kootenai** +2% (up about 2,400 to 122,225—still very hot!)
  - **Housing prices:** Up 5%+ in **Spokane**  
Up 7-8% in **Kootenai County**
  - **Retail Sales:** +5% in **Spokane**  
6% in **Kootenai County**
  - **Employment:** Up about 2.5%  
5,000 annualized net new jobs in **Spokane**  
2,200 net new jobs in **Kootenai County**
  - **Unemployment:** **Spokane**, 5.4% (year-long average--steady). Better than nation;  
better than state.  
**Kootenai County**, 6.0% (year-long average)
  - **Strong Sectors:** Bio-tech, high-tech, residential real estate, construction,  
agriculture, mining
  - **Weaker sectors:** Tourism, health care (both temporary)
  - **Steady sectors:** Retail, forest products (following their return to growth in 2004)
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I'm going to leave this slide up for a couple of minutes, while I focus on individual projections.

First, let's talk about **jobs**. As you know from my earlier statements, job growth was strong on both sides of the state line in 2004. Local employment specialists don't believe those incredible numbers will be matched in 2005—but they ARE expecting another big growth year. The consensus seems to hover around gains in the 3,000 to 4,000 range in Spokane and the 2,000 range in Kootenai County. Some of us are more optimistic. Yes, we are up against strong

numbers, but I won't be surprised if we see as many as 5,000 new jobs in Spokane and 2,200 in Kootenai. Why?

Construction will continue strong in both the residential and commercial areas. Construction was a bright spot in 2004—in Spokane, it was up almost 50% from the previous year. It will continue to be a leader in 2005. The sector accounted for about 30 percent of new jobs in North Idaho and more than 20 percent in Spokane. That's about 1400 new jobs in Idaho's five northernmost counties and 700 ads in Spokane County. It was broad-based: luxury homes, factories, like Buck Knives in Post Falls, subdivisions on the Rathdrum prairies; more than 1,800 single-family projects in Spokane; that many more in Kootenai County. Housing construction, including several planned subdivisions – not all of them announced — as well as continued public spending on projects like the Civic Center, the first \$24 million of Spokane's \$117-million street bond program, millions in school construction, major apartment complexes in Liberty Lake, the West Plains and Spokane Valley; and private construction by companies like ConOver Bond, the Spokane Symphony and others assure that the sector should remain strong for two to three years to come. *(SR, JoB, Inlander)*

In other employment sectors, only health care and tourism look a bit weak next year, but the tourism issue is short-term—and, with luck, most of the bad news, in terms of employment, is behind our health-care organizations. Manufacturing will be stable to stronger and high-tech and bio-tech are on upswings.

The forest products industry will remain strong in 2005, following a banner 2004—described as “one of the strongest years in decades,” by the local *Journal of Business*. The year saw record highs for many grades and types of lumber. We might see more records broken in 2005—with that weak dollar helping exports and a continuing strength in housing and construction that will keep domestic sales high.

The weak dollar will also help agriculture and mining—and though the buck's slide will soon stop, it's not going to bounce back so hard that it will reverse the trade assistance it's now providing. For metals, a weak dollar, relatively strong basic demand, particularly for silver, and inflation—all favor continued strong prices. Gold could hit \$500 an ounce and will likely level in the \$475 range. Silver again above \$7.00 an ounce, with perhaps short-term high of \$8 or more.

**Housing:** We've been clicking along with an 8-9 percent increase in existing home prices in Spokane. Local real estate officials are estimating another 5 percent increase in 2005. That, too, may be conservative. There's no indication, particularly given the bargain that Spokane/North Idaho housing remains for people moving here from many other parts of the country and the increasing availability of jobs in the market that in-migration will diminish. With

inventories of existing housing decreasing, we should see continued growth of lot development and new residential construction of all types. This will eventually lead to a bit of overdevelopment, but it will take a couple of years for that to happen, so I'm particularly enthusiastic about the prospects for home prices and unit sales (assuming the units are available) from now through most of 2008. Since 2000, the average price of homes sold in Spokane has gone from \$117,000 to \$146,000—and increase of nearly 25%. In Kootenai County, the increase was nearly 32%, from \$119,000 to \$157,000. Expect those rates of growth to continue. The long-term outlook for housing prices and the construction of new homes is also good: U.S. builders will need to construct nearly 60 million housing units between now and 2030 to shelter an estimated 94 million more Americans, and to replace destroyed or aging homes. [If Spokane holds its fair share of new home construction, we should see about 89,100 new homes built in the next 25 years, or an average of about 3,564 per year. That's significantly more than we're seeing now—and now is not bad!

One big question for the nation—and by extension our region—involves the future of housing prices and we read much about the possibility of housing bubbles in various regions of the country. Prices have been appreciating here rapidly, but do we have a bubble? The short answer: no!

Data from the Office of Federal Housing Enterprise Oversight ([www.ofheo.gov](http://www.ofheo.gov)), was reviewed in mid-September by the folks at *Marple's Pacific Northwest Letter*. It documented the appreciation of housing prices looking at changes nationally, regionally and locally from 10, 5, 3 and 1 years ago, respectively.

You can see from the chart (below) that the 10-year appreciation in home value for the U.S. is 73.1%, while it's been 29.4% for the Spokane—lowest of the group shown here—but 112.4% for California. It's the 1- 3- and 5-year numbers for places like California that have been causing concern. Although we've had a "hot" level of appreciation here in the past year, that's been mostly a matter of trying to catch up to national "norms," which we have trailed significantly.

### Cumulative Change in house prices through Q2 2004

State or MSA	10 years	5 years	3 years	1 Year
<b>U.S.</b>	<b>73.1%</b>	<b>43.6%</b>	<b>24.3%</b>	<b>9.4%</b>
California	112.4%	84.1%	44.4%	18.4%
<b>Washington</b>	<b>62.0%</b>	<b>30.7%</b>	<b>16.8%</b>	<b>7.9%</b>
Idaho	44.0%	21.4%	13.9%	6.2%
<b>Seattle</b>	<b>77.7%</b>	<b>34.8%</b>	<b>16.5%</b>	<b>7.3%</b>
Boise	45.5%	23.0%	13.6%	5.3%
<b>Spokane</b>	<b>29.4%</b>	<b>19.0%</b>	<b>14.1%</b>	<b>7.4%</b>

As you can see, for the last year we look pretty good, but for the longer term, we've lagged state, regional and national marks for average home appreciation. You can also see why there's some concern about the possibility of a bubble bursting in California—and little concern about it there even BEING a bubble forming—let alone ready to burst-- in Spokane!

The *Journal of Business* reports that Realtors and developers are hopeful that our continuing growth in population will fuel new commercial development. While the office space situation is likely to improve a bit, it looks to me as if most commercial growth will likely be forthcoming in retail space—led by the expansion of Home Depot, but also with growth of small shops throughout the market—particularly in areas such as the Davenport Arts district. We are also likely to see the arrival in the market of some national retailers who have been kicking tires on local locations for the past two years.

While I think **retail** will be strong in 2005, it's important to note that the nature of retailing is changing in ways that make traditional formulas that derive projections of retail sales growth from factors relating to population, income levels and inflation. My traditional formulas would indicate a 6.1% increase in taxable sales for Spokane County in 2005, and higher than that in Kootenai County. However, those figures, are based on 2004 figures which were highly inflated by service station sales resulting from high gasoline prices. While these collections are good for government, they do not equate with expanding base of "hard" retail—the primary interest of merchants and media folks. Also, sales by Internet are taking significant bites out of the local tax collections. There is no reason to believe that the pattern of last Christmas on the national level missed Spokane—people were expected to increase seasonal purchases via the Internet by about 6%. They increased by 8 percent. While some of these sales resulted in the payment of state and local retail taxes—for example, those ordered from Washington-based companies like

amazon.com and Sur la Table—the vast proportion of them took dollars from local use. The greater bigger revenue and tax-deflating impacts of the Internet come from the bargaining power it gives consumers in finding and negotiating the lowest possible price for their purchases. The Web empowers top consumers to find the best deal, which means merchants have to drive hard bargains on each sale—and, if they don't grow volume to make up for lower margins, they watch their top lines stagnate or shrink—as do the tax revenues flowing to government. Price competition has never been stronger in non-energy related retail sales than it is now. As a result, I think the traditional factors that fuel retail sales growth will be tempered a bit. For 2005, I This means that increases in population, income and inflation, which tend to raise volume and price, will be moderated a bit. Therefore I see retail sales growth of about 5% in Spokane County and 6% for Kootenai County. It's worth noting that the most recent findings from Scarborough Research, which does syndicated research on Spokane for several local media companies, shows that Spokanites are slightly less fond of Internet buying than is the nation as a whole. About 60% of adults in the Spokane region have not made an Internet Purchase, about 1.4% more non-purchasers than the national finding; and those who bought tended to spend 1 to 2% less.

Here by the way, based on findings released to me last week by Belden & Associate, a research partner of *The Spokesman-Review*, is a list of Spokane's top three retail-store destinations, based on the number of people who say they shopped there in the past 30 days, whether they bought anything or not. I've also showed the top 3 shopping areas for Spokane shoppers. Keep in mind that many folks visit all of these places in a 30-day period.

**[SLIDE: SHOPPING SLIDE]**

Given the different nature of retailing and retail styles, the only real conclusion to be drawn from these is one we already know: Wal-Mart has the awesome retailing presence in Spokane that it has achieved worldwide!

As a friend of mine from Texas says, the 2005 forecast “is not just bullish. It’s longhorn bullish!”

Is that bull so big it can’t be stopped? No...but it would take some doing. I see four possible roadblocks:

1. Bad weather of the type that negatively impacts crops and hurts farmers;
2. A negative outcome from the military base review process as it concerns Fairchild Air Force Base;
3. Any unexpected, further shock to our health-services sector.
4. Extremely disruption of oil supplies that would send energy prices more than 15% above current levels for a sustained period.

I don’t expect any of these roadblocks to arise, but they could.

Hospitals, the largest employers, collectively, in the region, struggled with dwindling or no profits due to shortfalls in Medicare and Medicaid reimbursements, and increases in bad-debt and charity-care write-offs. This continues to be problematic. *(S-R, August 8, 2004)*

In addition to the 50,000 or so jobs provided by the medical community, a separate study issued by the state of Washington, indicated that Fairchild AFB contributes nearly 14,000 jobs and \$585 million in local economic impact to Spokane County. That includes so called “spin-off” jobs, in addition to uniformed and civilian employment. The report said Fairchild accounts for about 9 percent of the Spokane economy. Civilian beneficiaries include not only companies that contract with the military, but local communities and school organizations that received education and health impact grants. Among the Top 10 suppliers to Washington military installations statewide only one is from our area: the Colville Tribal Service. *(SR: 7/2804)*

Now let’s look, in today’s next segment, at some “fun facts” relating to the Spokane Lifestyle:

The Scarborough research organization measures hundreds of these, ranging from how many of us take continuing education courses to how many of us eat how often at fast-food restaurants. It also provides comparisons to national numbers for the same trait. Over the years, we seen some of these before, but it’s nice to have the confirmed by a separate group of researchers—and there are several new “revelations” about what we do.

First, here’s a look at some activities in which we significantly “out-participate” the nation.

<b>ACTIVITY</b>	<b>Number</b>	<b>Local%</b>	<b>Natl%</b>	<b>Diff</b>	<b>Index</b>
Horseback Riding	153,130	10.9%	0.6%	+10.3%	1817
Hunting	154,130	19.9%	6.2%	+13.7%	320
Camping	332,495	43.2%	18.6%	+24.6%	232
Power Boating	134,670	17.5%	7.6%	+ 9.9%	230
Skiing	83,695	10.9%	4.9%	+ 6.0%	222
Hiking/Backpacking	83,790	27.8%	12.9%	+14.9%	216
Own an RV	51,704	6.7%	3.5%	+ 3.2%	191
Own Motorcycle	83,900	10.9%	6.9%	+ 4.0%	158
Fishing	244,700	31.8%	20.6%	+11.2%	154
Gardening	473,050	61.5%	46.5%	+15.9%	132

And, here are some less popular activities in the region:

#### **Less Popular Activities**

<b>Activity</b>	<b>Number</b>	<b>Local %</b>	<b>Nat'l %</b>	<b>Diff</b>	<b>Index</b>
Own a pager/beeper	26,860	3.5%	11.7%	- 8.2	26
+\$500 on Cosmetics	3,395	0.4%	1.2%	- 0.8	33
Own a home security system	48,430	6.3%	18.6%	-12.0	34
+\$500 on Shoes (women)	3,740	0.5%	1.2%	- 0.7	42
Play tennis	34,305	4.5%	5.3%	- 0.8	68
Owens a PDA	49,105	6.4%	9.1%	- 2.7	70
Team sports	73,990	9.6%	13.2%	-3.6	73
+\$500 on Shoes (men)	5, 045	0.7%	0.9%	-0.2	78

### **Section 4: Closing Comments – Hobby Horses**

I'm going to close my remarks today by giving three of the hobby horses I've ridden over the years in these presentations, one last gallop around the ranch.

The first one is the need for the community to overcome what has been called "patent poverty" by adopting a formal strategy built around the recruitment of top-flight researchers, the

building of labs that match their needs, the nurturing of an intellectual environment that makes them want to stay here, and the creation of entrepreneurial mechanisms that gets their work patented and enables knowledge transfers from local labs to applications by local manufacturers.

Ideally, the big guns we recruit will bring with them not only ideas but grants and the ability to attract more grants for research in Spokane.

In addition to the scientists, of course, there must be facilities and a community within the community that supports and sustains the intellectual needs of those lured by special chairs and funding. The proposed University District is designed to do just that—and merits support. Yogi Gupta and his Shock Physics Research Program is another program that has the kind of “bring the big guns to town” approach that’s needed to take us to next level in new-economy development.

This is not an endorsement of the specifics of that project versus other projects---but it is an endorsement of the type of big thinking the Shock Physics proposal represents in terms of helping Spokane get the leg up the research ladder it still desperately needs.

### **[SLIDE: PATENTS]**

Here’s some information you might find interesting about Spokane’s position in the intellectual property world as it relates to patents:

#### **PATENT FACTS**

- Spokane patents represented 2% of the state total in 2001, the last year on record.
- From 1997 to 2001, Spokane’s Top companies (17 of them) were granted 75 patents.
- During the same period, Microsoft was granted 1,457 patents.
- In 2001, Spokane produced 3.4 patents per 10,000 employees; Washington as a whole produced 8.6 patents per 10,000 employees.

I first explored the patent issue in my book *Measuring Spokane*, published in 1997. Since two major, and more recent reports, The Chapin Concepts Team and by the Council on Competitiveness have explored, if not quite deplored, Spokane’s small patent output.

The second hobby horse: Over the years, several studies, most recently that of the Council on Competitiveness, have called for the community to shore up its risk-staking skills as they relate to entrepreneurship. Of course, “Baby Boomers” have become notoriously obsessed

with flights from risk—and Spokane often strikes observers as a highly risk-averse place. At some level, however, it seems we need to recapture some of the spirit of the community's youth as a boisterous, brawling, high-stakes boomtown. So once again, I'm calling on all you prospectors out there to grab your picks and shovels, figuratively, of course and head for the hills of that new Silverado I mentioned earlier.

The final hobby horse, deals with intellectual vigor and the ability to tolerate a wide diversity of ideas. We spend a lot of time, as a community, on the need for nurturing and maintaining gender, racial, ethnic and religious tolerance. But equally important to building a new-economy environment is the ability to not only tolerate, but encourage, a diversity of ideas and thought that does not view a question as a threat, or a constructive criticism as a challenge, or a well-considered report on the business community an attempt to sabotage community unity. Spokane is pretty good sized ranch; we have a lot of smart people who approach problem solving in different ways; we are not yet as highly skilled as many academic communities in learning how to vet ideas without crushing the idea-people. We're getting better, however, and, hey...it's a relatively minor issue and things COULD BE MUCH WORSE.

Just consider, for example, the state of things in Topeka!

**[SLIDE: TOPEKA]**

On that note, it's time for me to turn in my badge, saddle up ol' Rafter, put on my hat and say goodbye. This time I really am calling it quits as a forecaster—at least for this long-time annual event. I'll still be around Cowles Publishing, however, doing my day job and available to you if I can ever be of assistance to you in getting a handle on Spokane's economy.

Thank you for having me with you today--and for the past two decades. And thanks even more for all you have done and continue to do to make Spokane a great place to live and do business.

**[SLIDE: MUSIC CREDITS]**

**[SLIDE: PRODUCTION CREDITS]**

**[SLIDE: AD CLUB LOGO]**