

The Seattle Times

Sunday, March 1, 2009 - Page updated at 12:00 AM

Permission to reprint or copy this article or photo, other than personal use, must be obtained from The Seattle Times. Call 206-464-3113 or e-mail resale@seattletimes.com with your request.

Seattle finds itself at the crossroads as the Great Disruption ends era as banking, insurance center

By **On the Economy**
Special to The Seattle Times

When I ask Tom Flavin what keeps him up at night, the answer is simple: good jobs.

The president and chief executive of enterpriseSeattle, the public-private economic-development organization, says "the pot is definitely being stirred" by the worst economic downturn in 80 years.

Having worked in Denver, San Diego and Los Angeles before taking the job in Seattle, he said, "One thing that really impressed me is that, pound for pound, we have the best job base of any region I've ever been in."

Now more than ever, he says, "Our competitors know that and are focused on (trying to lure away) the companies here."

Some economists and urban thinkers are advancing a theory that this recession will result in much more profound change than any recession in memory. Most prominent among them is Richard Florida, the author of the best-selling book "The Rise of the Creative Class."

Writing in the March issue of the Atlantic magazine, the author states: "Some cities and regions will eventually spring back stronger than before. Others may never come back at all. As the crisis deepens, it will permanently and profoundly alter the country's economic landscape. I believe it marks the end of a chapter in American economic history, and indeed, the end of a whole way of life."

That way of life has depended on cheap oil and, in recent years, easy credit and a series of bubbles. Florida writes: "You don't have to strain too hard to see the financial crisis as the death knell for a debt-ridden, overconsuming and underproducing American empire — the fall long prophesied by (historian) Paul Kennedy and others."

What's startling is that Florida is not a dystopian in the mold of James Howard Kunstler or Dmitry Orlov. His social and economic theories about creative work and cities initially sparked controversy before becoming mainstream in economic-development circles.

Now he's predicting that, unlike in the Great Depression, the pain won't be universally shared. This Great Disruption will rapidly create a new geography of winners and tragic losers.

Nor is the reasoning far-fetched. Already the recession has essentially destroyed the old financial-services industry and may claim one or two of the Detroit Three automakers.

Michigan and Ohio, manufacturing powerhouses as late as 2000, are facing economic disasters. Seattle is no longer a major banking or insurance center.

When I talked to Florida last year, he was bullish on the "mega-metro" he classifies as Cascadia, running from Vancouver, B.C., through Portland. He singled out Seattle for its technology prowess, great universities, proximity to Canada and focus toward the Pacific Rim.

Seattle attracts more highly educated people than most U.S. cities, part of what he calls "geographic sorting of people by ability and educational attainment" on an unprecedented scale.

Little of that has changed, but the mood in this city has darkened considerably with the death of Washington Mutual and job

cuts at Boeing and Microsoft.

The accelerating world economic contagion is rattling the confidence of a place that has ridden many a boom and bust. Some business leaders, while not ready to go all the way with Florida's ideas, realize the city and region are at a precarious pivot point.

The Puget Sound region has enjoyed a large number of well-paying jobs in a diverse array of highly productive industries — everything from the ports to software to aerospace. The good pay tends to have a much larger multiplier effect in the other jobs it supports than service jobs, such as retail, or construction.

That helps explain why Seattle's per-capita income tops that of Las Vegas or Phoenix, which Florida sees as having a dicey future because of their heavy dependence on subdivision construction on abundant, flat land.

Flavin and others are particularly concerned about the region's aerospace cluster, which includes 650 companies and generates 210,000 direct and indirect jobs. Flavin especially worries because he saw the devastation of Southern California's once-thriving aerospace sector in the late 1980s and early 1990s.

Keeping aerospace here "is our biggest priority," Flavin says, as both international and domestic competitors try to beef up their sectors at Washington's expense.

Flavin also sees opportunities to gain in a reshuffled economic geography from an already robust interactive-media sector, including gaming, and from clean technology. A city that has given birth to the Kindle is still very much in the game.

Even many people in blue-and-green Western Washington may have a hard time with Florida's ultimate conclusion: that the spread-out, suburbanizing trends of the past 60 years have not only run their course, but played a major role in distorting the economy and fueling this recession.

Now, he argues, we need a "new spatial fix for the next chapter of American economic history." That fix will be high-quality, dense urban spaces in the elite mega-regions, places where ideas and innovation can most efficiently percolate much like what were seeing take shape in South Lake Union.

"Just as important, though, we need to make elite cities and key mega-regions more attractive and affordable for all of America's classes, not just the upper crust," Florida argues. It doesn't mean suburbia goes away, but that it must be retrofitted.

I agree with Florida. But it will be a hard sell to an America accustomed to the age of the automobile and the illusion of endless, wide-open spaces.

You may reach Jon Talton at jtalton@seattletimes.com

Copyright © 2009 The Seattle Times Company