Two important voices raised concerns recently about the level of per capita personal income here. In the year-end issue of this paper, the editors identified the issue as key to the area’s future. In its launch of its Spokane Vitals publication, Greater Spokane Incorporated announced its goal of achieving parity with the national average within a few years.

The attention to the issue is welcome. Correcting Spokane’s below-average performance would improve other measures of community health. Funding for essential social services and education would increase. Local philanthropy undoubtedly would rise. While there’s no guarantee, it’s likely our stubbornly high poverty rate would decline.

The level and growth of per capita personal income (PCPI) in Spokane has been nothing to cheer about. The Community Indicators Initiative (www.communityindicators.ewu.edu) and Pacific Northwest Income Indicator project (www.pnreap.org) Web sites show that Spokane’s PCPI is currently 84 percent of the national average and 80 percent of the state average. Both sites show a nearly continual decline over the past 25 years, interrupted briefly in the early 1990s (in the U.S. comparison) or not at all (in the Washington comparison). As Spokane Vitals makes clear, benchmarking current PCPI against peer communities brings little applause.

From a policy angle, however, we need a refined metric. Spokane Vitals and the Journal’s editorial are calls for action, but changes in PCPI aren’t the best meter of economic-development action. Why? Consider the three large categories of personal income.

Dividends and rents represent either financial acumen or payments on assets that don’t necessarily track local wealth creation. Transfer payments (Social Security, Medicare, Medicaid, payments to veterans, etc.) are, by definition, not determined by current economic activity and can reflect poorly on the local economy. They now amount to more than 35 percent of personal income in Spokane County.

Only earned income, the third component of personal income, measures the local economy’s success in producing jobs and compensation rates. Yet, measured on a per capita basis, the most recent data show the county at 80 percent of the national average in earned income. Ada County, which includes Boise, with which Spokane often compares itself, is at 117 percent.
Earned income is the mathematical product of the number of people at work and their compensation rates. With the exception of the early part of this decade, our unemployment rate typically has been at or below the national average. Spokane’s average earnings per job, however, have been far below the national average. This is troubling when one considers that in the late 1970s, earnings per job here was at a par with the rest of the U.S.

The path of earned income in PCPI is what we should track. We can push it higher by increasing employment or by paying higher wages or both. Since local job creation generally has been strong, it makes sense to focus community attention on the earnings rate.

What should an appropriate target be? Parity with the U.S. seems fine, but we shouldn’t expect to achieve it soon. Just as it took 25 years to drop from 99 percent to 84 percent of the national average, it will take years to re-attain that level, assuming we have the right strategies to do it.

Defining these paths correctly represents one of the most important activities our community can engage in. We cannot will our way to higher earnings, since market forces simply are too strong. Still, crafting a strategy that tries to anticipate future markets is something we owe ourselves and our children.

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