THE RELATIONSHIP BETWEEN URBAN INCOME AND RURAL ECONOMIC ACTIVITY IN THE NORTHERN IDAHO AND EASTERN WASHINGTON INLAND EMPIRE

by

Hank Robison, Roger Coupal
and Neil Meyer

A. E. Extension Series No. 91-6

August 1991

Just under half of the Inland Empire's Gross Product is attributable to northern Idaho and non-urban eastern Washington. A model of Idaho and related state economies has been constructed by University of Idaho, College of Agriculture economists. In the July issue of the Idaho Farmer-Stockman, we used the model to describe the importance of Idaho's natural resource-based industries to the state's economy. In this article we report on an important spatial feature of the regional economy, the manner in which income in urban places depends on rural industry, including farming.

The periodic shopping trip to town is as much a part of country life as country roads. In the course of these trips, income generated in rural industry spills from the rural country- side to country towns, and from there to larger towns, and finally into the larger regional trading centers. Income systematically diffuses up the trade hierarchy from rural to urban place.

Consider how this works in the northern Idaho and eastern Washington Inland Empire. The economy of the Inland Empire covers the ten eastern-most counties of Washington and the ten Idaho counties north of the Salmon River Gorge. The region's gross product in 1987 was approximately $9.9 billion. Gross product is roughly the regional equivalent of gross national product and provides a broad definition of income.

Table 1 breaks the Inland Empire into three subregions. "Spokane" is Spokane County, taken to represent the Inland Empire's regional trading center. "Northern Idaho" refers to the Idaho portion of the Inland Empire, while "Eastern Washington" refers to the nine non-urban eastern Washington counties outside of Spokane County.

The bottom row of Table 1 indicates the gross product of each of the three subregions. Columns indicate the portion of this gross product according to the source of its ultimate generation. For example, Northern Idaho accounts for nearly $2.7 billion of the Inland Empire's gross product. However, the economic activity in this region

generates another $296.4 million, or 5.21 percent, of Spokane County's gross product. Persons and businesses from northern Idaho make purchases and carry on other business in Spokane. In so doing, $296.4 million of Spokane income is generated, income directly attributable to northern Idaho industry. The comparable figure for non-urban eastern Washington is $407.1 million, or 7.15 percent of Spokane County's gross product.

Table 1 reveals an interesting feature of the Inland Empire economy, a feature with an important implications for economic development. While northern Idaho's gross product is over half again as great as non-urban eastern Washington's ($2.69 billion as compared to $1.52 billion), non-urban eastern Washington's role in the Spokane economy is some one third greater than northern Idaho's ($407.1 million as compared to $296.4 million). This seeming anomaly is easily explained.

Northern Idaho's commercial infra-structure is far more developed than non-urban eastern Washington's -- there are more shopping malls, professional plazas, and businesses in general in northern Idaho than there are in non-urban eastern Washington. Monies flow into the export industries of these two peripheral economies -- industries such as timber, agriculture, tourism, and mining. These monies circulate in the peripheral economies in search of business and consumer goods. With its more highly developed commercial infrastructure, northern Idaho businesses capture a greater share of these circulating monies than do non- urban eastern Washington businesses.

The important economic development implication of Table 1 is this. We might suppose that northern Idaho's commercial infrastructure was at one time as non-urban eastern Washington's is today. As northern Idaho has grown, the out-of-state leakage to Spokane has diminished. By decreasing out-of-state leakages, economic development in northern Idaho in effect pays an economic development dividend,

increasing the income generating effects of all existing and future economic activity and development.

Table 1 reveals a certain incompleteness in our analysis. While it is undoubtedly the case that goods flow down the trade hierarchy and monies that pay for these goods flow up the trade hierarchy, there are clearly flows that go in the opposite direction as well. In other words, for example, a portion of northern Idaho's economy is attributable to economic activity in Spokane. Northern Idaho's tourism industry for example, is supported in part by Spokane residents. We are in the process of building these counter-hierarchical flows in our model.

We are also working to portray the spatial structure of Idaho's three other regions, southwest Idaho, Magic Valley, and southeast Idaho. The complete analysis will be distributed through the Idaho Cooperative Extension System.

TABLE 1

INLAND EMPIRE FUNCTIONAL ECONOMIC AREA

GROSS REGIONAL PRODUCT BY LOCATION OF ECONOMIC ACTIVITY
($Millions)

SOURCE OF ECONOMIC ACTIVITY	Spokane $Mil.	Spokane %	Northern Idaho $Mil.	Northern Idaho %	Eastern Washington $Mil.	Eastern Washington %	TOTAL $Mil.	TOTAL %
Spokane	4,988.4	87.64					4,988.4	50.39
Northern Idaho	296.4	5.21	2,690	100.00			2,986.4	30.17
Eastern Wash.	407.1	7.15			1,516.4	100.0	1,923.5	19.44
TOTAL	5,691.8	100.0	2,690	100.0	1,516.4	100.0	9,898.2	100.0