

3. WHAT DO WE HAVE TO WORK WITH? OUR STRENGTHS AND WEAKNESSES

Our strategy for building a diversified economy of well paying jobs requires a realistic appraisal of our comparative strengths and weaknesses. The following represent our advantages and shortcomings:

STRENGTHS

Location

The U.S. population and the forces of economic growth are shifting westward. As noted above, California's economy is the strongest in the nation, and the Puget Sound economy is robust. Oregon can serve these markets as well as gain businesses which want to locate near such markets but avoid their problems.

Perhaps more important, the global economy is growing and shifting westward. International trade is growing faster than are all national economies. The value of Pacific Ocean trade has overtaken that of Atlantic Ocean trade, and the economies of east Asia are the most dynamic in the world. Oregon's location on the Pacific Rim provides excellent opportunities for further expansion of export industries and trading industries.

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Renewable Natural Resources

Oregon has strengths in natural resources which a variety of businesses can draw upon. As national and international growth accelerates demand for natural resources, Oregon's forests, growing lands, water, and fisheries will become more valuable. Demand for products of resource industries will increase. In addition, the natural environment from which those products come will become more highly valued for its own sake. The ethic which has fostered this quality of life, and which is embodied in Oregon's environmental quality, public lands, and land use planning systems contributes to this advantage. As a result, Oregon is and can remain an unusually attractive place to live. In addition, it is likely to become an increasingly attractive destination for visitors.

Human Capital

Oregon's labor force is relatively well educated. Oregon has a higher percentage of both high school and college graduates over the age of 25 than the national labor force. Oregon invests more per capita in education than do most states even

though the per capita income is lower than average. The state's public education institutions at all levels have good reputations.

Efficient Public Facilities and Services

Oregon has a reputation for well managed, high-caliber public facilities and services, including roads, parks, metropolitan area schools, and utilities. These not only improve the lives of citizens, but also significantly affect business productivity. Public service disinvestment in the 1980s threatens this advantage, however, as portions of the state's public service infrastructure begins to show signs of neglect.

Quality of Life

Oregon's natural resources and natural beauty, high quality public services, social and cultural institutions, functional cities, and low population density contribute to a final competitive advantage: Oregon's widely recognized high quality of life. It is this factor that, to an increasing extent, distinguishes

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Oregon from the East Coast and from California and Puget Sound. This advantage will grow more important to firms dependent on skilled and choosy workers as those areas become more congested.

Responsive Economic Development Programs

The State, local governments, and Oregon's public utilities have at their disposal a variety of flexible programs and resources to help businesses interested in expanding and locating here. Oregon is well equipped and eager to support economic development.

WEAKNESSES

Size and Distance from Markets

Oregon has a small economic base, which limits short-term natural growth. Business supplier and customer networks here do not support economic stability or further growth and diversification to the extent that they do in Seattle or the San Francisco Bay area. Also, our size constrains development of those activities which depend upon or would benefit from large scale production or population bases, such as container ports, research universities, and large secondary businesses those facilities would support.

In addition, the state remains distant from many major markets. While growth of the Pacific Rim positions Oregon better than it was in earlier times, the distance

to major markets can still be a disadvantage, especially to producers of bulky products in which transportation is a significant cost component.

Our Confusing Reputation

In the same manner, our preservation ethic has resulted in a reputation as an anti-business state. This reputation is persistent. Governor Tom McCall's "visit but don't stay" speeches of the 1970s are still the first thing many outside the Pacific Northwest associate with the state. While projecting a positive image about our values, our well known regard for quality of life also may leave the impression of a state unfriendly to business development.

Business Costs

More directly, specific business costs are widely perceived as putting Oregon at a competitive disadvantage. Most notably, the state has relatively high worker's compensation rates, which have been repeatedly cited as a major competitive weakness by Oregon businesses.

Implications for Strategic Planning

Oregon's strengths include quality of life, location on the Pacific Rim, work force, and natural resources. Our economic development strategy should build on these. The competitive weakness derived from our costs of doing business can be overcome. Specifically, we need to reduce worker's compensation costs, cut unemployment insurance rates, reduce energy costs, and tackle spiralling health care costs. By addressing these issues, our companies will be better positioned to grow. Our greatest weakness -- relatively small size and low level of income, will make competing on projects requiring large amounts of capital (ports, domed stadiums, research universities and so forth) difficult. Because we cannot spend our way to competitive advantage, nor match the expenditure levels of competing states in large, capital-intensive projects, it is important for us to carefully target capital expenditures in ways that bring the highest return.

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As we address strategy, it is therefore important to search for opportunities in which small size is an advantage. Three areas are notable. Our small size creates the opportunity to form stronger partnerships among our institutions, an important factor in building competitive advantage in an advanced economy.

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Second, our relatively small size may be an advantage in educating our children. There is data suggesting that small states appear to compete successfully with larger ones by educating their citizens. Finally, quality of life appears to be an advantage of relatively small size, with less congestion and greater access to the outdoors.

These relative strengths and weaknesses also suggest the kinds of business activity that might prosper in Oregon. Clearly, those industries that draw on the state's natural resources will have competitive advantage in the state. These industries include forest products, agriculture, fisheries, tourism, and in some cases, metals (which draw on the state's relatively low-cost electric power). Skilled services and products of high value in relation to weight (such as electronic equipment, software, and specialty components) are more likely to prosper here than bulky, lower value products which incur the disadvantage of transportation costs to reach major markets. Such services and products fit Oregon's quality of life. Skilled services and high-value products require talented people who are likely to prefer Oregon to more congested areas elsewhere.