

**MAKING THE
MOST OF
SOUTHERN
CALIFORNIA'S
GLOBAL
ENGAGEMENT**



by
Gregory F. Treverton



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FOREWORD

This essay by Dr. Gregory F. Treverton is the second in a series based on a Pacific Council project on Southern California's Global Engagement, funded by the John Randolph and Dora Haynes Foundation.

Michael Clough's paper, *Can Hollywood Remain the Capital of the Global Entertainment Industry?*, published in March 2000, was the first in this series, and the next will be Manuel Pastor's *Widening the Winner's Circle from Global Trade in Southern California*. All the papers seek to examine the interplay of the global and the local by analyzing particular aspects or implications of the global economy for southern California. A current and ongoing Pacific Council project examines the local face of globalization across five other city-regions in the western United States — San Francisco, Silicon Valley, San Diego, Seattle and the Wasatch Front (Salt Lake City) — and delivers comparative statements based on these cases and the southern Californian experience.

Southern California's role in what has come to be called "globalization," somewhat misleadingly because the process is actually uneven across the globe, is not well understood. The project's first task, therefore, is descriptive, seeking to "map" the most important ways that southern California engages the world beyond the United States, and to use this preliminary mapping to engage a number of participants from different sectors in discussions about how to take advantage of globalization in southern California, and how to mitigate the adverse consequences of globalization.

Treverton's paper, drawing on both the mapping and the policy-oriented discussions, portrays a region whose economy is globalizing as its people become more international, perhaps faster than anywhere else in the United States. He maps the leading industries and sectors, with special looks at Hollywood and at higher education, and he draws out themes — globalization itself may drive incomes apart, and so create relative losers amidst the winners; globalization's benefits are often dispersed while its costs are concentrated; and the region is deeply fragmented and lacks arrangements for dealing with issues region-wide. The themes are provocative, and they lay a basis for further, still more focused work.

We are grateful to Dr. Treverton for the leadership of this project, and to all the authors of the papers and memoranda the Haynes project created: Michael Clough, Manuel Pastor, Georges Vernez, Raul Hinojosa-Ojeda, Steven P. Erie, Edward Rodriguez, Thomas R. Rochon, Ana-Mari M. Hamada, Jack Kyser, Ken Ackbarali, Demetra Constantinou and Xandra Kayden. We are also grateful to William Fleming and Pedro Villegas for valuable research and administrative assistance. We also express our appreciation both to the Haynes Foundation and to the Ford Foundation for underwriting the Southern California project and the Comparative Impacts of Globalization projects, respectively, and for making possible this and related publications.

Comments on this essay are welcome. Please direct them to Greg Treverton at gregt@rand.org.

Abraham F. Lowenthal
President
June, 2001

SUMMARY

Southern California, the five-county region around Los Angeles, is the world's eleventh largest economy, ahead of Mexico and South Korea. Los Angeles's ports are the third largest in the world. Yet the shape and dimensions of southern California's international engagement are not well understood.

Drawing a more vivid "map" of that engagement — from trade and investment, to people flows, to the special roles of higher education and Hollywood — portrays a rich tapestry of a region that is becoming more international as it becomes more engaged internationally. Los Angeles' downtown skyline has been reshaped as the global economy merged away the once-dominant corporate giants — ARCO, Security Pacific, First Interstate, and Times-Mirror — and replaced them with more dispersed smaller companies and with the headquarters for the U.S. operations of global giants like Nestle, Honda, Nissan and Toyota. And the region's face is being reshaped, quite literally, as it comes to host immigrant diaspora of more than 100,000 people from eight countries, of which the four million Mexicans and Mexican-Americans are far and away the largest.

That global engagement and local internationalization are happening together may not be unique to southern California, but the pace and scale of the twin transformations are greater here. The region's global engagement is sometimes discomfiting, and our concepts for understanding, even our language for articulating, what is afoot lag behind the facts. For instance, the region is still living off "Eisenhower-Brown inheritance," — the federal largesse for highways in the 1950s and the spending on education associated with former governor Edmund ("Pat") Brown. Traffic at LAX, the region's only international airport, will double by 2015. But expanding LAX or building new capacity in Orange County founders on the weakness of regional governance and on the politics of dispersed benefits but concentrated costs — NIMBY, or "not in my backyard," in shorthand.

So, too, while global engagement is a boon for the region, it is not for every citizen of the region. Perhaps paradoxically, the engagement itself tends to drive apart the incomes of the relative "winners" and "losers." Globalization is creating a multicultural middle class that is oblivious to race, but that fact could make the plight of the less fortunate — especially African-Americans and blue collar whites — all the worse. The point is made vivid by the Alameda corridor project — a two billion dollar project to connect the region's San Pedro bay ports with key transcontinental railyards near downtown Los Angeles. Despite the jobs the corridor will produce, a number of cities along it filed suit against the project in 1995. Why? All those cities were trade losers.

Common strands — dispersed benefits, concentrated costs, weak and fragmented institutions with little regional perspective — are the backdrop for the challenges to governance that the global economy poses for the region. The task is not to stand against the tide of international change but rather to try to assure that it raises as many boats as possible. If those who would promote globalization in the region's interest do not pay attention to who struggles in the process, they risk, at a minimum, that those strugglers will undermine support for openness, thus leading the region to cut off its nose to spite its face. For physical infrastructure, the watchwords are more integrated regional planning, reshaped governance and new forms of financing. So far immigration has been a plus, but all citizens of the region have a powerful interest in seeing that the children of the Mexican diaspora are not left behind in education and income.

The appropriate modes of action give pride of place to private initiative over public action, to less intrusive arrangements rather than ones that are more so, to incremental changes rather than dramatic ones, and to consensus gradually developed rather than decisions starkly imposed. That may be especially true given how politically fragmented the region is: liberal Los Angeles is right next to Orange county, long the most conservative county in the country. In these circumstances, organizations like the Pacific Council, informal but reaching out to new groups of leaders, can play an important role.

MAKING THE MOST OF SOUTHERN CALIFORNIA'S GLOBAL ENGAGEMENT

California is now the world's sixth largest economy, ranking ahead of China without Hong Kong. Southern California, the five-county region around Los Angeles, ranks eleventh, ahead of Mexico and South Korea. The Los Angeles-Long Beach port complex is the third largest in the world. Yet the shape and dimensions of southern California's international engagement are not well understood, and are sometimes ignored. People lament the departure of the corporate giants that dominated the downtown skyline — ARCO, Security Pacific, First Interstate, and Times-Mirror. They hardly notice the stream of investment from abroad that has made the region headquarters for the U.S. operations of global giants like Nestle, Honda, Nissan and Toyota.

Drawing a more vivid “map” of southern California's engagement with the world beyond the United States was the purpose of the Pacific Council project of which this paper is a summary and overview. It sketches the dimensions of that engagement — from trade and investment, to people flows, higher education, and Hollywood. It then looks comparatively at the experiences of other cities and regions in first understanding, then framing strategy for, their insertions in the global economy. It outlines the suggestions for action and the common themes that emerge from the mapping, and it concludes with the challenges to governance when the global economy is putting a premium on a region-wide view but institutions and leadership in the region, both public and private, are weak and fragmented.

Two interrelated dynamics are driving the globe. One is the technology revolution, particularly in information, that is making distance less relevant; transactions occur with dizzying speed across long distances. The other is the triumph of the market, which does not compel nations to follow particular economic policies but surely penalizes them if they don't; nations can be rich or autarkic, but not both.

The two transformations together are both shrinking and changing the role of the state. Technology permits a plethora of actors — from bankers and business people to criminals and drug traffickers — to operate around and through the apparatus of the state. Markets impel governments to desist from some economic activities, and market forces given form in international financial institutions compel them to pursue particular economic policies. It is not the rise of the “virtual state,” in Richard Rosecrance's phrase; rather it is the rise of the “market state.”¹

Globalization is not, however, entirely “de-territorializing.” Rather, some economic activities are clustering.² Some services, like finance in New York or entertainment in southern California, benefit from the proximity to one another of different specialists; speed replaces weight as the reason for clustering. The same factors may account for high tech clustering in Silicon Valley. And it may be simply that creative teams work better face to face; anyone who has ever done business by video or teleconference knows that something is lost in the process, and what is lost may be precisely the intangibles of interaction on which creativity turns. In any case, whether and how economic activities are clustering despite globalization, and to what effect in southern California, is a theme that ran through the project. (The project's authors and their papers are listed at the end of this report.)

Southern California's Economic Insertion

How to define “the region” is an immediate issue. Given southern California's spread, focusing on the city of Los Angeles or even Los Angeles county would be too narrow. Given San Diego's links to Los Angeles, especially in transport, there is an argument for defining the region to include San Diego (and Tijuana, in Mexico). In the end, to keep the focus manageable, the region is defined as the five county-area — Los Angeles, Orange, Ventura, San Bernardino and Riverside — with it left open whether particular dimensions of the region's globalization would widen or narrow the aperture of focus.³

Measuring and assessing southern California's insertion in the global economy is no easy task, for the most widely-used Commerce Department data on customs districts simply measure the dollar value of flows through the region's ports and airports. There is no simple way to know whether those flows were produced and consumed in the region, or simply represented transshipments from or to somewhere else.⁴ Transshipment does create employment in warehousing, finance, port facilities and other logistical services, but the jobs created are far fewer than if goods for export were produced in the region. The point is important because at issue is whether southern California is an export “under-achiever” in terms of goods produced locally.

To be sure, those flows are impressive. By 1996, imports through the Los Angeles customs district had taken over first place in the country from New York. Los Angeles also led in exports, having grown by over 60 percent after 1993, or three times as fast as New York. San Francisco ranked fourth exports (after Detroit) but had doubled in those three years. Based on the best data, about half of total Los Angeles exports (\$67 billion in 1999) was produced in the region,⁵ Japan took 17 percent of the exports produced in the region, Canada 14 percent and Mexico about 13 percent. Asian countries figured more and more prominently in the list of top export markets, but the list was diverse enough to limit the impact on exports of Asia's financial crisis of the late 1990s.

The region's manufactured exports are also diversified in product lines. Transportation equipment (air and spacecraft, auto parts) ranks first, accounting for about a quarter of the total, followed by industrial machinery, computers and electronic equipment (17 percent), scientific and measuring instruments (15 percent), and chemicals, food and apparel. Within the region, exporters are spreading; Los Angeles county still accounts for more than two-thirds of exports, but that share is shrinking.

It has become common wisdom that services will be the key to the future global economy, and to southern California's place in it, but calibrating service exports is no mean feat either. The region, like most of the country, is “de-industrializing,” with manufacturing being supplanted by services; for southern California, this trend was exacerbated by the defense cuts that began in the mid-1980s and began to bite by the 1990s. Yet no direct data on state or regional service exports exist, so the best that can be done is to use national export data, allocating regional exports according to the region's share in national production. By that method, southern California exported about \$13 billion in services in 1999, travel and tourism accounting for half, and freight and port services over a quarter. These numbers are, however, as impressive for what they don't include as what they do. They do not include entertainment — film and music royalties and fees. The motion picture industry estimated its international box office receipts at almost \$7 billion in 1999, making foreign markets more important than the domestic one. Roughly half of those international receipts are earned by companies based in in the region — Disney, Sony and Fox.

Using standard multipliers, the region's manufactured exports created about a half million jobs and its service exports added about 135,000 more — making about one in nine of total jobs in the region (6 million) export-related. For reasons including transshipment, this number is probably conservative.

To add more specific flavor to the numbers, the project interviewed a score of senior executives in the apparel, fabricated metal, printing, entertainment, health and business services industries.⁶ Unsurprisingly, the executives expressed ambivalence about globalization. On the positive side, labor is more fluid, trade barriers are lower, and easier communications and transport facilitate meeting demands abroad. On the negative side, competition is intense, not all trade is equally fair — they cited east Asia in particular — and they become hostage to unpredictable fluctuations in foreign markets.

The executives were generally positive about the region's place in the globalizing economy — but with concerns about the future. Geographic proximity to Mexico and the Pacific is an advantage, notwithstanding faster global flows of information and goods. Critically, while the executives cited both an abundance of skilled labor and a pool of low-cost, largely immigrant workers — “one of the region's understated strengths” — they worried about sustaining the skilled pool as immigrants become a larger and larger share of the region's labor force. The interviews were sprinkled with critical comments about the region's business environment — ranging from business taxes to high-cost housing to crime. The South Coast Air Quality Management District (SCAQMD) and its regulations were the most frequently cited burden.

Each industry in the region had its own story to tell, its own toting of the benefits and costs of globalization. For apparel, the story is one of moving production abroad. That has been a response to competitive pressures, the North American Free Trade Agreement (NAFTA) in particular, and perhaps the recovery of union strength that has occurred in the region, and with it, union efforts to increase local wages. The outsourcing abroad has created new jobs in the region, in design, logistics and monitoring foreign operations, but it has put special pressure on the region's small firms.

For entertainment, globalization's balance sheet is, in money terms at least, almost entirely positive. There are, to be sure, pressures to cater more directly to foreign markets, coupled with incentives to move television production abroad, to Canada in particular. Yet while foreign markets together are bigger than the domestic one, no single market comes close. Even the industry's extraordinary degree of unionization is an advantage, for union benefits help retain workers in the region through the business's notorious cycles.

Fabricated metal producing, a diverse cluster of firms, has been in decline because of the aerospace cuts. Some firms have been successful in shifting from military specifications to civilian production, including by exporting or shifting production abroad, but the challenge of meeting international standards has been costly for many smaller companies. For all the technological change in printing, the industry remains one of small firms, mostly independent, including many that have been in business for a half century. It also, interestingly, remains committed to clients that mostly are close at hand.

Business and health services are the two largest service industries in the region. Both are growing fast. And while, in principle, technology ought to permit both to reach well beyond the region, niches in foreign markets have been elusive. For instance, one entrepreneur sought to export substance abuse programs to Canada but encountered myriad problems, from strange bureaucracies to unaccustomed delays, to handicaps in marketing to French-Canadians.

Winners and Losers

Although the number of southern Californians employed in manufacturing has held quite steady, at about 1.1 million, the growth in the global economy is services, not manufacturing. That is true across the United States; it is more of a change for other places, like New York, where manufacturing bulked larger in the regional economy. Still, its first effect is the same for this region: if the image of engineers being reduced to hamburger flippers at the local McDonald's is not quite right, the manufacturing jobs that are lost often are better paying than the service ones that are created. The income distribution can be worsened.

Globalization can be good for the region as a whole, but it is important to ask, more specifically, "for whom?" Globalization is a fact, here to stay, and in general, international competition improves efficiency and so makes for higher *aggregate* incomes. Yet the distributional effects of trade are perhaps adverse, and its benefits long-term; Latinos may benefit, but African-Americans and blue collar whites may lose. For southern California, globalization is creating a multicultural middle class that is oblivious to race, but that fact could make the plight of globalization's "losers" all the worse.

There is broad agreement that U.S. industry has been hollowed out and that the incomes of less skilled laborers have declined. The question is why? Sorting out the cause is knotty. Most U.S. trade in manufactured goods is with other high-wage countries, so globalization in the sense of competition with low-wage countries is hard to pin as the culprit for the hollowing out of U.S. industry. Rather, it appears that technological advances have increased the reward for skilled labor, while putting downward pressure on the wages of those who are less skilled. That said, technological advances cannot be readily separated from the global competition that drives their adoption.⁷ More trade makes it easier to substitute an import for a domestic good, and thus makes domestic manufacturers less willing to raise prices. Labor's bargaining power is reduced, especially when capital is very mobile.

Regions can embody a kind of "social capital."⁸ In this sense, again, location matters; location is a kind of externality not usually captured in economic analysis. Jobs in Seattle, for instance, are not much threatened by cheap products from low-wage Beijing. Given skilled labor and infrastructure, the aircraft industry will stay. And the high-skill sector will drive up wages in the non-traded service sector (office workers, and the like), jobs that are often occupied by less educated labor.

Putting these pieces together suggests two apparently contradictory propositions. On one hand, regions grow faster, and perhaps do better in international trade, if they are initially more equitable. On the other hand, trade itself is associated with widening inequality. Trade-winners do, it turns out, tend to be characterized by lower levels of poverty and inequality, and while trade losers face the fastest worsening of inequality, trade winners are not far behind. Yet regional protectionism is no answer: regions that are the least affected by imports initially do experience the least worsening in inequality as trade increases, but then they were the most unequal to begin with.

This abstract point is made vivid by the experience of the Alameda corridor project, one that came up often in our discussions. This two billion dollar project will connect the region's San Pedro bay ports with key transcontinental railyards near downtown Los Angeles. Its construction will produce at least 10,000 jobs and perhaps seven times that many in international trade by 2010. Yet a number of cities along the corridor filed suit against the project in 1995. It turned out that all the

cities along the corridor that sued were trade losers, as manufacturing operations along the corridor had moved elsewhere. More generally, using data on neighborhoods of about 150,000, the trade winners in Los Angeles county were generally white and richer, while the losers were poorer and more populated by minority groups.⁹

Physical Capital: Infrastructure

As southern California engages the globe, it does so with infrastructure — both physical, and to some extent, human — that is the legacy of choices made more than a generation ago. It is living off what one participant called the “Eisenhower-Brown inheritance,” referring to federal largesse for highways in the 1950s and to the spending on education associated with former governor Edmund (“Pat”) Brown that made California the envy of other states (if not always the favorite of its local politicians).

A distinct example of that aging is the region’s transportation infrastructure. Southern California has only one fully international airport — in contrast to the Bay Area, which has three — and demands on it, now nearing capacity, are projected to nearly double by 2015. By the same token, truck traffic in the region is expected to grow by nearly half over the next twenty years, and, with the shift in the 1990s from building freeways to managing traffic, southern California built only one freeway in the last decade of the twentieth century.¹⁰

For purposes of transport, the definition of the “region” stretches to San Diego, a “transportation colony of Los Angeles” with but a small port, no international airport and only a rail spur to Los Angeles. Indeed, stretching to San Diego implies stretching still further, for San Diego’s infrastructure cannot be considered apart from northern Mexico’s, especially the port of Ensenada. Only five percent of Los Angeles’s trade is with Mexico, but 45 percent of San Diego’s. The “big three” projects — port improvements for Long Beach and Los Angeles, the Alameda corridor, and the Los Angeles airport (LAX) master plan — are critical to the region’s trade future. Together, these represent the nation’s largest trade infrastructure program.

They also raise a clutch of puzzles around the issue of dispersed benefits but concentrated costs, of which the Alameda corridor is a stark example. While the project unquestionably will promote trade and create jobs, citizens in the poor communities along the project ask, with good reason, jobs where and for whom? If most of the jobs will be created elsewhere in the region, not to mention in Texas or New York, those citizens may well judge the immediate costs — noise, pollution and disrupted traffic during construction — not worth the long-term benefits.

This is why the question of whether the region is a trade “under-achiever” is important. Is the region a trade center or merely a transshipment hub, a kind of West Coast New Orleans capturing few of the benefits of trade in the region? If it is merely the latter, then the costs and benefits of infrastructure projects will be judged accordingly. Both Los Angeles and Long Beach have, for instance, been tempted to deprive the ports of investment capital by diverting port revenues to general municipal coffers. Half of the region’s “international trade” in 1995 was indeed transshipment from other states. To frame a better answer to the under-achiever question, export earnings can be compared with total income to measure success at selling to foreigners. By that measure, southern California does better than the nation and New York, but only about half as well as San Jose, Detroit and Seattle, whose exports are high-value computer electronics, automobiles and aircraft, respectively.

In these circumstances, citing airports is a Catch-22, as one participant in the study group put it: “in order to have demand, you have to have population density. And when you have population density, you have conflict.” The airline industry would like a massive expansion of LAX and the creation of big new airport at the old Marine facility in Orange County, El Toro. But both run into local opposition. Already, as one participant put it, the citizens of Los Angeles’s Westchester neighborhood have as much say over LAX as they do over their local streets. While nearly 40 percent of LAX’s direct jobs, mostly in air cargo, are within ten miles of the airport, local residents still worry that expansion will create more noise, congestion and pollution, and reduce property values.

...and Human Capital: People Flows

Immigration is reshaping the human capital of southern California, not utterly but more than any other region of the United States. Immigrant diaspora of more than 100,000 people in the region hail from eight countries, and they tend to live in enclaves separated from each other and from natives. The Mexican diaspora, four million people, half of them born in Mexico, dwarf all the others.

The debate over immigration sometimes ignores the basic fact that emigrating is uncomfortable, and so it takes more than economic promise to lure migrants. It takes some family or community at the other end. In southern California’s case, the roots of Mexican immigration go back to the World War II *bracero* program. What was intended as an interim substitute for farm workers in short supply lasted twenty years, and so the region’s Mexican immigrants do not reflect Mexico as a whole but rather still come from the slice of west coast Mexican states from whence the *braceros* were recruited.

The region’s wave of immigration from abroad is new, and thus the controversy about it is unsurprising. A scant generation ago, southern California looked much like the rest of the nation; now it is a third Latino. More immigrants arrived in the 1970s, 1.8 million, than in all earlier decades combined, and that number doubled again in the 1980s. Indeed, a third of all immigrants coming to the United States come to California, and about two-thirds of those settle in southern California. Moreover, immigrants are highly concentrated in Los Angeles county: about half the state’s immigrants live there. The very diversity of southern California can be a factor of strength, in reaching entertainment markets abroad, for instance; yet there remains concern that the diversity of the region will become a source of political, if not social, tension.

The immigration issue, which can be incandescent in its own right, runs through most other aspects of the region’s global engagement. The debate over which Americans benefit, or which Californians, will continue. Employers benefit from cheaper labor, low-skilled native workers suffer from competition, and consumers benefit from cheaper services and goods. Whether immigrants are a net tax burden or benefit depends on whether they are low skilled, like most Mexicans and central Americans, or higher skilled. There is now, moreover, concern that if migration has so far been an economic plus to the region, it might turn negative, especially as waves of lesser-educated migrants cause the region to lose its once-vaunted educational lead over the rest of the country. In 1970, Los Angeles county’s labor force had a ten-month advantage over the rest of the nation, but by 1990 that had become a six-month deficit.

Immigration has boosted job growth in the region because immigrants are paid less than natives but are, at any level of education, at least as productive — a conclusion that came through the interviews with business leaders. Employers report that if they seek low-skilled workers, they need only circulate word among their existing Latino workers. The downside of this advantage is that immigrants push down the wages and employment of low-skilled natives, African-Americans in particular, though by how much is hotly debated.¹¹

On measures like learning English, becoming American citizens and participating in politics, recent immigrants seem to resemble older ones. By the third generation, for example, the vast majority of immigrants either speak only English at home or are bilingual. The question at issue is whether the Latino diaspora, especially the Mexican, will be an exception to older patterns. For it, low education and large enclaves might trap many Mexicans in a cycle of poverty and separateness. Its children run the risk of growing up with greater expectations than their parents but not much chance of realizing them. That, in turn, might make for ethnic politics more akin to that of African-Americans than of older, mostly European, immigrant groups. For those older groups, ethnicity was soon overshadowed by class and education as determinants of political behavior.¹²

As one discussant in the project put it, immigrants from the Philippines are doing just fine, thank you; they don't need politics. Mexican immigrants might. In this sense, the context may not affect the political choices but does bear on attitudes about them. As another discussant put it: when the Okies and Arkies arrived in the 1950s and 60s, they came at a boom time in education in the region; now the Mexicans and Central Americans arrive at a bust time.

Improving the Infrastructure: Higher Education

Southern California engages the world by continuing to be a magnet for foreign students. The entire state takes more than 12 percent of the 450,000 international students in the United States. In nine very different southern California institutions of higher education, the percentage of international students ranged from 5 to 15, the latter at the University of Southern California, which amounted to the third largest number among research universities nation-wide. For all nine institutions, international students pumped some \$200 million into the local economy.

To be sure, international students are only one aspect of the region's globalization in higher education. Another is the presence of foreign scholars; on that measure, the Berkeley, Los Angeles and San Diego campuses of the University of California trail only Harvard in total numbers. Those scholars are predominantly researchers, not teachers, they hail from Asia (43 percent) more than Europe (38 percent) and Latin America (6 percent), and, like the international students, they are heavily engaged in mathematics and engineering, the physical and life sciences.

Yet globalization requires not just the presence of international students and scholars in the region; it also requires wider perspectives to cope with, let alone take advantage of the internationalization of the region. The project looked in detail at two key sets of institutions — schools of business and education. The former long have taught international finance and the like; what is new is the recognition that doing business in today's global economy requires not just technical skills but also appreciation of the cultural context of the places where business is done: hence, courses in cross-cultural understanding have blossomed in the region.

For the region's education schools, the challenge is to cope not with the presence of students from abroad but with the internationalization that is going on at home. It has become commonplace to observe that, in aggregate, students in southern California's schools speak 150 languages at home. By 1990, for instance, a third of Los Angeles county was foreign-born, and half the immigrants spoke a language other than English at home. And so schools of education have moved well beyond the challenges of teaching English and of bilingualism to efforts to understand the effects of culture on cognition, measurement and the like; indeed, teacher training becomes "the domestic equivalent of study abroad programs."

Hollywood and Southern California

There is no gainsaying that the world is more and more important to the cluster of music, film and entertainment industries labeled in shorthand "Hollywood." Foreign showings now account for sixty percent of film earnings; for television the number is 20 percent and rising fast. For many abroad, the pre-eminent image of the region, and of America, is that purveyed by Hollywood.

Yet the question remains what connection Hollywood has to the region.¹³ Hollywood and southern California are inseparable in the minds of most Americans, but until recently Hollywood was in fact less important to the region's economy than real estate, oil, automobiles and aerospace. And the separation between the region's traditional "downtown" establishment, predominantly Anglo, and the Hollywood elite, heavily Jewish, was almost complete.

For the future, the crucial question is one that cannot be answered definitively: will Hollywood become the region's driving leader? Or will it "deregionalize" as it globalizes, suspended in air, in but not much of the region? In the past, southern California has chased New York for mastery of the media battleground. In the future, under the twin challenges of globalization and digitization, will Hollywood continue to have the preeminence it has achieved rather lately? Northern California might emerge as a real competitor if Yahoo, WebTV and their kin turn out to be real alternatives to existing media.

The seeds of today's media conglomerates were sewn, paradoxically, in the 1950s, when the big studios suffered the twin blows of television and of antitrust judgments that divested them of their monopoly over film exhibition in theaters. In 1954, Disney agreed to produce a weekly show for ABC, and the next year Warner Brothers too decided to produce prime-time television. This "television era" lasted a generation, until the 1970s, when it was undone by, above all, the rise of cable.

The 1980s saw the consolidation of the big four entertainment companies — Disney, Fox, Sony and Time-Warner — whose reach extended in the next decade, to sports networks and teams and to news outlets like CNN. The process of consolidation has continued, and today's roster of leading firms would be Disney, Time-AOL, News Corp. (Sony), Viacom (Paramount), and Universal-Vivende. This consolidation coincided with the declining national authority of Washington and New York, and was accompanied by the "re-regionalization" and increasing diversity of the United States. This increasing diversity might confer advantages on southern California. Earlier, it was the melting pot of immigrants from within the United States and so the ideal place from which to reach a more homogenous America; now, its internationalism makes it a place from which to reach a very diverse global market.

There are those who seek to loosen the region's hold on Hollywood, for other cities and nations, Canada in particular, try to lure production away. Technological advances are making it easier to disperse production and so let other regions compete for pieces of the industry. Yet there is no other market anywhere near the scale of that in the United States; the other markets are just that, plural. Trying to locate production near all of them would be prohibitive, and so Hollywood is not likely to migrate abroad to the same extent as other industries.

If, however, globalization does not affect *where* entertainment is produced, it will affect *what* is produced. Already, witty American comedy, hard to translate and make appeal across cultures, is losing out to action movies that are nearly dialogue-free or to teenage romance, which can be carried with not much more language. And Hollywood will feel the hot breath of those who govern its foreign markets, as it did when China tried to discourage Disney from releasing films that Beijing perceived as favoring the independence of Tibet.

In 1998 the Los Angeles Times ran a major series, "In Local Economy, Hollywood Is Star." Is that true? Will entertainment become the apex of the regional economy, serving as a magnet for talent, a spur to ancillary industries, the shaper of a regional identity and a builder of social capital? Perhaps, but the question of Hollywood's regional connection remains. Times have changed, but the Hollywood crowd is still an elite apart. As one person active in philanthropy put it: "It's still easier to raise money in Hollywood to save rain forests in the Amazon than for local parks." And while the fact that non-Americans own Fox and Sony may have little effect on how the companies are run, it does seem likely that those owners will not see themselves as regional leaders.

Interpreting the Map in Light of Experiences Elsewhere

The mapping portrays a rich tapestry of a region that is becoming more international as it becomes more engaged internationally. That the two processes are happening together may not distinguish southern California absolutely from other regions of the state or the country, but the pace and scale of the twin transformations are greater here. It is thus no surprise either that the region's global engagement is sometimes discomfiting, or that our concepts for understanding, even our language for articulating, what is afoot lag behind the facts.

Southern California's challenge has distinct contours, but we sought to learn from experience elsewhere, from cities and regions as different as Atlanta and Lyons, Hong Kong or New York. There is a vast literature on urban planning, but we were especially interested in initiatives that went beyond city planning to contemplate the broader interconnections between cities or regions and the globalizing economy, the "global-local interplay."¹⁴ An apparent paradox runs through the process. While globalization has weakened nation-states and eroded their autonomy, it has also coincided with, if not contributed to, a shift of functions to regions below the nation-state. Nations may be becoming less important, but regions are becoming more so.

That said, much previous work focused on cities even as the authors recognized that cities can less and less be separated from their regions.¹⁵ Indeed, futurist John Naisbitt sees "a new heartland of linked small towns and cities...as laying the groundwork for the decline of cities...If cities did *not* exist, it would not now be necessary to invent them."¹⁶ Metropolitan or regional governance grew almost everywhere in the 1980s except in two nations — Britain, which abolished its metropolitan governments in 1986, and the United States, which "only in a few cases...[could]...overcome its reluctance to establish effective arrangements for strategic planning and governance."¹⁷

Economic and political definitions of regions are often mismatched. Economic regions cut across political jurisdictions, even national boundaries; that is the case for San Diego and northern Baja California. In many places — Scotland, or Catalonia, or, tragically, former Yugoslavia — regional aspirations to political identity run ahead of economic possibilities. In the United States, the reverse is more often the case, as economic regions lack political articulations of their shared fates; not many people in this region would first characterize herself or himself as a “southern Californian.”

The work on cities and their regions also emerges from the economic development tradition, and its point of departure most often is physical infrastructure. Just as Tokyo used the occasion of the 1964 Olympics to build a modern transportation system, so Barcelona used the 1992 games as a catalyst for rebuilding infrastructure.¹⁸ The Olympics provided not only an occasion and a motivation, but they all but compelled new forms of public-private partnerships to accomplish the task in time.¹⁹

Most studies prescribe a very strategic process, infused with varying doses of hucksterism and jargon. For instance, one author outlines the following steps to create a “Dyropolis” in the information environment of the twenty-first century:²⁰

1. Determine what qualifies the region as strategic in the global economy;
2. Assess the region’s global linkages;
3. Identify opportunities for integrating infrastructures;
4. Shape a Dyropolis to provide the advanced urban hard (physical) and soft (knowledge) infrastructure;
5. Implement the strategy, especially by developing partner governments, corporations and institutions.

To be fair, notice that the first two steps of the process parallel the purposes of this project.

Typologies of cities and their regions are useful in foreseeing niches in the global economy. A 1980s listing noted that as industry was hollowed out, large businesses, banks, and law and accounting firms were concentrating in “command and control” centers — New York, Los Angeles, Chicago and San Francisco, with Houston and Miami as contenders.²¹ Philadelphia, Boston, Dallas, Denver and others cities qualified as regional command and control centers. Two other categories were less in control of their fortunes — manufacturing centers (Flint, Erie) and industrial military centers (Norfolk, San Antonio). Another listing added innovation centers (Cambridge, MA, Silicon Valley, Austin); third world entrepots (Miami, San Antonio, San Diego), and retirement centers (Tampa, Tucson).²² And yet a third list identified “bridge cities” (Buffalo, Seville) connecting two economies and “gateway cities” (Copenhagen, Montreal) serving as points of access for economic actors into the other country.²³

The works also tend to suggest similar rhetorical guidance. A study of North American cities, for instance, identified as crucial:²⁴ (1) enhancing the role of small and medium businesses, (2) creating attractive fiscal and regulatory climates for the existing business community, (3) assessing local comparative advantages and disadvantages, (4) fostering intergovernmental

cooperation, (5) building public-private sector linkages (the Greater Seattle Alliance is mentioned), (6) creating a strong educational and training base, (7) avoiding incentive traps designed to lure direct investment — what is usually called the “race to the bottom” (8) emphasizing international tourism as a tool of economic development, (9) “internationalizing” local policy, with enough of a network of civic support to sustain the perspective against temptations to turn inward.

Internationalizing local policy implies dealing with the dilemma at the heart of globalization — regions with more equal income distributions fare better in globalization but the process of opening to the global economy tends to pull incomes apart. One study analyzed the trends of low-wage employment in twelve U.S. cities (Atlanta, Baltimore, Boston, Charlotte, Chicago, Dallas, Detroit, Los Angeles, Miami, Milwaukee, Minneapolis, and Seattle), some them the most internationally oriented in the country.²⁵ Only Boston — with its concentration of research universities, high tech (defense) and knowledge-intensive industries — registered a decline in low wage employment as a share of total employment. By contrast, Canadian cities (Montreal, Vancouver, and Toronto) managed to reduce the low-wage portion of their employment during the same period. They did so, however, mostly through government policy interventions — more generous “social wages,” income maintenance, family allowance, and unemployment compensation.

In any event, measures to ameliorate globalization’s worst effects on those who are left out are not philanthropy. Rather, they are imperative lest public support for globalization be undercut. To that possibility, 1997’s defeat of “fast track” trade authority by the U.S. Congress is testimony. Wages rise with exports, even taking into account educational levels and other factors; so do jobs. So the global economy can have benefits for the poor and middle class. But that will require a new sense of inclusion that paves the way for less political squabbling and more regional collaboration.²⁶

All studies recognize that governance is key. Yet the success stories are also cautionary, for beyond the basics the ingredients vary. In a study of “*technopoles*”, high-tech industrial complexes, for instance, the basics are scientific knowledge and advanced technical information, usually provided by a university; high-risk capital, often furnished by governments or their militaries; and skilled engineers and other workers, usually again the result of nearby universities.²⁷ Beyond the basics, centralized national planning has been important in some regions — in Tokyo’s emergence, both before World War II and after, and in London and Paris, though more successfully before the war than after.

Silicon Valley’s rise to prominence depended on an institutional entrepreneur and a visionary Stanford dean, Frederick Terman. So, too, in the instances of Munich and southern California after the war, chance played a role. But Los Angeles also purposefully wooed those visionaries who would marry space travel and electronics, and the presence of CalTech was crucial. Munich was still more improbable than southern California as a technopole. Germany’s wartime electronics industry in Berlin was destroyed, then divided, so it had to be rebuilt somewhere. Munich’s climate was good, the universities too, and the American occupiers were permissive. Then, the division of Germany provided a stream of skilled workers from eastern Germany, one comparable to the one that traversed America westward to California.

The experience of special purpose districts across regions is also cautionary. To one observer, southern California already is an example of such districts run amok.²⁸ If there is a “regional” government, it is the South Coast Air Quality Management District, which exercises enormous

control over traffic, land use and growth — but is both unelected and largely unaccountable. A mare's nest of other districts spent, in the early 1990s, over \$70 million a year on planning, virtually none of it coordinated with each other. The districts have the advantage of taking a regional view, but they see the region only through the professional lenses of the road builder or air cleaner. No one is entrusted with seeing how the pieces fit together.

Experiences elsewhere make a strong case, theoretically at any rate, for some form of regional or metropolitan government. Councils of government, or COGs, were the rage of the 1960s and 1970s but subsided during the 1980s. They were composed of officials indirectly elected or appointed by local authorities and were meant to be a forum for debating regional strategy. They were driven, however, in the United States by federal government money for transportation, housing and the like, and by the accompanying requirement that local spending fit a coherent regional context.²⁹ As the carrot of federal aid waned in the 1980s, so did the COGs. Moreover, the sub-text of the COGs in the United States was race. Newly-elected African-American city mayors were reluctant to become minorities again in regional arrangements, which were attractive to urban whites precisely for that reason.

Still, to the argument that the last thing any region needs is another layer of government, the fair response is that nothing could be worse than the existing stew of incoherent authorities. Fusing city and county governments is one approach. Canada's federal government has made Toronto and Montreal the capitals of regional governments in a way Washington could not. Another is to lift some functions and taxing from the smaller city to the larger county; this is the case to some extent with Los Angeles county. Confronted with the task of modernizing its port, Rotterdam recognized both the need to involve its suburbs and their resistance to engage the big city on unequal terms. The result was a proposal to divide the city into ten or a dozen districts, each roughly comparable in size to the suburbs, as a way to permit cooperation on an equal footing.³⁰

In the United States, only Portland, Oregon, and Minneapolis-St. Paul have created regional governments. The twin cities initiated their Metropolitan Council in 1967, and in 1971, they established a tax sharing provision whereby 40 percent of the tax base from new commercial and industrial development region-wide would be pooled, to be redistributed according to a formula combining population and relative wealth. This regional tax sharing, widely lauded in the literature, is unique in the United States.³¹

The experiences of other regions also suggest the value some form of citizen group to undergird regional governance; "metropolitan partnership" was the terms of fashion in the 1990s. Seattle and Cleveland have the oldest associations in the United States, and the best known is probably the Citizens League of the Minnesota Twin Cities. "Cascadia" — the Vancouver-Seattle-Portland corridor — has developed a set of public and private organizations across the U.S.-Canada border. The Pacific Northwest Economic Region (PNWER) groups state and provincial officials, while the Pacific Corridor Enterprise Council (PACE) is a somewhat parallel private sector initiative. The Cascadia Transportation/Trade Task Force groups both public officials and private interests, while the International Center for Sustainable Cities (ICSC), a Canadian government initiative, made Cascadia its focus.³²

Recommendations for Action

Globalization is here to stay, so the task for the region is to make the most of it. That will require not just new ideas but new forms of action — by governments, by private groups and by the two in varying combinations. Policy ideas suggested by the mapping of southern California's engagement in the global economy include:

Trading Better

Mundane but important, better data, especially on services, would help the region better frame policy. As the region's trade grows, Los Angeles airport and ports become even more important as regional assets. That is true just as competition for trade business intensifies — from other west coast or Gulf coast ports, from Denver and Phoenix airports. Tourism benefits the region and could be still larger if steps were taken to mitigate southern California's image as a difficult place in which to get around.

The region was perhaps too focussed on Asia in the 1990s. The Asian debacle served to refocus the region, and given Asia's uncertainty, future trade growth will depend on other markets, especially Mexico and especially high-tech. With the spur of NAFTA, total cross-border trade in precision instruments almost doubled between 1993 and 1997, from \$2.95 billion to \$5.20 billion. Demand will grow apace with aging populations and increased health care spending.

Another set of agenda items is also implicit in the project's interviews with business people. Not only do the region's leaders need to do a better job of communicating globalization's benefits, they need to become more engaged in areas that at first blush seem tangential to trade — for instance, finding, and eventually training, workers for the export sector. Quality industrial space is in short supply in the region. Much of the potential space is in south-central Los Angeles; recycling that space not only would be attractive given proximity to the airport and ports, it could also help local African-American and Latino communities that risk being left behind by globalization.

Dealing with Globalization's Strugglers

Given the benefits of an open global economy, temptations by community leaders to turn inward, away from global trade, are to be resisted. The challenge is not to stand against the tide of international change but rather to try to assure that it raises as many boats as possible. The counterpart, though, is the realization that those who would promote globalization in the region's interest need to pay attention to who struggles in the process. Otherwise, those strugglers may undermine support for openness, thus leading the region to cut off its nose to spite its face. For a region that has suffered both urban riots and threats of suburban secession, the risk is hardly one to be dismissed.

There is no shortage of ideas if the political will is there. "Industrial policy" has a bad name, partly justified, but as the region looks to which international trade business "clusters" to promote, it could look beyond the over-all benefits to whether poorer citizens might be employed. So, too, the community development corporations (CDCs), a key vehicle for poor communities, might train locals people for jobs in international trade. It is easy to say that education is vital in making the region more competitive, but that education will need to take many forms, much of it not in school but rather on the job.

In the end, though, much of what can be done will boil down to participation, to finding ways to engage low-income residents in thinking about the regional economy. For instance, after its early missteps, the Alameda Corridor Authority established a Business Outreach Committee focussed on temporary jobs that will be created during construction. That committee might be made permanent as a means of helping local businesses better connect to international opportunities the project will produce. More generally, organizations as formal as the Southern California Association of Governments (SCAG) and as informal as the Pacific Council have roles to play in this process.

Sustaining Physical Infrastructure

For physical infrastructure, the watchwords are more integrated regional planning, reshaped governance and new forms of financing. The planning, perhaps centered on SCAG and its San Diego counterpart, SANDAG, needs to connect Los Angeles and San Diego, and to stretch to northern Mexico. Somewhat paradoxically, dialogue across the Mexican border about a binational master plan has been richer than that over the “Camp Pendleton divide” separating Los Angeles and San Diego. One promising initiative, pushed by SCAG and SANDAG, has reached out to a variety of authorities in California, Arizona, New Mexico and Texas in support of the “land bridge” — improved rail and road lines, and freer border crossings to create an integrated transport network from California to Texas.

The challenge for governance will be to respond to citizens’ interest in exercising more control close to their lives and homes while not undermining wider regional benefits. Given the legacy of California’s Proposition 13, the city of Los Angeles is tempted to raid the coffers of its proprietary and semi-autonomous departments — Water and Power, Harbor and Airports. Yet doing so raises rates and so risks pushing shippers to other West Coast ports.

Public-private partnerships already are built into port and airport funding because user and lease fees repay capital investments. Ideally, financing for major infrastructure projects would match the area of benefits; that would indicate federal and state funding for projects with broader spill-overs. With federal and state budgets in surplus, assistance from those quarters is not likely to continue to decline, but neither can it be counted on to increase to match the need.

One promising mechanism would use the state infrastructure bank to leverage federal funding. The bank could extend loans or lines of credit based on a limited pool of federal funds. However it is funded, expanding Los Angeles airport appears essential; despite all the obstacles, expansion still is if not better, then at least surer than the alternatives. Next priority should go to attending the transport bottlenecks of San Diego and northern Baja California.

In matching governance with the areas affected, regional airport or port authorities are tempting but have their own downsides. They can limit competition; Ontario airport, for instance, moved forward quickly with its delayed expansion when Norton and George, former military fields nearby, became commercial airports and commercial competitors. In San Diego the special authorities further fragment already-decentralized governance by magnifying the voice and veto power of smaller communities at the expense of San Diego city.

Keeping Immigration a Plus

Continuing immigration is making the region less and less like the rest of the state and the rest of the nation. Given the dominating size of the Mexican diaspora, immigration is also underscoring the connections between southern California and Mexico, its north in particular. At one level, integration of the immigrant diasporas into southern California's civil society is proceeding at least as rapidly as was the case for earlier immigrants.

Yet, given a constant stream of new immigrants, this integration may well seem too slow, both to natives and to the immigrants themselves. In the end, the risk that the region's politics might veer toward conflict along ethnic lines is due less to ethnicity itself than to increasing income disparities. The majority of children in the region's schools are Latino, and they are graduating from high school and going to college at rates well below those of other students. They enter a labor market that is less and less hospitable to high school drop-outs or even to those who have only a high-school diploma. During the decade of the 1980s, 850,000 new jobs were created in Los Angeles county but only 32,000 of these new jobs were filled by someone with a high school education or less. Changes in immigration policies that would over time decrease the share of ill-educated immigrants who settle in the region would also help, though they would make a difference only slowly. All citizens of the region have a powerful interest in seeing that the children of the Mexican diaspora are not left behind in education and income.³³

The concentration of immigrants in Los Angeles county, and especially Los Angeles city, raises issues of governance similar to those entailed in other local effects of globalization. On one hand, the various immigrant groups are very different, so local communities are best positioned to tend to their needs. Yet those local governments may not have the resources to do so. Some sharing of burdens across the region would make sense. It would also recognize the region's common stake in speeding the integration of immigrants into local society and in taking advantage of the target of opportunity those immigrants present to increase trade with their home countries.

Immigrants, especially Mexican ones, will make their voice heard on matters of policy. That is already happening, though the group's area of interest is understandably limited mostly to educational and economic opportunities in the region. Over time, the interests of Mexican-Americans will broaden. The group is not, however, likely to be of one voice nor, having voted with its feet, will it automatically be supportive of Mexico's policies. It will continue to focus on bread-and-butter issues here and on minimizing friction between the United States and Mexico, on developing the border region, and, more generally, on supporting economic and democratic advance in Mexico itself.

Targeting Education

The concern that the region is living off inherited educational infrastructure is real but needs to be decomposed. At the end of the 1980s, southern California's economy was in recession, and its leaders would have echoed other Americans in fearing that without better education the United States would not be able to compete with Japan or Germany. By 2000, national unemployment was below four percent, and southern California's only slightly above. Schools could not have improved so dramatically in the interim, and, indeed, the same bemoaning of schools was heard in a booming America as has been heard in an American in the doldrums.

This history suggests caution in drawing too clear a casual connection between education and growth. Aggregate education levels in Los Angeles county have fallen, but there is little evidence that productivity has — at least not yet. The immediate concern about education fixes on those, often immigrants, with least skill. Without some special attention, they risk being left beyond, their dreams frustrated, and their fellow citizens made worse of both by their absence as productive fellow workers and their presence as drains on public resources. Thus, the greatest challenge for the region is a tall order — framing policies that will move more Latinos through high school and into college.

Profiting from Entertainment

The view of Hollywood and the region that Michael Clough expressed in his recent Pacific Council paper is optimistic.³⁴ Entertainment can become much more than a regional employer — indeed its job total will be less than manufacturing, services and other sectors — it will be the key to whether southern California becomes a dominant new media center. Clough bets that the new media giants will be more connected to the region than the old film industry, and so will be more likely to take a lead in formulating a long-run strategy for the region. The social divide between “downtown” and “Hollywood” is diminishing. The executives who run Disney, Fox and Sony are not nearly as different from their counterparts in other corporate sectors as the old movie moguls were from the managers who ran the region’s banks, factories and local government in the golden age of the old studio system.

A number of concrete steps could enhance the global competitiveness of the region’s entertainment industry and use the presence of that industry to expand the region’s global connections. The first aim would indicate, for instance, a concerted effort to turn the region’s ethnic diversity into a global asset. Employing more Asian-Americans, African-Americans or Latinos in the industry is not affirmative action; rather, it helps Hollywood appeal to diverse global markets. Making it easier for foreign talent to work here would serve the same goal, as would cooperative arrangements and training programs that gave foreign countries where Hollywood bulks large more of a stake in the prosperity of the industry in this region.

Beginning to develop a strategy to take advantage of Hollywood’s global reach would go beyond including entertainment industry representatives in foreign trade missions, though that is a good idea. It would mean identifying countries and regions that are of strategic importance to southern California, and then searching for ways the entertainment industry’s presence and connections can be used to build collaboration.

Common Strands

The mapping of the region’s insertion in the global economy also revealed a number of common strands:

Defining the Region

The five county region was convenient and just about appropriately encompassing. However, when definitions of the region mattered, the differences provided insightful angles of vision on the subject at hand. The city of Los Angeles plainly was too narrow a focus, and too intertwined with the county, but for many purposes the county of Los Angeles served as a fractal of the larger region. The downside concerns about globalization in the region, for instance, hardly are confined to the country, but they are concentrated there. When, as in transportation infrastructure, the

region needed to be broadened to include San Diego, the difficulties of serious dialogue across the “Camp Pendleton divide” shed light on the parlous state of cooperation across even the smaller five-county region.

In any case, some special attention to the county and city of Los Angeles was warranted. From one perspective, the two bear a disproportionate share of the region’s burden. Now, the county is home to half the immigrants in the state, and the city has been hardest hit by the hollowing out of industry. More than three-quarters of a century ago it was the city that laid the basis for the region’s growth by investing in water, power and ports. Yet from another perspective, the city is the “800-pound gorilla,” not very cooperative and big enough to get away with it. To be fair, it doesn’t cooperate with itself much better than with the region. Notice that the lack of consensus on how to assess the reform of the city’s charter, let alone what to change, led to not one but two charter reform commissions.

Dispersed Benefits, Concentrated Costs

Across many dimensions of the region’s global insertion, the benefits are dispersed, but costs often are concentrated. That is as true of projects, like airports, as it is of growing imports. Consumers who benefit from cheaper goods, imported from abroad or made here under the pressure of foreign competition, don’t organize. Nor are there lobbyists for jobs globalization will create, but has not yet. By contrast, workers who lose jobs to foreign competition or citizens who live in the shadow of new infrastructure projects do organize and are vocal.

This theme was most visible in infrastructure projects like the Alameda corridor, for then “paying” had a very specific meaning — noise and congestion from construction or lost sales or jobs because streets were disrupted. Now, as the project approaches completion, its benefits are more apparent. The ports or airports are a regional, even a national asset, but the costs of building or living with them are concentrated in the neighborhoods where they are located. The dispersion of benefits may be less for airports than ports to the extent that the jobs created cluster near the airport, but the basic mismatch remain. NIMBY, “not in my backyard,” is everywhere. In principle, almost everyone agrees that a bigger airport in Orange County would make sense. Yet whether it should be an expansion of John Wayne in northern Orange County or of El Toro in southern becomes an emotive NIMBY issue.

In another sense, the question of whether the region is an export “under-achiever” is also an issue of how dispersed are the benefits of globalization. Jobs created in transshipment are nice, but if the Port of Los Angeles transships goods made in Texas or even New York, people in this region might wish the roles could be reversed, with them having the manufacturing jobs and someone else the traffic and pollution of the port.

Who Benefits and Who Pays

The broader form of the same issue is who benefits and who pays. People along the Alameda corridor had reason to feel they had been losers in two senses. Already poor, they were losing out on globalization’s benefits for the region. Then, they worried that they would also suffer the costs of construction along the corridor without much sharing in even the jobs that construction brought. Immigrants benefit from their move (else they would return); so do those who employ them (more cheaply than they could hire natives). Who may pay are the African-Americans or blue collar whites who either lose jobs to immigrants or, more likely, suffer downward pressure on their wages due to the constant stream of lower-paid arrivers from abroad.

In a longer view, there is the concern that if immigration turned from a plus to a minus for the region, those costs would be both concentrated and dispersed. They would fall most heavily on the immigrants who fell further and further behind their expectations and their fellow citizens. But the region would also suffer if education levels declined, taking productivity with it, and making the region less attractive for the economic activity it seeks, still worse if the vicious cycle increased claims on public institutions and money or risked civil strife. For a long time, though, those costs might be dispersed enough not to rally political support to do much of anything about them.

Governance, Public and Private

These common strands — dispersed benefits, concentrated costs, weak and fragmented institutions with little regional perspective — are the backdrop for the challenges to governance that the global economy poses for the region. The days are gone, and doubtless unlamented, when a cohesive local business elite made major decisions, both public and private, in a Los Angeles downtown men's club. Like many things we remember best, that past may not quite have happened, and the Committee of Twenty-Five may not have dominated civic affairs to the extent that is thought. Still, the image is accurate of a strong business community but political structures inherited from the Progressive era, ones that were designed to be weak, overlapping, with confusing jurisdictions so that no one would abuse power. That business dominance broke down for a number of reasons, but not least that industry structure changed. Home-grown CEOs whose businesses were entangled with the region were replaced by leaders of multinational companies, who neither understood the region nor were primarily responsible to it.

Now, what is striking is the fragmentation of leadership. It is the Progressive ideal come to fruition but seventy-five years too late. Downtown, Hollywood and Latino leaders still often do not speak the same language, sometimes literally. That state of affairs may be changing, but this mapping leaves it an open question how much. The downtown elite is gone, but are Hollywood leaders likely to be more connected to the region than the old movie moguls? Those leaders too now run global corporations, ones that just happen to be in southern California.

Politics can compound the puzzle of dispersed benefits but concentrated costs. While the logic of trade would argue for much more integrated region-wide planning, political currents seem to be flowing in the opposite direction. Charter reform was in the 1990s atop the city of Los Angeles's agenda, driven there by the interest in forestalling secession by the San Fernando Valley. That interest argued for more decentralization, for neighborhood councils with real power. Yet existing governing authorities already tended, for instance, to give the citizens of Los Angeles's Westchester neighborhood as much say over Los Angeles airport as they had about local streets. The stimulus of Valley secession and the response of charter reform were a reminder that while Los Angeles may be weakly governed, that governance is not decentralized.

There is nothing new about this mismatch in American governance: efficiency often argues for larger units, while accountability indicates smaller ones, closer to citizens. If the tension is sharper now, it is because its effects cut across existing jurisdictions much more than in the past. And so there is little way, for instance, for the southern California region to act on its regional interest in education, which is for reasons of accountability a largely local matter, or immigration, which is for reasons of efficiency a national responsibility.

The anti-immigration proposition 187 in 1994 and anti-affirmative action proposition 209 in 1996 propelled Latinos, in particular, toward political participation. The question is what will be the vehicles for that participation and to what effect. The reformist impulse gave California weak parties and spared it party machines on the model of the big eastern cities. Those machines hardly were paragons of virtue; they included some immigrants while harshly excluding others. Nor is their absence entirely a bad thing, for California's tradition of non-partisanship in local elections may make for a more consensual, less dogmatic brand of politics.

Absent parties, though, immigrants to the region will be left to fend for themselves and find their own ways into the system. Some may neither need nor desire politics. Others may be too absorbed with the immediate well-being of their families to have much energy for politics; Mexican-American participation rates have remained low probably for just that reason. Yet the 1992 Los Angeles riots were graphic testimony to the hard edges of ethnic relations in the region. Without mediating institutions, will immigrants turn to a politics rooted in ethnicity?

Beyond parties, it is at least in question whether existing regional institutions are adequate to frame a regional perspective. Regional special purpose districts, such as for ports or airports, have a long history, one that is controversial. They can become very powerful, perhaps too powerful, by comparison to elected leaders, but they can act to frame a broader perspective and in so doing act as a counterweight to concentrated costs and concentrated responsibilities.

Moreover, existing regional authorities, such as they are, link governments. Yet it seems plainer and plainer that approaches to the local challenges entailed in the global economy will emerge as much from private initiatives and from private-public partnerships as from traditional government action. Flush state (and federal) revenue coffers are promising but do not fully negate that point. Rising tax revenues offer some chance that California as a whole might move toward the position it once occupied near the top of state investment in public education. But that broad rising tide will still leave some boats, especially those of newly arrived Latino immigrants, far below those of other students. If there are to be initiatives targeted on that disparity, those will have to emerge from the private sector, both non-profit and for profit.

The last point underscores that private sector is plural. Those different private sectors can act in different ways. Shippers, concerned about profits, will serve as a constraint on port fees and financing by voting with their checkbooks and moving business to alternate ports. But even for the ports, which seek creative new ways of financing needed investments, new kinds of interactions with the private sector will be imperative. Local business alliances, like LA Prosper Partners, will move into education and training. Indeed, for better or worse — probably for both — education will privatize, especially education that is closely connected to retraining for jobs. In almost every area, the connections between public and private will be richer and more complicated. An early example is the fact that in most major cities these days, “private,” business-sponsored groups provide what used to be thought of as among the most basic of “public” services, clean streets and safer ones, too — including in Los Angeles.

The list of shortcomings in regional governance is a daunting one. Local elites don't think in policy terms. Those elites don't talk across the region: witness San Diego vs. Los Angeles. Yet the argument that the shortcomings need not matter all that much is not to be dismissed out of hand. That argument starts by noticing just how fragmented the region is: liberal Los Angeles is right next to Orange County, long the most conservative county in the country. The region is

subdivided into a mosaic of ethnic communities, cheek by jowl but often with faces turned away from each other. The growth-no growth debate further divides communities. In these circumstances it is little surprise that gridlock or incremental change is more apparent than visionary leaders or bold schemes. From one perspective, this amounts to muddling through; from another it could be described, as in the conclusion of a study on the Chicago region, as “ideal pluralist democracy” in action.³⁵

For southern California much more than for Chicago, the appropriate modes of action may give pride of place to private initiative over public action, to less intrusive arrangements rather than ones that are more so, to incremental changes rather than dramatic ones, and to consensus gradually developed rather than decisions starkly imposed. The point can be overstated, and often is to the point of caricature, but in the west still more than in the rest of the United States, the individual is the paramount value. Perhaps it is precisely the looseness of governance and the primacy of the individual in southern California that has permitted the stark political contrasts to co-exist. For these reasons and others, not least the ease of drawing in the private sector, informal cooperative arrangements may be preferable to more formal ones. In that regard, organizations like the Pacific Council on International Policy, can play an important role by building an informal, but real, network of local leaders from a variety of sectors.

ENDNOTES

- 1 This discussion owes much to my conversations with Philip Bobbitt, and the term “market state” is his. See his *The Shield of Achilles*, (New York: Knopf, 2001). Richard Rosecrance speaks of the “virtual state,” and Jessica Mathews also writes of technology breaking government monopolies on collecting and managing information. See Richard Rosecrance “The Rise of the Virtual State,” *Foreign Affairs*, (July/August 1996), 45-61., and Jessica T. Mathews, “Power Shift,” *Foreign Affairs*, 76, 1 (January/February 1997), 50-66.
- 2 See, for instance, work by Michael Porter, at http://dor.hbs.edu/fi_redirect.jhtml?facInfo=pub&facEmId=mporter.
- 3 For a nice introduction to Los Angeles and its region, one which also uses the five-county region as its definition of “greater Los Angeles,” see Allen J. Scott and Edward W. Soja, *The City: Los Angeles and Urban Theory at the End of the Twentieth Century*, (Berkeley: University of California Press, 1996).
- 4 It also includes Las Vegas, Nevada in the customs district of Los Angeles.
- 5 These data are from the Bureau of the Census Exporter Location (EL) series, and were provided by Ken Ackbarali and Jack Kyser of the Los Angeles Economic Development Corporation.
- 6 Demetra Constantinou conducted these interviews for the Pacific Council project.
- 7 See Dani Rodrik, *Has Globalization Gone Too Far?*, (Washington, D.C.: Institute for International Economics, 1997), p. 16ff.
- 8 See Manuel Pastor, *Widening the Winner's Circle from Global Trade in Southern California*, forthcoming from the Pacific Council on International Policy.
- 9 See *ibid.*
- 10 For an overview of California’s movement of goods, see *California Department of Transportation and San Diego Association of Governments, California Trade and Goods Movement Study*, (June 1996), p. 51ff.
- 11 See, for instance, Kevin F. McCarthy and Georges Vernez, *Immigration in a Changing Economy: California's Experience*, (Santa Monica: RAND, 1997); and National Research Council, *The New Americans: Economic, Demographic and Fiscal Effects of Immigration*, (Washington, D.C.: National Academy Press, 1997).
- 12 See McCarthy and Vernez, cited above, and Louis DeSipio, *Counting on the Latino Vote: Latinos as a New Electorate*, (Charlottesville, VA: University of Virginia Press, 1996).
- 13 Michael Clough’s work for the project was published by the Pacific Council on International Policy, as *Can Hollywood Remain the Capital of the Global Entertainment Industry?* (Los Angeles: Pacific Council on International Policy, September 2000).
- 14 Mick Dunford and Grigoris Kafkalas, *Cities and Regions in the New Europe*, (London: Belhaven Press, 1992), especially chapter 1.
- 15 Neal R. Peirce, *Citistates: How Urban America Can Prosper in a Competitive World*, (Washington: Seven Locks Press, 1993), pp. 191-2.
- 16 John Naisbitt and P. Aburdene. *Megatrends 2000 — Ten New Directions for the 1990s*, (New York: Avon books, 1991), pp. 329,332.
- 17 Urrlan A. Wannop, *The Regional Imperative*, (London: Jessica Kingsley Publishers, Ltd., 1995), p. 368.
- 18 The Centro Iberoamericano de Desarrollo Estrategico Urbano (CIDEU) website contains some strategic city planning documents by Ibero-American cities. The most comprehensive report is the Strategic Plan for Barcelona 2000. Other less comprehensive plans are included for Santa Fe de Bogota, Colombia and Guadalajara, Mexico. CIDEU is located at <http://www.cideu.org>.
- 19 Nigel Harris and Ida Fabricius, *Cities and Structural Adjustment*, (London: UCL Press Limited, 1996), pp. 105-16.
- 20 Michael Wakelin, “Globalization of Regional Development,” in David Gibson and others, *The Technopolis Phenomenon: Smart Cities, Fast Systems, Global Network*, (Lanham, MD: Rowman and Littlefield, 1992) p. 51.
- 21 Royce Hanson, ed. *Rethinking Urban Policy: Urban Development in the Advanced Economy*, (Washington: National Academy Press, 1983).

- 22 John R. Logan and Harvey I. Molotch. *Urban Fortunes: The Political Economy of Place*, (Berkeley: University of California Press, 1987), pp. 258-77.
- 23 Peter Karl Kresl, "Gateway Cities: A Comparison of North America with the European Community," *Ekistics*, 58, (1991), 352.
- 24 Earl H. Fry, "North American Municipalities and Their Involvement in the Global Economy," in Peter Karl Kresl and Gary Gappert, (Oakland: SAGE Publications, 1995), pp.33-44.
- 25 Marc V. Levine, "Globalization and Wage Polarization in U.S. and Canadian Cities: Does Public Policy Make a Difference?" in Kresl and Gappert, *North American Cities and the Global Economy*, (Oakland: SAGE Publications, 1995), pp. 89-111.
- 26 This is very much the theme of Manuel Pastor's forthcoming paper.
- 27 Manuel Castells and Peter Hall, *Technopoles of the World: The Making of 21st Century Industrial Complexes*, (London: Routledge, 1994), p. 27. The Tokyo, London, Paris, Silicon Valley, Munich and southern California cases are all in this volume.
- 28 Peirce, cited above, p. 318.
- 29 See M. B. Mogoluf, *Governing Metropolitan Areas*, (Washington: The Urban Institute, 1971).
- 30 *Divided Cities in a Global Economy: The 1992 European-North American State-of-the-Cities Report*, (Washington, D.C.: German Marshall Fund of the United States, 1992), p. 28.
- 31 See, for instance, the chapters on Baltimore and Dallas in Peirce, cited above.
- 32 Alan F.J. Artibise, "Achieving Sustainability in Cascadia: An Emerging Model of Urban Growth Management in the Vancouver-Seattle-Portland Corridor," in Kresl and Gappert, cited above, p.221-222, 241-247.
- 33 See, for instance, Dowell Meyers, *The Changing Immigrants of Southern California*, Los Angeles: University of Southern California, 1995).
- 34 *Can Hollywood Remain the Capital of the Global Entertainment Industry?*, (Los Angeles: Pacific Council on International Policy, September 2000).
- 35 G.C. Hemmings and J. McBride, "Planning and Development Decision Making in the Chicago Region," in D.N. Rothblatt and A. Sancton, eds., *Metropolitan Governance: American/Canadian Intergovernmental Perspectives*, (Berkeley: Institute of Governmental Studies Press, University of California, 1992).

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The Pacific Council seeks to engage Americans in a globalizing world — one that is more dynamic, where national border are more porous and “policy” results from private actions as well as public. Through its study groups, task forces, Fellowships and publications, it is focussing in 2001 on the Korean peninsula, the globalization of the American entertainment industry and the international connections of the North American West.



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