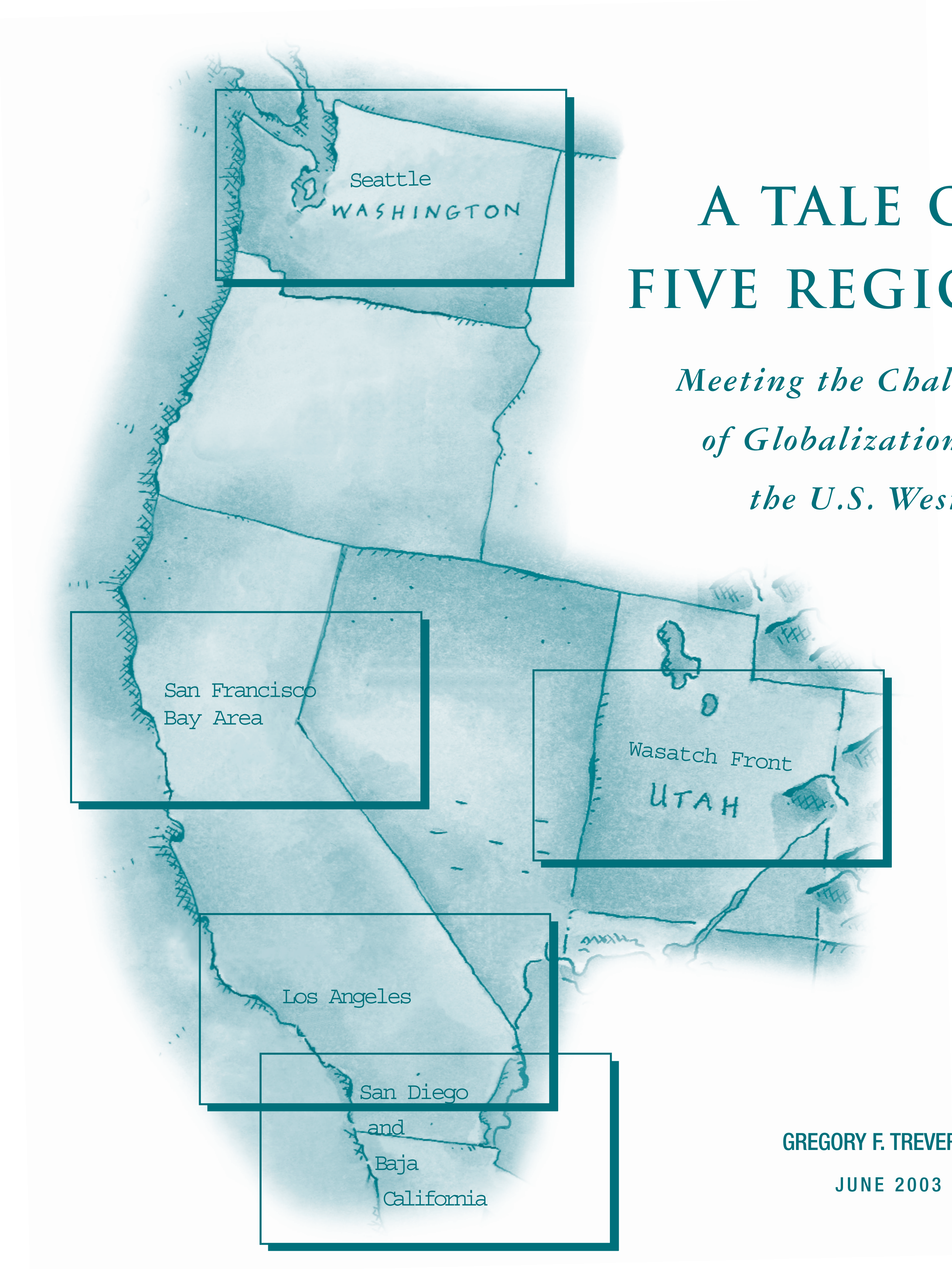

A TALE OF FIVE REGIONS:

Meeting the Challenge of Globalization in the U.S. West

GREGORY F. TREVERTON

JUNE 2003

PACIFIC COUNCIL ON INTERNATIONAL POLICY

THE WESTERN PARTNER OF THE COUNCIL ON FOREIGN RELATIONS

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EXECUTIVE SUMMARY

Regions, not merely cities or states, are becoming the units for which success in the global economy is best measured. That is because infrastructure elements that are critical to the movement of goods and people—such as roads, ports, and airports—are scattered throughout a region and not concentrated in a particular city. The human capital and research that drive innovation tend to cluster, even as they are networked across regions and countries. And quality-of-life issues—environment, traffic congestion, and housing—that play an outsized role in attracting the information technology and other industries at the leading edge of the global economy are also regional in nature.

Yet despite the importance of developing a regional response to the challenges of the global economy, the five urban areas in the western United States analyzed by the Pacific Council on International Policy—San Diego-Tijuana, Los Angeles, the San Francisco Bay Area, Seattle, and Utah's Wasatch Front around Salt Lake City—have limited means for taking a regional perspective. For all the success these regions have had in the global economy, their lack of regional vision puts at risk their ability to continue to be leaders in the global economy.

The five-region study also found that ***whether there are regional winners and losers in the global economy is not simply a function of geography.*** San Diego, a natural gateway city that links Mexico, the U.S. Southwest, and Asia, has in fact had a modest pace of economic globalization, owing to infrastructure shortcomings and the dominance of small- and medium-size businesses that are often uncomfortable with international commerce. The Wasatch Front, on the other hand, has benefited from globalization even though it is located far inland, away from leading seaports and airports, and is less ethnically diverse than the other regions. Part of the reason for its success is that many of its people, as missionaries for the Mormon Church, have developed language expertise and overseas experience that serve as "cosmopolitan capacity" for engaging the global economy.

Globalization has increased the need for institutions, public and private, that can take a region-wide view, but at the same time it has also undercut some groupings that might play such a role.

In the past, major corporate headquarters provided a cohesive force for the five regions. They are now mostly gone, merged out of existence, overwhelmed by changing technology or acquired by non-American owners. New institutions are emerging to provide regional perspectives—the business-initiated Joint Venture Silicon Valley being among the most visible, the Pacific Council itself being another example—but so far their reach and success have been limited.

If important groups feel themselves losers from globalization, they may take actions that deny the region the benefits of the global economy. In the Los Angeles area, a number of poor cities attempted to stop construction of the $2 billion Alameda Corridor, a rail project that connects marine ports with key transcontinental railyards. Although that project ultimately was completed, similar "not-in-my-backyard" complaints have stymied efforts to expand international airports in Los Angeles and San Francisco. Constructing a region-wide vision of global engagement that benefits as many people as possible, as well as regional governance that builds legitimacy and accountability in pursuit of that goal, will be slow but is absolutely essential to overcoming local objections.

Government authority is increasingly mismatched to government responsibility. Immigration policy, for example, remains a national prerogative even though the local governments must cope with its effects. California's Proposition 187 was intended to exercise some state control over immigration by denying state benefits to illegal immigrants. It surely is not beyond imagining that a place such as southern California, which takes a huge share of all immigrants to the United States, might also seek a more active role for itself on immigration issues of direct concern to the region.

The global economy moves very fast and takes risks, whereas government is slow and risk-averse. It takes time to build legitimacy and accountability. Now, given the pace of globalization and the rapid changes in elites, it may be that the connecting links will need to be more human than institutional. Institutions may result, but it will take time. Beyond institutions, this tale of five regions provides the wherewithal for beginning to develop new concepts and new language for dealing with a world in which globalization is eroding not just national borders but also familiar distinctions like those between "foreign" and "domestic" or "public" and "private."

PREFACE

This overview paper by Gregory F. Treverton is a product of the Pacific Council's project "Mapping the Impact of Globalization in the U.S. West." It draws on and looks across papers on four regions - Richard Feinberg and Gretchen Schuck, *San Diego, Baja California and Globalization: Coming from Behind* (2001); Earl Fry, *Mapping Globalization Along the Wasatch Front* (2002); Frederic A. Morris, *Beyond Boeing: Seattle in the Global Economy* (2003); and S.L. Bachman, *Globalization in the San Francisco Bay Area: Trying to Stay at the Head of the Class* (2003). It also is enriched by Xandra Kayden's work on Los Angeles, as well as by Greg's own previous study of that region. We express the Council's appreciation to all the authors, and especially to Greg, who managed the project. Michael Parks, a Council board member, was also instrumental in the original design of the study.

The project was based on the premise that regions are becoming more important units because they both shape the local impact of the global economy and are in turn shaped by that impact. Too often, however, globalization is viewed in terms of broad effects. This project sought to bring the effects of globalization into sharper focus, asking, for each region: What are the driving forces of globalization? What are its predominant features? Who are the relative winners and who feel themselves relative losers? As we began to view globalization and its challenges in regional terms, however, it became apparent that the means for responding to those challenges are weak. Formal government institutions with a regional mandate were never strong in the regions, and private actors with a regional view—particularly established big companies headquartered or rooted in a particular region—are much less in evidence today.

Thus, the central theme of Greg's paper is the mismatch between regional challenges and the means for regional responses. So far, the five regions have all done well despite—some might say because of—the weakness of regional institutions. And if the continued vibrancy of the regions seems to require means for taking a regional view, those means will be different in the future than in the past. Rather than resembling regional governments, they will be driven by the private sector and will be less formal—organized around particular problems and bringing the right people together, as the Pacific Coucil itself was organized to do.

The paper also seeks to use the wherewithal provided by the five regions to reflect on the interplay of the global and the local. It discusses how our concepts for addressing "foreign policy" and our language for discussing it need to be revamped for a world in which the porosity of borders is blurring the distinction between "foreign" and "domestic," and in which public and private are intersecting in new ways.

We are grateful to the Ford Foundation for its generous support of this project, as well as the John Randolph Haynes and Dora Haynes Foundation, which supported a precursor project, "Making the Most of Southern California's Global Engagement."

Comments on this paper and the project as a whole are most welcome and may be addressed to the author or to me at the Pacific Council's office in Los Angeles.

Dr. Ian O. Lesser
Vice President, Director of Studies
June 2003

I. INTRODUCTION[1]

> "Technological advance is hard to disentangle from the global competition that drives it, and for the United States—especially the western United States—population increases derive from the freer flow of immigration across national borders."

Too often the global economy is viewed "from 35,000 feet," in terms of broad effects. Indeed, 18 million U.S. jobs, or about 10-12 percent of the total, are linked to the international economy. But regions—not merely cities or states—are becoming the units for which global economic success is best measured. And because globalization is both shaping regions and being shaped by them, its challenges need to be seen in regional terms.

The regions of the U.S. West are economically formidable. Were California a nation, it alone would be the world's fifth largest economy.[2] The project for which this paper was prepared seeks to bring the focus of globalization "down to the ground" by looking at five regions in the West: San Diego-Tijuana; Los Angeles; the Silicon Valley-San Francisco Bay Area; Seattle; and Utah's Wasatch Front.[3] It seeks to construct, then to compare, richly detailed "maps" of the face of globalization in each region. What industries, companies and other institutions are driving globalization locally? Who are the big gainers and who the relative losers? How is globalization changing the human face of the region? What opportunities and difficulties does globalization pose? Finally, what are the implications for policy, conceived broadly not just as what governments do but as the sum total of public and private tasks?

The ultimate aim of the project is to learn lessons across the regions about the interplay of the local and the global and to help develop new language and new concepts for understanding a world where "global" is "local," and vice versa. The global economy is challenging familiar distinctions, like the ones between "foreign" and "domestic" or "public" and "private." Understanding that challenge is the final subject of this paper.

Defining Globalization: Although there are as many definitions of globalization as there are op-ed writers, Thomas Friedman's serves well: Globalization is the tighter integration of markets, nation-states and technology.[4] This definition puts the emphasis on communications and their speed, on the waning of distance and of weight in economic interchange.

For the purpose of this project, there is no reason to split hairs in distinguishing globalization from economic growth. Although the two are linked, especially in the public mind, they are not the same. In principle, for example, technological advances (or population growth, or increased investment or deregulation) could spur economic growth at the purely national level. Yet technological advance is hard to disentangle from the global competition that drives it, and for the United States—especially the western United States—population increases derive from the freer flow of immigration across national borders.[5]

"Globalization" however, must not only be construed in its economic meaning but must also include the range of social, cultural, and political effects that accompany it. Although it is not within the scope of the project to make a detailed comparison of the present period of global connections with the high levels of trade among European states before World War I, the effects of trade networks on local cultures seem much greater now than they were a century ago. The globalization of investments in information, accompanied by significant flows of people rather than trade in objects, seems almost by definition to have created more such effects.

A century ago, deliberate policies by the major nations reversed a growing trend toward "globalization" and the advocates of multiculturalism lost out to the nationalists.[6] Now, it is harder, though not impossible, to imagine a similar reversal—terrorism and September 11 notwithstanding. The evidence of globalization's underside, all too apparent in the ease with which terrorists moved across national borders on September 11, may again spur calls for shutting U.S. borders to people and commerce, creating ups and downs in the process of globalization. Still, given the benefits of the global economy, especially for the industrial countries, a major reversal seems unlikely.

> "*Mapping* means a systematic description of a region's international connections, one that facilitates both interpretation and comparisons across the regions."

Yet September 11 serves as a reminder of just how infelicitous the term "globalization" is, for it excludes so much of the world. In some cases, the exclusion reflects the conscious choice of those who dominate a nation to isolate it from the evils of global currents, as in some of the Muslim world. If some nations seek to exclude themselves by conscious choice, many others face hard choices about whether they can—or should—build internal consensus in support of the policies that seem required by globalization as it has currently evolved. Global markets plainly are a good thing for poor countries, but the rules through which those countries become engaged in the markets often are not.[7] For instance, goods and services move much more freely across borders than does labor, which is the one thing that poor countries have to export in abundance.

In any case, global networks are bound up with values. Debates over siting major infrastructure projects force local aesthetic values into competition with regional economic ones. In today's more-connected world, cultural and idea networks are more and more important, and, the "anti-globalization" forces are themselves networked. They have their own experts, lawyers, and lobbyists. Not only does that fact influence arguments over specific projects or issues, but it also suggests the possibility of unusual alliances. European opposition to genetically modified food, for instance, is rooted more in culture than science. Poor African countries are under economic pressure to share that opposition, lest their agricultural exports be denied access to Europe's markets, but in the process, African policymakers seem to have come to share the cultural opposition as well.

Defining the Regions: We conceive of regions as economic "clusters."[8] In terms of this project, *mapping* means a systematic description of a region's international connections, one that facilitates both interpretation and comparisons across the regions. Although defining a region is inevitably somewhat arbitrary, using city borders is almost always too restrictive. Microsoft, for instance, is identified with Seattle but is in fact headquartered in Redmond. "Local" organizations, their employees, finances, and effects sprawl across cities, suburbs, and beyond. We sought a definition small enough to be workable and cohesive but large enough to recognize the reality of connections across a region. Since, in part, we considered mapping to be "description in search of a hypothesis," it made sense to stipulate a region, then to refine it as the analysis proceeded.

We defined the Los Angeles city region as the five counties of Los Angeles, Ventura, Riverside, San Bernardino, and Orange—35,000 square miles with a population of 16.5 million people, up two million from 1990. Its center is Los Angeles, which is the only other U.S. "megacity" besides New York. The definition of the region might be expanded: As a colleague from Phoenix put it, his city is the eighth largest in the United States, but it is also a suburb of Los Angeles. L.A.'s predominant global feature is people flows: Twenty percent of all immigrants in the United States live in the Los Angeles region. The region has always been oriented toward the future, and waves of people have come to L.A. to "re-create" themselves. Los Angeles is exactly equidistant between Tokyo and

London; no longer the continent's edge, it is now the midpoint between two of the world's three great trading areas. It looks across to Asia and back at New York.[9]

The definition of region was most problematic in the Silicon Valley and San Francisco Bay area. For one thing, a generation ago there was no "Bay area." No one thought in those terms. One project participant recalled growing up in Oakland; in those days before the region's rapid transport system, he said, he ventured across the bay to San Francisco perhaps twice a year. That has changed, but the area is still working its way to a true regional identity. It is the only tripolar metropolitan region in the United States. San Francisco, Oakland and San Jose differ in demography, history, and politics; and competition among them continues, contributing to the region's dynamism even as it sometimes impedes coordination on Bay-wide issues and problems.

In San Francisco, for instance, the region is viewed broadly, with an emphasis on the need for coordination among the nine counties that make up the area. There is a Bay only because citizens saved it from being filled in, and so the need for coordination, across private and public institutions, runs to infrastructure and environmental protection. In San Jose, by contrast, the private sector dominates. High-tech and venture capital, despite their reliance on the long-distance capabilities offered by the Internet, are in fact "face to face" businesses. Even within the high-tech sector, companies cluster in "micro-regions." Venture capitalists are so reliant on doing business "face to face" that they try to persuade Israeli or Indian entrepreneurs to locate in the region rather than pursue their businesses in their home countries.

Defining "Silicon Valley" in concentric circles around the original Hewlett-Packard garage in Palo Alto might be a good start. The core of the area could be thought of as the headquarters and R&D facilities that remain within, say, a two-hour drive of that famous garage. Meanwhile, lesser-value-added activities—back offices, calling, and manufacturing—have migrated to the east, south, and north of the region. Not only does this make for long commutes, from Sacramento or as far as Fresno, it also means that by this definition Silicon Valley might encompass as many as fifteen counties.

The Seattle region runs roughly from Tacoma to Everett, taking in King, Pierce, and Snohomish Counties. Here, too, there are arguments for a wider definition. For a region where water communication is so important, leaving out the Columbia River is awkward, although it lies somewhat to the south. And Seattle's connections to Vancouver, like San Diego's to Tijuana, demonstrate that regions run across national borders.

Viewed from an airplane, San Diego and Imperial County to its east stretch southward to Baja California—forming "San Tijuana." This binational region is home to 5.5 million people whose combined labor force of over 2.3 million workers produces a regional gross national product of over $115 billion (Table 1). The majority of the region's population lives within 15 miles of the ocean

Table 1: The Five Regions Compared

	Population	Area	Gross Product
Los Angeles	16.5 million	35,000 square miles	$582 billion*
Bay area-Silicon Valley	8.5 million	7,000 square miles	$217 billion
Seattle	3.0 million	5,900 square miles	$145 billion*
San Diego-Tijuana	5.5 million	36,000 square miles	$115 billion
Wasatch Front	1.7 million	3,600 square miles	$50 billion

Source: Pacific Council region papers cited above. For the Seattle and Wasatch Front areas: U.S. Census Bureau, State and County *QuickFacts*, Washington, D.C., http://quickfacts.census.gov/qfd/states/53000.html; Seattle GDP from United States Conference of Mayors, *The Role of Metro Areas in the US Economy* (June 6, 2002), http://www.usmayors.org/70thAnnualMeeting/metroecon2002/metroreport.pdf; Los Angeles, LAEDC, www.e-edge.org/special/GDP.htm. Note: Starred GDPs are for 2001; the rest are for 2000.

and 20 miles on either side of the international border. Were the area completely within the United States, it would rank ninth among metropolitan areas in population. The area's gross regional product places it in the category of Thailand, Greece, South Africa, Portugal, and Israel. Yet for all their proximity and sense of shared destiny, San Diego and Baja are not very connected economically: Baja's inputs come from all over the world, not San Diego, and its exports go all over the United States.

The population of the Wasatch Front, the area along the Wasatch Mountains running from Ogden, Utah, in the north to Provo in the south, is relatively small, at 1.7 million people. Among U.S. metropolitan areas, the Front ranks 27th in size, after Kansas City. (By contrast, the other four regions—Los Angeles, the San Francisco Bay Area, Seattle, and San Diego—are, respectively, the 2nd, 5th, 13th, and 17th largest metropolitan areas in the United States.) The Front includes Weber, Davis, Salt Lake and Utah counties. Its isolated inland location contrasts vividly with the coastal location of the other four regions.

To a greater extent than is the case for other regions, including Seattle, the Front dominates the state. The state government's role is striking. While it might be impolite to say so, in key respects, the Wasatch Front is Utah. It accounts for 76 percent of Utah's population, 83 percent of its personal income, and 86 percent of its payroll wages.

II. SPECIFIC LOCAL POSITIONINGS

"Two particular industries, important in themselves, also illustrate the region's insertion in the global economy — entertainment and textiles."

Los Angeles: New Faces and New Niches: Were the five-county Los Angeles region a country, it would be the ninth largest economy in the world. Los Angeles County alone would rank fourteenth.[10] Its ports are the nation's largest and both its imports and exports are primarily manufactures. In effect, it sends out smaller manufactured components and receives larger manufactures. Almost a half million jobs in the region are estimated to be directly related to trade, over a third more than a decade earlier. They account for about a fifth of total jobs and are about equally divided between trade in goods and in such services as motion pictures and finance.[11] Asia is the region's largest trading partner—Japan is first as a locale for the region's exports, but China has taken over as the largest single-country source of imports. However, most of the region's trade with Mexico crosses the border by truck, and so is counted as an export to or import from San Diego or Texas, not Los Angeles.

In terms of size, motion pictures are the region's largest industry, followed by food and food service. In terms of employment, eight of the ten largest employers are government institutions. The region rebounded quickly from the dramatic loss of its defense industry after the end of the Cold War. Boeing is the region's largest private sector employer, and specific niches of defense and security industry are sure to make a comeback owing to the September 11 terrorist attacks. Despite hand-wringing over the gridlock that has been preventing the expansion of the region's principal airport, Los Angeles International (LAX), it is still the world's third-largest handler of air cargo.

Two particular industries, important in themselves, also illustrate the region's insertion in the global economy. The first is entertainment, which exports not just products but culture.[12] Foreigners receive their images of the United States and California from the entertainment industry. In fact, more of the industry's revenues now come from abroad than from at home. Perhaps that is why animated movies are becoming more popular: No audience can be offended because the characters do not look like them. The industry's creative types are young and not very diverse ethnically. Thus, the industry has little institutional memory or accountability, and Hollywood still lags in portraying the diversity of the region, let alone the world. The global market for blockbusters like *Titanic* may not impel the industry toward more diversity—that market will want "placeless" animations or glamorous images of "America," like *Titanic*. But growing ethnic markets may well provide such an impetus, as the domestic Latino market becomes important both in its own right and as an opening to Latin America.

With the exception of Disney, the motion picture industry is no longer made up of huge studios. Rather, it is an industry of clusters, collections of small firms. It is also very unionized, with six unions involved. The unions provide a kind of safety net while technicians and small companies reshuffle between productions. Hollywood's underside, adult films, is also concentrated in the region, in the San Fernando Valley.

It had long been thought that the region's openness and tolerance for eccentricity, along with the existing infrastructure, would keep the entertainment industry in southern California, but other clusters are developing abroad. By one count, of 285 "runaway" productions that sought cheaper costs abroad in 1998, 232 went to Canada—which now dominates production of television "movies of the week." These productions are cheap (about $3 million each, versus more than $100 million for cinema blockbusters).[13] Yet although runaway productions have increased, so have the sheer number of projects in the United States. In many respects, the process is a fractal of globalization and is not so different from what is happening along America's southern border: Core functions, like headquarters and design, remain in the United States while "manufacturing" is outsourced to cheaper locations abroad. And every year the Academy Awards take place in Los Angeles, reinforcing the region's image as the movie capital of the globe.

> "In Seattle, the newer global economy of Microsoft and high-tech lies atop the older one of timber and Boeing."

The second industry, apparel, does not have the cachet of entertainment. But in many respects, it is Hollywood's mirror image. It, too, is a flexible, fast-moving cluster of small companies that are able to catch the latest trends. Like Hollywood, it is relatively self-contained. The city of Los Angeles alone employs some 130,000 people in the industry and accounts for about four-fifths of the apparel production in the state. The city's garment district generates revenues of some $7.4 billion.[14]

Yet the loose structure of the industry has enabled apparel firms to keep some distance from the employment practices of their suppliers. Seventy percent of the workers are estimated to be young women, many of them undocumented aliens. Many work for less than the minimum wage, and working conditions range from the mediocre downward. While those features are a spur to union organizing, organizing is difficult because the very fluidity of the industry makes it hard to identify subcontractors or their workers. That the sewing end of the industry exists in Los Angeles is a reminder that, for all the increased openness of global markets, poor countries still face barriers in exporting not just their people but also the manufactures they do best, like textiles.

In the 1990s, the region lost its major financial institutions to San Francisco, which in turn saw them gobbled up by other cities. Chinese banks concentrated in New York, and Japanese banks, on the whole, returned home to Japan. The lack of large financial institutions has, in a curious way, abetted the growth of international practices by law firms in the region. Medium-sized corporations now look to law firms to provide the services in trade and investment for which they might otherwise have turned to financial institutions. Across the United States, banks account for only 30 percent of corporate financing (in Japan, the figure is still 70 percent). That suggests that large, traditional financial institutions—especially commercial banks rooted in a particular region—will be much less a driver of regional economies in the 21st century than they were in the 20th. The change derives from the globalization of financial markets plus the stunning expansions both in forms of financing and in intermediating institutions.

Seattle: Global Economies, Old and New: In Seattle, the newer global economy of Microsoft and high-tech lies atop the older one of timber and Boeing. Trade is obviously important for Seattle: It is the nation's fourth largest exporter, ranking first on a per-capita basis. Boeing used to be synonymous with Seattle's international trade, but that is far from the case today. Global companies include many smaller firms—in software, for instance. It is also worth noticing that the preponderance of the region's trade is with Europe and Asia. Only its nongovernmental organizations (NGOs) reach southward. In 2000, the first Latin American country on Washington State's list of export destinations was Mexico, at number 10, amounting to only 1 percent of its total exports.

> "There is also less of a link between Baja's booming export economy and San Diego than one might expect."

But statistics hardly tell the whole story. For instance, the bare numbers, impressive as they are, surely understate the international presence and "branding" of Microsoft. On the other hand, they may overstate the international quality of Boeing. It is a huge exporter, which has been very good for Seattle-area (and Los Angeles-area) workers: In 2002, even after the departure of its headquarters to Chicago, Boeing employed 65,000 people in the Seattle region. Yet Boeing is much less global in presence and outlook than the big oil companies, or Coca-Cola, or the automobile companies. Indeed, in 2000 it hired Thomas Pickering, a retired senior diplomat, to be a kind of "secretary of state" to build up its international presence. Moreover, according to one recent survey, fewer than 25 percent of King County firms exported at all; more small companies import than export. Here, too, though, the numbers may obscure what those small firms might have "exported" through acting as suppliers to Boeing.

Technology, the facilitator of globalization, is the region's largest, fastest-growing, and highest-paying sector. The technology sector is highly concentrated geographically, with two-thirds of the state's high-tech jobs in King County alone. In infrastructure—ports, airports, highways and rail connections—the region ranks with the country's most international cities but not quite as high as it does in the area of exports. The international activity of the region's NGOs gives it, in aggregate numbers, a similar ranking. But the overall numbers may again obscure critical particulars. The Gates Foundation, for example, has become in a few years the largest philanthropic foundation in the country by a significant margin, with assets of $24 billion. Or consider the importance of Seattle-based World Vision, which is the largest nonprofit Christian humanitarian aid organization in the world, with more than 4,500 projects in 92 countries.

San Diego-Tijuana: Less Globalized Than Meets the Eye: San Diego looks like an international hub, and its exports did, in fact, double between 1993 and 1999, reaching almost $9 billion. Its most important sectors are the most visible—electronic equipment and industrial machinery, including computers, which together accounted for over half of its 1999 exports. Mexico was the overwhelming destination, taking 43 percent of the exports, followed by Canada at 10 percent and Japan at nearly 6 percent; no other country took more than 5 percent. One of the reasons that San Diego does not export more is that its firms are mostly small and medium-size enterprises, and such firms typically find it harder to navigate in foreign markets. In 2000, only Qualcomm employed more than 10,000 people in the region, and no other company employed more that 5,000.

In contrast, Baja California is globalized by any measure. It received $3.6 billion in foreign direct investment between 1994 and 1999. Employment in its small manufacturing plants (*maquiladoras*) jumped from 88,000 in 1990 to 283,000 in 1999—thus employing 41 percent of the total labor force in manufacturing (compared to 11 percent in San Diego and 14 percent in the United States as a whole). Sixty percent of Baja's labor comes from elsewhere in Mexico. The *maquiladoras* produce specifically for export, so virtually 100 percent of the region's manufactures are exported. Even if the U.S. and global downturn had not occurred, the pace of *maquiladora* expansion is likely to slow, however, particularly because Mexican plants are facing more and more competition from production in China.

There is also less of a link between Baja's booming export economy and San Diego than one might expect. The *maquiladoras*, whose imported inputs are duty-free provided their output is exported, are parts of Asian and American global companies. They have their own global supply chains and do not receive inputs from either San Diego or Baja California—at least not yet. As part of global companies, they are "truncated," functioning as the "manufacturing arm of someone else." In 40 years, they have not become the industrial pillar of Mexico that had been hoped. The same point can be made another way by asking why the *maquiladoras* are in Baja California and across the northern tier of Mexican states. Part of the reason is low wages—$1.50-$2.00 per hour, compared to $5-$10 for Taiwan, South Korea, Hong Kong, and Singapore. But the other part of the reason is proximity to the U.S. market, which became critical after Mexico shifted in the 1980s from an import substitution strategy to export-oriented growth.

"In the Bay area, locals think they "have it all," and their success has come with little in the way of regional government."

In that sense, the key area for Baja is not San Diego but Los Angeles, with its transportation infrastructure. Tijuana and San Diego are linked by pure geography and the border, with its huge flows of goods and people. But economically, they are less connected than meets the eye. This "negative vision" is also applicable elsewhere. Boeing seemed synonymous with Seattle, for instance, when its diversification was actually making it much less so—in fact, Boeing was the largest employer in Los Angeles. This trend was abetted by the increasing competition Boeing's Seattle-based commercial aircraft manufacturing business was facing.

Silicon Valley and the Bay Area: Strength in Economic and Human Diversity: The core of this region is Silicon Valley proper—Santa Clara County—which alone produces and employs more than any of the other nine counties surrounding San Francisco Bay. But there are high-tech companies throughout Alameda and San Mateo Counties, as well as in San Francisco itself. The region has a large and highly skilled workforce and one of the nation's largest concentrations of scientific, professional and managerial talent, along with leading universities like Stanford and the University of California, Berkeley. Its concentrations of information technology and venture capital are well known, but it also is a leader in biotechnology and home to Genentech, perhaps the world's leader in the field.

The region's economy is also diversified. High-tech was still the biggest employer in 2001, but, as in other regions, government was a major employer. The biggest single high-tech employer in the region was Hewlett-Packard, in fifth place overall with 18,000 employees, followed by Cisco Systems, with 16,000. The region's booming growth has coincided with increasing international trade: San Jose is the biggest exporter, followed by San Francisco, then Oakland, whose exports are increasingly high-tech. The region's exports are heavily concentrated in Asia, which took over $23 billion in 1999, followed by Canada ($5.6 billion), Europe ($3.4 billion), and Mexico ($1.3 billion).

Like Seattle, the region has managed to boom while remaining an attractive place to live, greater traffic and congestion notwithstanding. It has managed a "green boom," in part by outsourcing the grubbier industrial tasks, such as manufacturing, while retaining high-value functions, such as research and corporate headquarters. While San Diego and Los Angeles were shaving off mountain tops to make way for housing, San Francisco was saving the bay. In the Bay area, locals think they "have it all," and their success has come with little in the way of regional government.

Wasatch Front: More Cosmopolitan Than Might Appear: This region produces over $50 billion per year in goods and services, which would rank it as the 48th largest "national" economy in

> "The state has developed an innovative approach to promoting international economic activity. Instead of opening "bricks and mortar" trade offices in major foreign capitals, it has developed a large network of representatives in a number of countries."

the world, just ahead of Hungary. Utah's economy is also very diverse—almost as diverse of that of the United States as a whole. It exports about $3 billion annually and ranks in the top 20 percent of metropolitan regions, ahead of New Orleans. Utah ranks 35th among the states as an exporter, about on a par with its population and economic standing. Its major trading partners are Canada, Britain, and Japan. Partly as a result of Asia's financial crisis of the late 1990s, Utah ranked only 42nd in its rate of export growth during 1993-2000.

While there are 2,500 high-tech companies along the Front—the region has worked hard to build a Utah-Silicon Valley Alliance—a third of its exports are the traditional ones of copper and steel. Like a lot of the mountain west, however, it is trying to diversify away from the boom-and-bust cycles of raw material exploitation. Indeed, "copper" and "steel" can have new connotations in the new economy: The former connotes electronics; the latter suggests new alloys. Several Wasatch Front enterprises rely on exports for over half of their income. For example, Provo-based Nu Skin, a cosmetics company, receives 85 percent of its revenues from sales in Asia.

Given the state's active international role and the dominance of the Front in the state, the Front has elected to give the lead in its international projection to the state government, making it different from the other regions. The state has developed an innovative approach to promoting international economic activity. Instead of opening "bricks and mortar" trade offices in major foreign capitals, it has developed a large network of representatives in a number of countries.

There has also been a significant increase in foreign direct investment along the Front, with foreign-owned companies providing at least 50,000 direct and indirect jobs. The only Utah-based company to show up on Fortune's current list of the 500 largest corporations in America is Autoliv, a Swedish-owned company with almost 6,000 employees in the Ogden area. Stouffer's, WordPerfect, Baskin-Robbins, Burger King, Kennecott, Coca-Cola Bottling, Motel 6, Compaq International, Holiday Inn, and Evans & Sutherland are among the local companies that have substantial foreign ownership.

Overall, the federal government estimates that 61,000 Utah workers owe their jobs to export activity, 35,000 to foreign-owned enterprises in Utah, and about 12,000 to tourism from abroad and foreign students and conventioneers. The total represents about 10 percent of Utah's current work force and is probably underestimated by at least half because of outdated information sources and antiquated measurements of what constitutes "exports."

Like the other regions, the Front is trying hard to create the conditions for high-tech clusters by assisting new companies, emphasizing its well-trained work force, and committing to train engineers and computer specialists. Intel is supposed to build major facilities in the region, although the high-tech collapse surely will postpone and may call into question those plans. The region's language capacity is a real plus. Over 14,000 young Utahans are abroad at any given time, involved in missionary activity for the Church of Jesus Christ of Latter-day Saints, or Mormon Church. As a result, it is estimated that one-third of the U.S.-born adult males along the Front speak a second language.

The region's shortcomings are inadequacies in venture capital funds, international banking, legal firms, and export mentality. One distinctive feature of the regional scene in Utah is the predominance of the Mormon Church. In 1990, 64 percent of the residents of Salt Lake and Weber Counties identified themselves as Mormons, as did 74 percent of those in Davis Country and 90 percent in Utah County. That predominance is both a plus and a minus for the region's global engagement. The Church's emphasis on education and language are pluses, while its perceived clannishness and orientation inward toward the family, rather than outward toward the world, may be minuses. The church constitutes a powerful network reaching across the region and beyond, although it is noteworthy that the church adopted a low profile during the 2002 Winter Olympics held in the region.

III. ECONOMIC OPENNESS

We first compared the regions on the dimension of openness to the global economy, which, for want of a better measure, we defined as exports per capita (see Table 2). By this metric San Jose comes out on top, followed by Seattle. San Diego is about as open as Los Angeles or New York, but only about half as open as Miami or San Francisco and less than one-quarter as open as the truly global regions, Seattle and San Jose. Los Angeles—in the table a region smaller than the five-county region—while more open than the United States as a whole, was not as open as California as a whole. San Francisco (again, not the entire region) was more open than California, and about twice as open as the United States as a whole.

Table 2: Exports: Population Ratios, 1997

Region	1997 Merchandise Exports ($000s)	1997 Population	Ratio
Los Angeles/Long Beach	25,816,445	9,126,131	2.83
New York	29,082,571	8,650,056	3.36
Chicago	23,209,949	7,890,814	2.94
San Diego	7,810,003	2,722,060	2.87
Seattle/Bellevue/Everett	27,005,386	2,272,150	11.89
Miami	12,692,289	2,132,112	5.95
San Francisco	9,978,536	1,671,200	5.97
San Jose	29,057,194	1,621,660	17.92

Source: International Trade Association, U.S. Department of Commerce: http://www.ita.doc.gov/td/industry/otea/metro/highlights.
Note: The definitions of the cities or regions in this table are not identical to the ones we used in the study.

Unfortunately, the manner in which economic statistics are collected and presented makes it hard to take a regional perspective. For instance, the statistics most commonly available, the Commerce Department's Export Locator (EL) series, record where the exporter of record was located, not necessarily where the product was produced. Thus, some of what get recorded as San Diego's exports, or Seattle's, may in fact have been produced elsewhere but transshipped from San Diego or Seattle or Los Angeles. Similarly, the EL series include re-exports, and so would include inputs from Asia or elsewhere for Baja California's *maquiladora* plants that were re-exported from San Diego. One recent estimate put San Diego-produced goods exported to Mexico at under a billion dollars in value, while EL numbers would imply that they were almost $4 billion. These statistical gaps matter because producing goods generates much more local income than simply handling them for export.

In other cases, there are national statistics but not regional ones. That is the case for exports of services, not goods. This lack means that many software exports, or Hollywood products, or professional services do not get counted as "exports." For the United States as a whole, exports of services amount to about 30 percent of the value of goods exports. That percentage may be higher for most of the five regions because of the importance of services—software, especially, but also entertainment—to their economies. Still, the basic metric is good enough to record trends. For instance, San Diego went from being less open than the United States as a whole (which had a relatively closed economy) and still further behind California as a whole in 1993, to more open than both the United States and California in 1999. But it was the real "globalizers," San Jose and Seattle, that stood out. Table 3 displays the comparisons for California and for the United States as a whole.

Table 3: Openness Indicators: California and United States

CALIFORNIA							
	1993	1994	1995	1996	1997	1998	1999
Exports ($ millions)	82,173	95,614	116,825	124,120	131,142	116,282	—
Population (millions)	31.1	31.3	31.5	31.8	32.2	32.7	33.1
Ratio	2.64	3.05	3.71	3.91	4.07	3.56	—
UNITED STATES							
Exports ($ millions)	388,537	430,485	484,971	522,660	591,233	595,218	611,781
Population (millions)	257.8	260.3	262.8	265.2	267.8	270.2	272.7
Ratio	1.51	1.65	1.85	1.97	2.21	2.20	2.24

Sources: California Department of Finance, http://www.dof.ca.gov/html/fs_data/profiles/california.xls; International Trade Association, http://www.ita.doc.gov/td; Census Bureau, http://www.census.gov/population/estimates/nation and http://www.census.gov/population/estimates.

It would be a great help to have data on trade in services at the state or regional level, not just the national. For national purposes, the *Survey of Current Business* divides trade in services into five or six large categories, with subcategories. A state or region could develop its own data, starting with the largest of those categories. For instance, education is exported whenever foreign students study in a state or region, and statistics could be collected or estimated on the numbers of such students and how much they spend on tuition, housing, and the like.

IV. CHANGING FACES

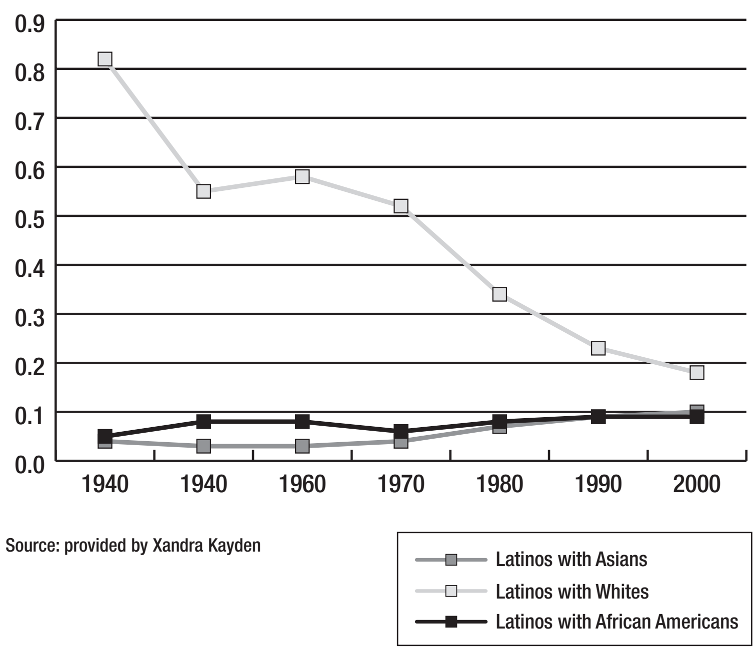
> "Changing demographics is a feature of all five regions. It is most striking in Los Angeles and San Diego, but it has also had a great economic impact in the Bay area and Silicon Valley."

Changing demographics is a feature of all five regions. It is most striking in Los Angeles and San Diego, but it has also had a great economic impact in the Bay area and Silicon Valley.[15] According to the 2000 census, the Los Angeles region had 4.8 million immigrants—or one-fifth of all immigrants in the nation. By that census, whites constituted less than one-third of the residents of Los Angeles County, while Latinos made up almost 45 percent and people from Asia and the Pacific islands another 12 percent. Here, too, the numbers understate the reality because they exclude illegal immigrants. Guesstimates suggest that two-thirds of the county's residents are immigrants and their children. This change can hardly be over-dramatized for a region that was, until the change in U.S. immigration policy in the 1960s, as white as any big city in the country.

That said, the various ethnic groups tend to cluster, and so their mixing in the same neighborhoods has actually diminished over time. Figure 1 suggests that just as the number of Latinos has exploded, those Latinos have moved into particular neighborhoods, and so the chance that any given Latino will meet a white in his or her census tract has gone down over the last generation, not up.[16] The clustering in relatively familiar neighborhoods is common among all immigrants. Thus, many of Mexicans and Mexican-Americans in southern California are from the western Mexican states that were linked to the region by the World War II *bracero* program for farm labor. Given the sheer number of immigrants, the chance that any given white will meet a Latino or Asian has gone up sharply and significantly, respectively. For African Americans, the chance of meeting a white declined until 1970, then leveled off, while the chance of meeting a Latino has increased sharply since 1970. For Asians, clustering has brought the chance of meeting a white steadily down, while the chance of meeting a Latino increased somewhat after 1970s, then decreased—perhaps as Asians moved out of inner-city, heavily Latino areas, and into predominantly Asian suburbs.

The change in San Diego's demography is almost as striking as that of Los Angeles. It is now one-quarter Latino and 10 percent Asian. By 2020, it is estimated that in San Diego, as in Los Angeles, no ethnic group will be a majority: The white population of the county will be just under one-half; Latinos, one-third; and Asians, one-eighth.

Figure 1: Probability that Latinos Will Meet African Americans, Whites or Asians in their Census Tract, L.A. county, 1940-2000



Source: provided by Xandra Kayden

In Silicon Valley, the number of new faces is much smaller, but their economic impact may be as great as in Los Angeles, or greater. As a prominent editor in San Jose said: "Ten years ago we weren't much interested in India. But now, it's not just that Silicon Valley couldn't operate without Indian technical people, all of American high-tech couldn't." Almost all early-stage companies have a non-American on the senior team; research by AnnaLee Saxenian has shown that 20 percent of those start-ups had an Indian or Chinese as the leader.[17] People are loyal to technologies, not companies. Silicon Valley is an open and networked place, very different from the corporate culture of such New England companies as DEC and Wang, both long gone. It may be that sheer newness helps. There is less preexisting social structure in the West, so it is easier for foreigners to put down roots in California than in New England.

"The backward links of Silicon Valley's Asians matter more than do the links of Latinos or Asians in Los Angeles, and much more than do comparable links of Asians in San Diego, which remain minor."

The regions undoubtedly benefit from immigrant networks and trade back home. Even formal policy—including state policy, like California's Proposition 187 of November 1994, which excluded undocumented immigrants from such state public services as education and health care—is less important than the pull of economics and the presence of ethnic kin in the region. Private circumstances may matter more than public policy. Statistics on the benefits the regions derive from immigrants' links back home are hard to come by because much of the equity being traded across the links is family or private in nature. We found, however, that some of the most vibrant businesses in Los Angeles, from banks to grocery stores, have been set up by immigrants to serve immigrant communities.

Some of these business niches arise from immigration itself. The Mexican supermarket chain, Gigante, has been trying to open stories in the region. When Gigante's CEO was asked why he would take on what must be as competitive a market as any, his answer was simple: "We have to follow our customers." One of the largest companies serving immigrants is the East-West Bank, based in the San Gabriel Valley to the east of downtown Los Angeles. The bank opened in 1973 to serve the Chinese immigrant community of Los Angeles. Those immigrants were unknown to existing banks and were often viewed as unacceptable risks, but the new bank could draw on more intimate knowledge of their circumstances. The East-West Bank quickly grew to become the third-largest independent commercial bank headquartered in Southern California, with assets nearing $3 billion. By early 2002, it had 30 branches and about 500 employees, primarily in the Los Angeles region.[18]

In other cases, the niche arises from the link to circumstances back home. For instance, entrepreneurs, primarily Asian, have made southern California into the waste paper capital of the world, particularly for markets in Asia. The United States produces high-quality waste, and the dry climate minimizes weight added by water. Shipping facilities are good, and all those containers carrying imports from Asia have to go back anyway. The number-one U.S. exporter by volume is America Chung Nam, which in 2001 sent more than 150,000 containers of waste paper to Asia—twice the amount sent by other major exporters like Proctor and Gamble or Dow.[19]

The various ethnic groups differ in the nature of their commercial links back home. The backward links of Silicon Valley's Asians matter more than do the links of Latinos or Asians in Los Angeles, and much more than do comparable links of Asians in San Diego, which remain minor. In San Diego, the main Asian immigrants come from the Philippines or Vietnam—both legacies of the U.S. military—and as of yet neither country of origin, especially the Philippines, has a very dynamic economy with which to connect. Back-office services, such as data coding, are starting to be linked back to the Philippines, where English language skills are present. Still, the circumstances of San Diego's Asian migrants are quite different from those of the Chinese in San Francisco or the Indians in Silicon Valley. Until recently, the Koreans in Los Angeles also found it hard to forge links back home, given the tight structure of Korean conglomerates. As a result, middle-class immigrants often found themselves starting corner businesses. Now, however, greater economic openness in Korea has created new possibilities for connecting.

Seattle and the Wasatch Front have been less affected by demographic change, although they too have been touched by it. On the *USA Today* diversity index, Utah is the 13th "whitest" state, although 6 percent of the Front's population is foreign born and its Latino population doubled during the 1990s. The Salt Lake City school district now comprises 44 percent minority students, with Latinos the largest group. Both the Front and Seattle may have what might be called a "cosmopolitan capacity"[20] that is not fully captured by numbers on diversity. In the Front, the high level of foreign language competence is testimony to that capacity. In Seattle, not only are migrants important in the technology sector, there are important pockets of migrants in the region; the city of Federal Way, for instance, is 14 percent Korean. Moreover, Seattle's long tradition of tolerance, another kind of "cosmopolitan competence," is suggested by the fact that no other major U.S. city has elected an African-American mayor without having a large black constituency.

How the new people will change the regions is the overarching question. In the Los Angeles region, deeply conservative Orange County is now 13 percent Asian. Voting participation rates of the new groups have been increasing. The amnesty for illegal immigrants in 1987 made them eligible for citizenship in 1992, just at the time of the debate over Proposition 187. The ensuing row impelled the registration of a million new Latino voters in Los Angeles alone.

While new immigrants tend to cluster, more-established immigrants disperse, which limits their localized political power. Asians, in particular, began to migrate out of their traditional neighborhoods when restrictive covenants on housing were declared unconstitutional. Los Angeles' Chinatown is now only half Chinese, and Koreatown is 60 percent Latino. Monterey Park is the first Chinese suburb in the nation. Moreover, while 60 percent of children under five in the Los Angeles region are Latino, immigration from Central America is increasing faster than Mexican immigration, and so Mexicans now make up only three-quarters of the Latino population in the region.

So far, the demographic change in San Diego does not seem yet to have produced much political change, just as it has not produced the economic links back home that are so often discussed in Los Angeles. The Mexican immigrants are mostly not well educated, and they hail from a number of Mexican states; they thus lack the means and focal points for political organization. Southeast Asian immigrants are often hampered by lack of language skills and are divided by country of origin.

V. INFRASTRUCTURE FOR THE GLOBAL ECONOMY

Some say that as the global economy progresses and more and more commerce becomes virtual, the need for traditional infrastructure will wane. So far, though, the opposite has been the case.[21] The dock lock-out during the autumn of 2002 demonstrated how vital West Coast shipping infrastructure is to the nation. The growth in high-tech has made airports, in particular, more important. But the difficulties surrounding airport expansion, particularly in Southern California, also serve as an example of how decentralized authority, combined with NIMBY ("not in my backyard") objections, can produce infrastructure shortcomings.

> "The difficulties surrounding airport expansion, particularly in Southern California, also serve as an example of how decentralized authority, combined with NIMBY ("not in my backyard") objections, can produce infrastructure shortcomings."

Although the Bay area is home to three major airports, Los Angeles has only LAX and two smaller airports—one to the east (Ontario) and one to the south (John Wayne airport in Orange County). LAX is owned by the City of Los Angeles and run as a city department, even though it provides spillover benefits to the whole region. Almost everyone who has looked at the issue believes that LAX needs to be expanded, and everyone wants a convenient airport. But no one wants to have one in his or her backyard—or to pay for it. LAX's local neighbors, Westchester and El Segundo, have a virtual veto over the master plan for its expansion. September 11 highlighted the issue of airport security, which, on balance, probably has increased NIMBY objections to airports and surely has given politicians an excuse for directing airport modernization toward security, not larger capacity. Operations at Ontario airport are being expanded, but the airport debate in Orange County has been a perfect NIMBY dilemma. Each of the two contenders for expansion, the former El Toro Marine base and John Wayne airport, was favored by those in the *other* part of the county but vociferously opposed by its immediate neighbors. In 2002, residents of Orange County seemed to settle the airport issue decisively by voting against an airport at El Toro.

San Diego continues to rely on Los Angeles for transport. Together, the two regions mostly transship goods produced elsewhere. San Diego is, in the words of one commentator, a "transportation colony of Los Angeles." To be sure, there is an economic cost to this dependence. It is similar to the risk that Orange County runs by curtailing its airport capacity—as Ontario airport expands, it is likely to draw economic activity away from Orange County. Yet many San Diegans nevertheless seem happy to have the NIMBY problems of ports and airports elsewhere. The situation may be all the more poignant for San Diego because more than a decade of efforts to build a new airport in cooperation with Baja California, or even astride the border, has come to naught.[22]

In the Bay area, Oakland is improving its port to keep up with its competitors—Seattle, which is closer to Asia, and Los Angeles, which has direct rail and road connections across the country. In the area of infrastructure the role of the governments seems obvious, and the growing bottlenecks are plain to see. Yet NIMBY objections are also evident in the Bay area. Expansion of San Francisco airport's runways—an expansion needed to accommodate the growing air traffic that is a feature of globalization—would intrude into wetlands, which environmentalists want to save. Noise from increased air traffic is a concern at the San Jose airport, and while Moffett Field would be ideal as a second major airport in Santa Clara County, the neighboring city, Mountain View, opposes it.

"The Wasatch Front used the Olympics as other world regions have—and as Los Angeles did in 1984—to raise its international profile and to upgrade its infrastructure."

The Wasatch Front used the Olympics as other world regions have—and as Los Angeles did in 1984—to raise its international profile and to upgrade its infrastructure. The region's airport is the 48th busiest in the world in passenger traffic, 62nd in cargo traffic, and 36th in movement of aircraft. Delta has a major hub in Salt Lake City, but there are no international nonstop flights except to Western Canada. Although the airport has a full-service customs port of entry in place, there has been little reason to build much wide-body lift capacity for cargo, so many of the region's shipments go by ground to Chicago or Los Angeles. A $1.2-billion highway expansion and renovation program is in progress. Major highways I-15 and I-80 were expanded and modernized for the Olympics, and the region aspires to be the crossroads of the West and a kind of NAFTA hub for Canada and Mexico.

The Olympics were also a spur to building the TRAX, a Salt Lake City rail mass transit system, and the Brigham City-Payson commuter-rail system. The region has 1,700 miles of railroad track, with Salt Lake City-Ogden as the convergence point for the Union Pacific and Southern Pacific. In terms of communication infrastructure, the Front ranks first in the nation in household computers, and 80 percent of those households have access to high-speed Internet connections. There are also 400 miles of new fiber-optic cable lines.

VI. WINNERS AND LOSERS

Talking about "winners" and "losers" is dangerous—both because "losing" is likely to be relative given the rapid economic growth in all the regions and because it is hard to sort out causation.[23] If, for instance, low-tech workers feel themselves to be losers, is it a result of globalization or the march of technology? Or if another region now approaches Los Angeles in traffic congestion, is that the result of globalization or simply economic growth? It is hard to separate the relentless advance of technology from the globalization that both drives and is facilitated by that technology. Perhaps more to the point, if important groups feel themselves losers from globalization, they may seek to halt it in ways that deny the region the benefits of the global economy.

"There are sharp limits on how much states and localities can do to cushion the job losses occasioned by changing comparative advantage, and there is always the risk that such efforts will only subsidize "sunset" industries that ought to be moving elsewhere."

For instance, in Los Angeles, the $2-billion Alameda Corridor, a project to connect the region's ports with key transcontinental railyards near downtown, was to be a boon to the regional economy. Yet a number of cities along the corridor filed suit against the project in 1995. These cities were mostly poor and heavily Latino or African-American, and they had not visibly benefited from the expansion of trade. They thus felt doubly damned by the noise and inconvenience of the project. In fact, however, the cities themselves were primary beneficiaries of the project. Building the corridor, plus expansion at the Long Beach and Los Angeles ports, created an estimated 175,000 jobs by 2000, four times the number of jobs available in Hollywood.[24] While many of the jobs were temporary, the project left those cities with the rail line lowered below grade-level, thus creating much less disruption to local lives and commerce than before. But the cities had not initially envisioned those benefits in the project.

Although the global economy has been good for the United States in general, that is not true for every region and surely not for every person in every region. In Seattle, because the high-tech economy is so highly concentrated, much of the population is not so much disengaged as simply "unengaged." In Silicon Valley, the "winners" in 2000 were skilled workers, those in information technology, those immigrants who brought skills needed for growth, and anyone who owned property before 1995. Many others in the Silicon Valley, however, felt that they were relative losers, despite the region's spectacular economic growth.

The rub is that such perceptions are often relative. Virtually all immigrants are in fact winners because their circumstances almost always are much better than before they immigrated, often by a factor of five or more. For newly arrived immigrants, "back home" is the standard of comparison, but subsequent generations become more and more aware of their circumstances relative not to "back home" but to the people around them in the United States.

There are sharp limits on how much states and localities can do to cushion the job losses occasioned by changing comparative advantage, and there is always the risk that such efforts will only subsidize "sunset" industries that ought to be moving elsewhere. In that sense, for instance, the call to subsidize Hollywood's movie industry in order to stem runaway productions probably ought to be resisted. Shifting comparative advantage in the global economy means that some of Hollywood's functions will, in effect, be outsourced, while high-value functions remain and grow in Hollywood. By the same token, although loss of major banks through consolidation gets the attention in any particular region, that loss is only the visible part of a larger financial transformation in the global economy. Thus, the loss of the banks is, in effect, probably the loss of a sunset industry. In contrast, Los Angeles's ability to retain the lower-end sewing portion of the apparel industry (as opposed to the higher-end designing portion) is a distinctly mixed blessing if it requires sustaining sweatshop conditions.

In boom times, the challenge for all the regions was to give priority to helping those who lost jobs find new ones and to provide opportunities for people to upgrade their skills. Now, as the nation's economy struggles in comparison with the past decade, it will be all the more important for regions to stress the benefits of global competitiveness and to reach out to those residents of the region who are unengaged. In any event, the concerns of the relative losers in affected communities must be addressed.

Surely, winning the "war of bumper stickers" will require not just a compelling vision of the future but also concrete measures to mitigate the losses of those who are truly bypassed by globalization. In the case of the Alameda corridor, for example, project developers not only made the local benefits clear but also worked to get local residents construction jobs and ameliorate the disruptions to local businesses. At a minimum, it is important to mitigate negative perceptions that are not rooted in fact. It is important to be able to say, plainly, "Yes, globalization may have hurt your relative position," or "No, your job problems have little to do with globalization but much to do with the poor state of Los Angeles schools."

The five regions all face the broader dilemmas of globalization. If, as some say, "the foreign policy of Microsoft is more important than the foreign policy of the State Department," where do people go to complain about the course of events? In Seattle and other cities during the meetings of the World Trade Organization (WTO), many took to the streets. What more can regions do to articulate a vision of the benefits of globalization and take measures to mitigate the losses of those who are bypassed?

VII. GOVERNANCE, PRIVATE AND PUBLIC

It is striking that none of the regions surveyed has really articulated a vision of its future. The partial exception is Silicon Valley, where the vision seems to be "more of the same success through new technology cycles." In part, this lack reflects the absence of focal points that might be empowered to take on such a grand task. In part, it reflects the fractured leadership in all the regions. If there is thinking about the region's future going on, it is being done through private groups such as Stanford University or Joint Venture Silicon Valley (JVSV).

> "None of the regions surveyed has really articulated a vision of its future."

In all the regions, as in virtually all of the United States, government institutions with a regional mandate are weak or nonexistent. In the American West, this happened mostly on purpose. It was the heritage of the Progressive tradition, a reaction to the political bosses in the East. The Progressives wanted to disperse power, not centralize it as they believed the bosses had done. More recently, though, the system's emphasis on popular referendums has made the system open to influence from groups with money or single-minded passion—witness California's Proposition 13 a generation ago, which capped property tax rates. Ironically, this is exactly the kind of situation the Progressives sought to control.

This tradition of weak leadership and dispersed institutions has meant, for instance, that the businessmen who wanted water brought to southern California benefited from both the absence of powerful competition and the presence of powerful allies. To this day, the Los Angeles (city) Department of Water and Power is a force to be reckoned with. In contrast, the regional grouping, the Southern California Association of Governments (SCAG) is, despite its broad title, primarily a transportation planner. It operates, probably wisely, from the "bottom up," as a facilitator seeking to build agreement among the cities concerned, not as the shaper, much less the imposer, of a region-wide vision.

Seattle's very success has isolated it from the rest of the state and has made cooperation with its neighbors harder. For some in the state, Seattle is "Puget-opia," said with a sneer, and Seattle's success as a multicultural city is "the Seattle problem." The region risks becoming both culturally and politically estranged from the rest of the state and, in particular, from neighboring regions and from the state government—which has generally turned its back on Seattle's growing highway woes. Although "the Seattle problem" is a result of economic success, it becomes identified with globalization when it is seen as bringing so many new faces to Seattle in the process.

What is true of regional government is also the case for many established nongovernmental institutions. For instance, Town Hall in Los Angeles used to be a player in regional politics, but now it is essentially a speakers' bureau—albeit a good one. The same might be said with even more force of the Commonwealth Club in San Francisco, which once was important in developing policy not just for the city but for the state as well. The League of Women Voters is effective, but it is half as big as it was 30 years ago, now that women have plenty of professional opportunities. The Los Angeles Economic Development Corporation (LAEDC) is good at what it does, but its mandate is economic and county-wide, not political and region-wide.

Most of the regions remember a past in which major corporations with headquarters in the region provided a cohesive force. They constituted a kind of parallel structure of informal governance. Now, in virtually all the regions, those companies are gone, merged out of existence, overwhelmed by changing technology or acquired by non-American owners. Mergers and consolidation mean fewer headquarters, and local loyalty declines as headquarters disappear. No longer do "four men around a table in the Ranier Club" run Seattle or the Committee of 25, also meeting in a downtown men's club, run Los Angeles.

But how important are corporate headquarters in the new economy? Is worrying about headquarters "old economy" thinking? For instance, wherever its headquarters, Intel is spread all over the world. Nevertheless, as Silicon Valley demonstrates, headquarters usually provide good jobs even if manufacturing and other services are outsourced. Headquarters locations tend to be higher value, with more philanthropic activity and more regional institution building. That suggests, moreover, that new owners or new arrivals among major businesses—even if they are not Americans—are likely to pay special attention to corporate philanthropy in their headquarters location. Toyota Motor Sales, U.S.A., Inc. and Sony Pictures Entertainment, which now have their U.S. headquarters in Los Angeles, may well care as much about the L.A. region as any comparably sized headquarters.

In fact, firm size may matter more than where the headquarters is located. In the five regions, perhaps more so than in the rest of the United States, most businesses, including the most dynamic, are small and medium-sized. In Los Angeles, four-fifths of the region's businesses are small ones. Such businesses are inherently hard to organize. Each head of a small business may regard the contribution to regional leadership that he or she could make as trivial. All are likely to feel they have to run very hard to keep up with their competitors; none believe they have time for community organizing unless it is tightly connected to the firm's bottom line.

In one sense, this gives rise to a paradox of globalization. It is the smaller companies—not the old-line banks, media or utilities—that bring economic dynamism to the regions. Even larger, successful firms like Microsoft must retain the spirit of a start-up to remain dynamic. That means that growing companies create precisely the problems they are unable to play a leading role in addressing. Cumulatively, they put pressure on LAX or Seattle's freeways, but individually they are too small to feel their responsibility for addressing the problem, much less solving it. Organizing will be all the harder if the businesses are also separated by ethnic group, as they so often are in Los Angeles. Even in L.A.'s "good old days," the downtown business leadership, mostly WASP, was a world apart from Hollywood, many of whose movers and shapers were Jewish.

A decade ago, the Los Angeles Business Advisors (LABA) sought to organize a score of the largest businesses. Its membership at the time included ARCO, a driving force in its creation, large local companies such as Avery Dennison, major law firms, financial institutions, and the aerospace firms Northrop Grumman and Lockheed. As the companies changed, however, it became harder for their representatives—for example, the regional sales manager of a global cooperation and the CEO of a local one—to regard one another as peers. It is presently unclear whether LABA can exert much leadership beyond funding occasional research projects.

At the same time, shifting elites are changing existing institutions as the global economy creates new ones. Latino politicians, for instance, have given new purpose to old institutions. The first generation of Latino politicians was oriented inward, toward their community, but the following generations are more cosmopolitan and better at reaching out to a wider constituency. Antonio Villaraigosa, the liberal Latino State Assembly Speaker, failed in his bid to be mayor of Los Angeles in 2000. But 36 percent of Latinos voted—a higher rate than the Los Angeles average and, for the first time, a higher turnout than that of white voters.[25] Villaraigosa also had the backing of much of the Jewish community, younger whites, and younger African-Americans.

Moreover, new NGOs have arisen, reflecting new interests and new faces. The Catholic Church has finally come to realize that its future is among immigrants, especially Latinos, and its expensive new cathedral in downtown Los Angeles stands as testimony to its role as a network. Exactly how that role will play our in the future remains unclear, for while the Church is important, it may be more important as security for those who are discomfited by change or migration than as a meeting place for those Latinos who will shape southern California's future. Similarly, the prominent Latino organization MALDEF, the Mexican-American Legal Defense Fund, does what its name implies—it provides defense and protection of the hurt rather than leading the way for change.

"The observation that the new economy runs on the old economy infrastructure—transport, education, and perhaps affordable housing—argues for partnerships of government and the private sector."

Many believe that it makes little sense to create new governmental organizations in the regions. In the Bay area, for example, formal regional governance has not been necessary—at least not up until now. The region has always had self-determination—bottom-up, decentralized organization rather than top-down organization—the heritage of a risk-taking culture that goes back to the Gold Rush. It also has the advantages of NGOs and an important private sector. There is a considerable difference in perspective, however, between San Francisco and San Jose. In San Francisco, NGOs are important but balkanized—like San Francisco neighborhoods themselves. In San Jose, the culture favors making money, and it measures value by bonuses. "Regional governance" for the Bay area thus means bringing the right people together around the table. It means getting people to talk to each other who think they do not need to meet.

The observation that the new economy runs on the old economy infrastructure—transport, education, and perhaps affordable housing—argues for partnerships of government and the private sector. Such partnerships require new forms. A prime example of such a partnership is Joint Venture Silicon Valley. JVSV grew out of the need for joint action by the public and private sectors. When silicon chip companies seeking to expand became frustrated because different cities had different processes for issuing the necessary permits, JVSV's "Smart Permit" initiative streamlined the permitting process for eight Silicon Valley cities and put it online. Yet JVSV also demonstrates the limits of efforts driven primarily by the private sector. It dropped its "digital divide" initiative and faced the quandary over just how much difference the initiative could make in K-12 education. Now that the schools are all wired, it is hard to know what to do next. All students have access to the Web in schools; the new challenge is inducing them to use it.

Because bringing people together is so arduous, it may require some crisis, or some action-forcing event. Sometimes, anti-globalization forces have provided an inducement to organize. For instance, the San Francisco-based Global Exchange seeks to increase public awareness of globalization's downside through campaigns, "reality tours" to poor countries, and a variety of what it calls "fair trade" initiatives. In contrast, the 1984 Olympics forced the expansion of LAX and the 2002 Olympics played the same role in upgrading the transportation infrastructure of Utah and the Wasatch Front.

Los Angeles provides a stark example of the dilemmas of governance. While the region has enduring educational and cultural institutions, one author refers to many initiatives as "morning glories," impressive in the morning but dead by nightfall.[26] Or, as Nathan Gardels, the editor of

"Globalization has increased the need for institutions, public and private, that can take a region-wide view but has, at the same time, undercut some groupings—like the "downtown" corporations rooted in the region—that might play that role."

New Perspectives Quarterly, puts it, in Los Angeles everything grows but nothing connects. The region now lacks the overview and coherence that was provided by the Committee of 25, however unrepresentative that group might have been. Authority is dispersed among layers of special-purpose districts.

To its boosters, the Los Angeles region is positioned to be the "global capital of the 21st century."[27] Its rival will be Shanghai, technology will be the motor, and the private sector will be in the lead. The region will outsource many services, like finance, and much of the service called "government" will also be outsourced, to Washington, D.C. in particular. At present, though, there is no such vision for the region, and no means for constructing it. Does the vision come before or after the political process? Do organizations like the neighborhood councils that were established by the last reform of the Los Angeles city charter build toward the vision by engaging citizens, or do they stifle it by encouraging a parochial view?

In these circumstances, where might leadership come from? Not from the state assembly in Sacramento, which—quite the opposite of making the most of globalization—keeps proposing "job killer" legislation. The Los Angeles city charter reform may help by providing for a stronger mayor and, through the neighborhood councils, giving people a greater sense of control over their lives. But the move by the San Fernando Valley to secede from the city makes it more complicated to take a broad view of the city. Although secession was soundly defeated in the 2002 elections, Los Angeles is too sprawling and diverse for the issue not to remain on the agenda. Meanwhile, neither the Valley nor the rest of the city will want to appropriate money for public projects in the other.

In addition, the region lacks the media that could shape and communicate a vision and create a sense of community. KMEX, the Mexican-American radio station, may come the closest, but it leaves out most Anglos and the third of Latinos who do not speak Spanish. Perhaps one should look to popular culture nowadays. It has been suggested, not entirely whimsically, that the Lakers are about as much of a common rallying-point as the region has. But how might the Lakers provide leverage on matters like LAX expansion, even as three-time NBA champions?

In the end, two paradoxes run through the question of governance in all five of the regions as they come to grips with the local impact of the global economy. The first is that globalization has increased the need for institutions, public and private, that can take a region-wide view but has, at the same time, undercut some groupings—like the "downtown" corporations rooted in the region—that might play that role. The second is that the global economy moves rapidly and takes risks, while formal governance is slow and risk-averse. It takes time to build legitimacy and accountability. Absent a crisis, it takes time even to construct a vision and to achieve broad buy-in for it.

Perhaps the starting point for thinking about governance in the regions is the observation that existing institutional patterns emerged from particular contexts. Given the pace of globalization and the rapid changes in elites, it may now be that connections have to be more human than institutional. Institutions may result, but they surely will take time. What is imperative in the short run is getting together those people in a region who don't yet know one another. The "institutional" forms will be virtual or voluntary rather than formal. It will be organized around shared interests or tasks, more on the model of JVSV and the Pacific Council, than of regional government.

VIII. THE GLOBAL AND THE LOCAL

The global is the local, and vice versa: Although this catch-phrase is now conventional wisdom, our mapping of the five regions gave it vivid content. "Us" and "them" are now harder to disentangle, and so are "here" and "there." Most visibly, "they" are now "here" in the form of new immigrants who bring entrepreneurial spirit and restless energy. They are starting companies that fill the gaps left by departing or downsized aerospace firms, or big oil and big finance. They are rejuvenating old industries such as textiles. They are also bringing trade and investment linkages back home.

> "The global economy once again enmeshes us in issues from abroad we thought we had resolved."

Yet "we" are also "there." The global economy once again enmeshes us in issues from abroad we thought we had resolved. When the newcomers revive the textile industry, they sometimes do so at the price of reintroducing labor problems like child labor or worker safety or environmental protection, which we have come to regard as tolerably settled at home. Health care also demonstrates the tugs of "here" and "there." Locally, 20 percent of U.S. doctors are foreign educated; globally, one of the requisites of economic competitiveness is providing health care that is good but affordable. Finding new ways to export health care services is a looming opportunity for "here." At the same time, pharmaceutical companies find themselves under pressure to provide cheaper drugs for patients "over there," in countries that are now more visible to us, not least because of the presence of their immigrants here.

The number of new faces is largest in Los Angeles, but their impact is as great or greater in Silicon Valley. The debate will continue about whether the new immigrants, especially those from Mexico, will be different from the old ones in their patterns of acculturation and political behavior. It may be that they will turn out to be like earlier waves: By the second generation, their political behavior will be predicted better by economic status than ethnicity, and by the third generation hardly any of them will speak their ancestral language.

In fact, though, Mexican immigrants' experience is unique in U.S. history. Never before have so many immigrants come from a single country so close to the United States, remained so concentrated in their new country, and had reasons beyond sentiment and family to retain connections to their home country.

In the meantime, the new arrivals are reshaping old institutions and creating new ones. They are becoming more involved in civic society and are starting to view themselves as players in the whole community, not just in narrow, ethnically based associations. In Los Angeles, not only did toy magnate Charles Woo, who is originally from Hong Kong, become president of the Chamber of Commerce, but Dominic Ng of East West Bank ran the annual United Way campaign, a high-profile post that was once reserved for members of the white business elite.

Globalism and Foreign Policy: However the long-term issue of Mexican immigration turns out, the global context of migration is very different this time around. Many previous immigrants were fleeing oppression as well as seeking opportunity; they had little interest in maintaining a connection with their native land. This time around, though, many migrants, especially those from Asia, do have such opportunities. They can move back and forth or take advantage of their role in managing back-office operations of their U.S. businesses in their homelands. Some of the children of Asians are "parachute children," established in the United States by their parents as insurance against catastrophe back home.

> "The first implication of 'what is there is also here' is that place matters both not at all and absolutely."

The first implication of "what is there is also here" is that place matters both not at all and absolutely. That it matters hardly at all is the now customary observation about the global economy: Communications devices work from anywhere to anywhere—regardless of distance. Conversely, the idea that "there" matters is new to those of us who grew up during the Cold War when national borders were frozen. Now, we are reminded that Kosovo, with only a minority of Serbs, is still Serbian and Crimea is Tatar without Tatars, just as California is once again looking as Mexican as it did in the time of colonial Spain. Tensions between India and Pakistan are "here" as well as "there" because they matter to our production, commerce, and co-workers.

Second, trade relationships in the regions are influencing U.S. foreign policy. As Americans acquire increasing stakes, both economic and human, in countries that they have taken little account of before, Washington's policy choices are constrained accordingly. For instance, by the time the U.S. Congress stopped pretending it might deny China most-favored-nation (later "normal trading relations") status, it had become clear that Congress really had no choice. American business connections to China, especially on the West Coast, had become so important that cutting off normal trade relations was impossible. Only the self-absorbed politics of Capitol Hill made it look possible; but from the outside, the result was predetermined.

By the same token, in the wake of the Indian nuclear explosion in 1999, the United States imposed sanctions on India. Those could hardly last because the United States had so many interests in India, particularly in the area of software development. As one San Jose editor put it, Silicon Valley is now involved with what happens on the Indian subcontinent. When push came to shove, the United States could hardly afford to make its interests in Indian democracy, technology, or commerce hostage to a nonproliferation policy which had already failed.

The third implication is that the traditional foreign policy agenda has been stretched by the economic imperatives arising from the global workforce. The September 11 attacks injected nationalist and exclusionary impulses into the debate, but when the information technology sector revives—as it surely will—the debate over visas for skilled workers in short supply in the United States will resume. In 2000, American business lobbied for the number of such visas to be increased to 200,000. Discussion of new "guest worker" programs with Mexico, put on the agenda by Mexican President Vicente Fox, was stopped by September 11 but will return. In the short run, September 11 created an impulse to "close the border," but that impulse cannot eradicate economic imperatives. Although the United States certainly needs the labor, sensibilities all around will be offended if illegal workers aren't protected from abuse—so some kind of regularization is inevitable. The idea of guest workers suggests a broader concept of "sojourner rights" in which the perquisites of citizenship might be separated from the ability to work in a foreign land.

Public and Private Authority: From the perspective of the localities and regions, authority is more and more poorly matched to responsibility. Immigration policy, for instance, remains a national prerogative, even though the regions and localities have to cope with its effects, both good and bad. Whatever its result, Proposition 187 was California's attempt to exercise some control over immigration by making conditions less attractive for immigrants. But it is not foreordained that formal immigration policy must always remain purely a federal responsibility. Federal Canada gives one province, Quebec, a substantial quota of new immigrants, which is filled largely by French-speakers from Africa. Since California, even southern California, takes as big a share of America's immigrants as Quebec does of Canada's, the idea of "California quotas" is surely not beyond imagining.

As regions become more important as economic units, it is becoming clear that they lack instruments for taking maximum advantage of the global economy. Their ability to retrain workers or cushion the fates of the relative losers from globalization is limited. When they are hit disproportionately by particular economic shocks, their plight is cushioned by "fiscal federalism," which reduces their federal taxes while increasing their federal transfer payments. Still, in 2001 the Bay area might have liked to have the power to devalue the "high-tech" dollar, just as the oil industry might have wanted to devalue the "Texas" dollar or California the "aerospace" dollar during their local recessions of the 1980s and 1990s.

> "It is often argued, for instance, that it is a good thing that regional government is not strong in the Los Angeles region, for it would only result in gridlock, given the sharp political differences—for instance, between conservative Orange County and its neighbor, liberal Los Angeles County."

The fact that private groups exercise public authority is also not new but is becoming more and more prominent. Examples abound. To cite one example relevant to the U.S. West, information infrastructure is now in private hands. Before the break-up of AT&T in the 1970s, communication was a government-regulated monopoly. If the government worried about vulnerability or about military communications on commercial lines, the answer was easy: Require AT&T to bury cables deeper or increase redundancy, and subsidize AT&T if need be. Now, if the government deems information infrastructure too poorly protected, it has to engage the private sector managers to make a change.

Indeed, in one sense, what is notable is that there are now fewer focal points for the exercise of private authority. Yet if the forms of private authority are different, their extent seems greater now. Microsoft's actions abroad, taken largely for economic reasons, perhaps produce a larger American influence in many countries around the world than those of the U.S. State Department. The same may be even truer of Hollywood. In any case, traditional foreign policy is increasingly constrained by what private institutions do.

In some instances, informal arrangements in the regions have worked precisely because there was no formal government. It is often argued, for instance, that it is a good thing that regional government is not strong in the Los Angeles region, for it would only result in gridlock, given the sharp political differences—for instance, between conservative Orange County and its neighbor, liberal Los Angeles County. And weak formal governance may turn Silicon Valley free to innovate in ways that would be inhibited by a larger role of government. On the other hand, it would be a mistake to overlook the clear and direct role of government, the federal government in particular, in the development of both the old and new industries of the five regions—from aerospace in Los Angeles and Seattle, to high-tech in Silicon Valley and San Diego.

In the end, though, for all the distaste for government—a distaste that has diminished in the aftermath of September 11—the alternatives do not possess clear legitimacy.[28] For better or worse, the global economy is often at odds with the requirements of government in the industrial democracies. That conflict is at the root of the backlash that has been seen on the streets of Seattle and Washington, D.C. It is a conflict that underscores how far we have to go in developing new notions of governance.

> "Private institutions, principally corporations but also nongovernmental organizations such as Amnesty International or CARE, will need to take more responsibility for public purposes, in new partnerships with governments."

Globalization is fast. The time horizon in Silicon Valley is likely to be measured in days, if not hours. In contrast, government is slow. It depends on consultation and due process, neither of which is routinely rapid. Globalization is driven by taking advantage of opportunity and taking risks. Spending millions is a small matter if there is a chance of making billions. Government is driven by avoiding mistakes, and—even more so—"fraud, waste and abuse." It fears risks. It sometimes spends millions rather than waste thousands.

At the human level, the contrasts are even sharper. The global economy is an equal opportunity employer but a ruthless one: If you can do the job, it doesn't matter if you're black, white, or Filipino, you get the job. But if you can't do the job at the right price, it doesn't matter whether you're American, a veteran, or a single mom, you don't get it. Globalization is a meritocracy defined by those who can do today's hot jobs. Democratic government is not. It says that the vote of the Latina cleaning lady is just as important as that of the wealthy bond trader she travels a hundred miles a day to scrub floors for.

Reshaping Regional Governance for the 21st Century: These issues must be addressed again in today's changed circumstances. The past century's responses to renegade capitalism neither will nor should be our responses today. Then, the answer was curbing the trusts, outlawing child labor, and helping unions to organize as a countervailing force. The same approaches are not appropriate today. The comeback of unions may be welcome on the underside of globalization, where competition and immigration have pushed down the wages of low-skilled service people. But the case of Microsoft demonstrates the limited grasp of traditional antitrust measures on today's commerce. For all the government's effort, technology moves too fast. By the time Microsoft had to comply with a traditional antitrust ruling, compliance would have no longer mattered, for Microsoft would have been no more. A negotiated, if not cooperative, solution made more sense.

At present, there are only pointers to reshaping governance. One is that private institutions, principally corporations but also nongovernmental organizations such as Amnesty International or CARE, will need to take more responsibility for public purposes, in new partnerships with governments. No process of government regulation, for instance, could make e-commerce safer. Given care and due process, the government would only plug holes that companies have already filled—and that hackers and criminals have already moved beyond. But a process in which the government supplied legitimacy and its own sources of information to an effort led by the private sector might in fact make an important difference that citizens would consider useful and appropriate.

The second pointer is that developing new forms of governance is no luxury. It is a necessity. Otherwise, the kind of protest we saw on the streets of Seattle will become routine. That protest says, in effect: "If globalization conflicts with governance as we perceive it, then to hell with globalization."

The third pointer is a favorite from the 1970s updated for today's circumstances: Think globally but act locally. The difference now is that the "local" is often mismatched to the requirements of globalization. Globalization's benefits are often dispersed, whereas its costs are concentrated—as we saw with the Alameda corridor and the fights over airport expansion.

The remedy is again to try to provide visible benefits locally, not just intangible ones regionally. Given the weakness of regional public institutions, this is unlikely to be done on the initiative of governments. It will necessitate new forms of private leadership in pursuit of public purposes.

It will take time for a regional vision to emerge and be recognized. That vision won't emerge spontaneously—nor will it be constructed through existing mechanisms of government, which are both fractured and mismatched to the challenges and the opportunities of the global economy. Instead, it will be based on the observation that the connective links across the region must be human, not institutional. That means fashioning informal groups around shared purposes in each region, on the model of Joint Venture Silicon Valley, and the Pacific Council on a broader regional basis. These groups might begin with efforts to assemble the statistics that do not now exist on a city-region basis and move from mapping to totting up each region's strengths and weaknesses—slowly building upon these elements to create an overarching vision of the future place of the U.S. West in the global economy.

ENDNOTES

1 I appreciate the comments I've received on various drafts of this paper—from my fellow authors, especially Sarah Bachman, but also Ian Lesser, Steven Erie, Byron Auguste and Mark Pisano. Michael Parks was my "co-conspirator" in launching the project and, later, gave me comments too detailed and insightful not to improve the paper. I thank all these good people but absolve them from blame for any gremlins that remain.

2 The variations, along almost any dimension, across the U.S. West are also striking. See Earl H. Fry, *The North American West in a Global Economy*, (Los Angeles: Pacific Council on International Policy, 2000).

3 Four of the region papers have been published, and all the data on those regions in this paper are from them, except where otherwise noted. See Richard Feinberg and Gretchen Schuck, *San Diego, Baja California and Globalization: Coming from Behind* (2001); Earl Fry, *Mapping Globalization Along the Wasatch Front* (2001); Frederic A. Morris, *Beyond Boeing: Seattle in the Global Economy* (2002); and S.L. Bachman, *Globalization in the San Francisco Bay Area: Trying to Stay at the Head of the Class* (2002).

4 Thomas L. Friedman, *The Lexus and the Olive Tree* (New York: Anchor Books, 2000), p. 9.

5 See Dani Rodrik, *Has Globalization Gone Too Far?* (Washington, D.C.: Institute for International Economics, 1997), p. 16ff.

6 See Harold James, *The End of Globalization: Lessons from the Great Depression* (Cambridge, M: Harvard University Press, 2001).

7 Dani Rodrik, *The New Global Economy and Developing Countries: Making Openness Work* (Baltimore: Johns Hopkins Press, 1999).

8 See Michael E. Porter, "Clusters and the New Economics of Competition," *Harvard Business Review*, November-December, 1998; Porter et al., *Clusters of Innovation: Regional Foundations of U.S. Competitiveness*, prepared for the Council on Competitiveness, October 2001, www.compete.org.

9 For this and other insights about the Los Angeles region, I am grateful to my colleague in the project, Xandra Kayden.

10 Steven Erie places the Los Angeles economy in a global perspective citing 2001 gross product figures. See his *Enhancing Southern California's Global Gateways: Challenges and Opportunities for Trade Infrastructure Development* (Los Angeles: Pacific Council on International Policy, 2003).

11 Estimate by the Los Angeles Economic Development Corporation (LAEDC), see www.laedc.org/14industry.html and www.laedc.org/International_trade.html.

12 See Michael Clough, *Can Hollywood Remain the Capital of the Global Entertainment Industry?* (Los Angeles: Pacific Council on International Policy, 2000).

13 The study, jointly commissioned by the Directors Guild of America and the Screen Actors Guild of America, is cited in Clough, p. 13.

14 See lachamber.org/aboutla/fashion.htm. The figures are current numbers.

15 Georges Vernez has examined the various ethnic "diaspora" in California, especially southern California. See his Los Angeles *New Melting Pot: Looking Ahead*, (Los Angeles: Pacific Council on International Policy, forthcoming 2003).

16 For additional background, see United Way, *A Tale of Two Cities: 2003 Executive Review of the State of Los Angeles County*, Los Angeles, 2003), available at www.unitedwayla.org/pfdfiles/totc_rpt_02.pdf.

17 AnnaLee Saxenian, *Silicon Valley's New Immigrant Entrepreneurs* (San Francisco: Public Policy Institute of California, 1999).

18 www.eastwestbank.com/.

19 Marla Dickerson, "Treasure in L.A.'s Trash," *Los Angeles Times*, August 9, 2002, p. 1.

20 I owe this term to my colleague Abraham Lowenthal.

21 Steven Erie has delved deeply into these issues of infrastructure. See his *Enhancing Southern California's Global Gateways: Challenges and Opportunities for Trade Infrastructure Development* (Los Angeles: Pacific Council on International Policy, 2003).

22 See *The Global Engagement Of San Diego/Baja California, Final Report Of The San Diego Dialogue's Forum Fronterizo* (San Diego, November 2000).

23 See Manuel Pastor, *Widening the Winners' Circle from Global Trade in Southern California*, (Los Angeles: Pacific Council on International Policy,

24 LAEDC estimate.

25 "Occasional and New Latino Voters Drove Turnout," May 30, 2001 press release by William C. Velazquez Institute at www.wcvi.org/press_room/press_releases/ca/pr_turnout_053001.html.

26 Amy Bridges, *Morning Glories: Municipal Reform in the Southwest* (Princeton, NJ: Princeton University Press, 1997).

27 Michael Parks, the former editor of the *Los Angeles Times*, has articulated this vision best.

28 Eighty-two percent of Americans polled in November 2001 said they had a favorable opinion of the federal government, up from 38 percent in October 1997. The favorability number fell to 64 percent in December 2002. See the Pew Research Center for the People and the Press, at www.people-press.org.

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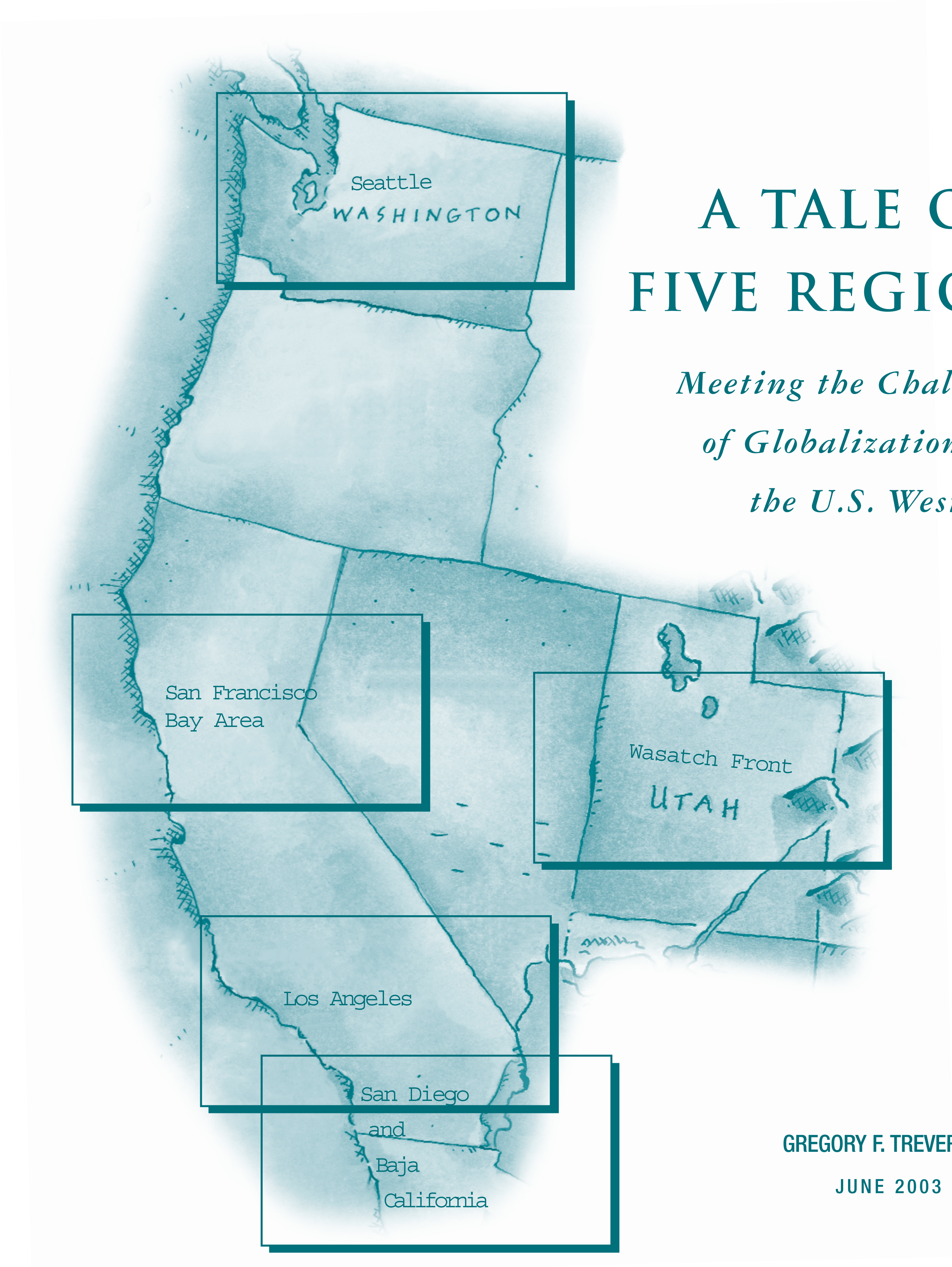

A TALE OF FIVE REGIONS:

Meeting the Challenge of Globalization in the U.S. West

GREGORY F. TREVERTON

JUNE 2003

PACIFIC COUNCIL ON INTERNATIONAL POLICY

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