



The Economic Fundamentals of Arizona

**Presented by:
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What drives an economy?



Flow of a Region's Economy

Base Industries

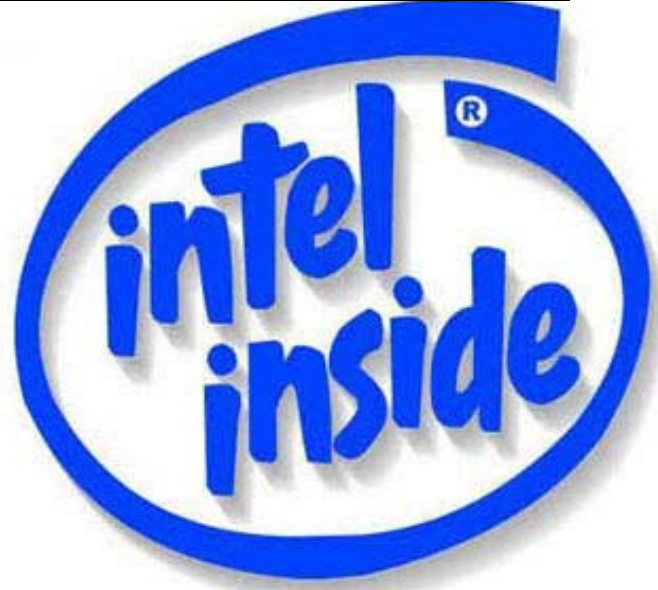
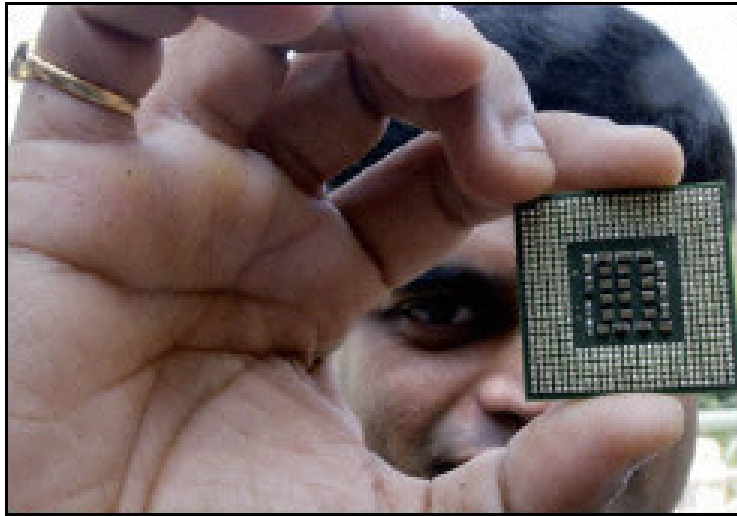
Manufacturing, Tourism, Export-Related Business Services,
Retirement, Etc.

Spending
by
Base
Industries

Local Market Industries

Retail, Construction, Local Business Services, Banks,
Local Government





**The health
of an
economy is
a function
of its
export, or
“base”
industries.**



“Export” or “Base” Industries

**Those industries where
demand for goods & services
comes from outside the region**

- This creates demand for local
goods & services.**



“Local Market” or “Domestic Sector” Industries

- **These industries exist because of demand created within the local market**
- **These industries are chasing \$\$ brought in by export related industries.**
- **What happens in these industries is a function of what happens to “export” or “base” sector industries.**





**Why do
ghost
towns
exist?**



We have been lucky...

**Our existing base has held us
in good stead.**





**However, it is, and will continue to
be, cyclical.**

**Also, the semiconductor base has
been shrinking.**



**Need to diversify the
export-related base,
especially the manufacturing
base, by being competitive in
areas where we can excel
(such as renewables).**





**Build on our strengths in
areas such as aerospace
and defense.**



WHY ARIZONA GROWS...

- **PEOPLE**
- **RESOURCES**
- **GOVERNMENT**



FACTORS CONSIDERED “TRULY VITAL” TO DECISION TO LOCATE IN GREATER PHOENIX

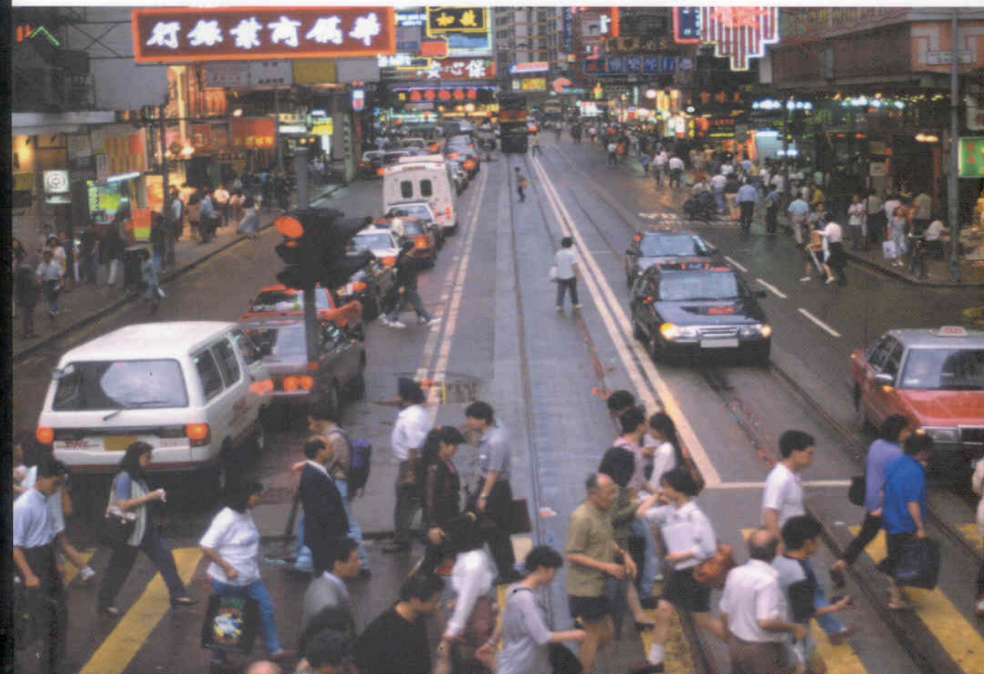
Source: GPEC

- Access to customers/markets
- Availability of sites/buildings
- Transportation infrastructure
- Quality of infrastructure
- Availability of labor force
- Wage rates/cost of labor
- Highway access
- Quality of life
- Quality of labor force
- Quality of sites/buildings
- General business environment
- Cost of living
- Attitude of local government
- Utility costs





Barriers to Riches



Stephen L. Parente and Edward C. Prescott



Why?


A. Livability – People WANT to live here

B. Government – Doesn't get in the way (i.e. few constraints put on a company and its ability to make a profit).



**The good news for our State is
that we have control over our
destiny and it is within our
power to improve our
competitive position.**





★ At the local level, policies such as **★**
★ limited workplace regulation, **★**
★ competitive tax policy, and policies
that allow export related companies
(i.e. companies that could locate
elsewhere) to earn a
competitive rate of return,
★ are the key factors **★**
in regional development.





**We have to become more
competitive.**

**We are not doing as well as we
should in tax policy that will
allow us to attract the industries
that will make us prosperous.**





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