

Arizona needs to develop, stick to vision for growth

by *Ioanna T. Morfessis* - Jan. 4, 2009 12:00 AM
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Why do some state economies flourish while others flounder or fail?

Clearly, the answer to this question continues to elude Arizona, as evidenced by our economic travails, which are loud echoes of times past.

Just 20 years ago, in 1989, a similar meltdown of Arizona's economy occurred, lasting several years.

For many long-time Arizonans, a dim but uncomfortable memory still exists of the late 1980s/early 1990s collapse of the savings-and-loan institutions and residential and commercial real-estate sectors.

Prompted by a scathing article in Barron's in late 1988, "Phoenix descending: Is boomtown USA going bust?" Arizonans unified and began working together to chart a better economy for the state's future.

Then-Phoenix Mayor Terry Goddard convened economic summits, which led to the formation of regional economic-development partnerships in Phoenix, Tucson and Flagstaff. For the greater good,

cities fused their economic-development interests into these cooperative arrangements.

Then-Gov. Fife Symington provided strong leadership and support for the Arizona Strategic Plan for Economic Development (ASPED), a blueprint to diversify Arizona's economy and reduce our dependence on a one-industry growth economy.

This strategic plan gave rise to many promising new developments for Arizona's economy, but as is the case in many states, successive governors abandoned this blueprint in favor of their own.

ASPED was not allowed sufficient time to gain traction and fully transform the economic underpinnings of Arizona's economy.

In recent years, Arizona has realized some seminal developments, most notably the establishment of the Translational Genome Research Institute (TGen), the Arizona Bioscience Road Map and Science Foundation Arizona.

These are critically important building blocks for diversifying our state's economy and have demonstrated positive results.

To maximize their return on investment, state investment in these initiatives must

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continue for years to come.

Still, other initiatives need to be developed or strengthened to generate, as Warren Buffet would say, "durable competitive advantage" over the long haul.

Uniting in N. Carolina

North Carolina's Research Triangle Park provides an instructive example of how important it is to develop a vision and strategic plan and stick to it over the long haul.

The Research Triangle had its genesis in the early 1950s, when leaders were determined to do something about North Carolina's dependence upon the tobacco industry as its primary economic driver.

North Carolina State, Duke University and the University of North Carolina-Chapel Hill were compelled to join forces, work with the state's private and public sectors and collaborate with one another in the development of a research center that would generate business investment and support North Carolina industry.

A major federal government lab and a significant R&D facility of IBM located in the Triangle in the mid-1960s.

Today, Research Triangle Park is the largest

such center in the U.S., home to more than 170 companies employing more than 40,000 full-time knowledge workers.

In its 2008 annual ranking of best states for business, Site Selection Magazine named North Carolina as the top state for the eighth consecutive year. (Arizona ranked 23rd).

Why has North Carolina's economy flourished over time?

Because, since the park was envisioned more than 50-plus years ago, virtually every governor and most of the legislatures recognized that retooling an economy requires relentless focus and investment over decades.

North Carolina's government, business and university leaders have created one of the best examples of sustained economic development in our nation.

A cornerstone of this state's economic competitiveness is its consistent investment in primary, secondary and post-secondary education.

Arizona should heed the lessons found in North Carolina and recognize that continuous investing in economic development and education at all levels is paramount to the state's economic recovery and long-term vitality.

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Michigan: A case study

Perhaps Michigan offers an instructive example more comparable to Arizona's situation. Despite our personal views about the plight of the Big Three, the fact is the automotive industry is to Michigan what growth is to Arizona.

Since 1947, Michigan has experienced many attempts to diversify its economy through various gubernatorial initiatives.

Although some of these endeavors held promise, few lasted longer than the term of the governor who championed them. Consequently, their impact was minimal, as evidenced by Michigan's chronic economic decline resulting from its extreme dependence on one sector: the automotive industry.

Most assuredly, without a dramatic overhaul of our thinking and purposeful action to diversify and broaden Arizona's economic base, 20 years hence (2029) we again could be just as afflicted by the vagaries of the real estate and construction cycles that have plagued our economy for the past 20 years.

Several well-intended economic-development strategies have been put forth during these intervening years, but again, with the exception of the bioscience initiatives, few have yielded a demonstrable

long-term impact.

The Arizona Strategic Plan for Economic Development was not the Holy Grail of economic development, but what made it distinctive was the extraordinarily widespread participation of thousands of people and hundreds of groups from throughout our state.

ASPED genuinely was a consensus-driven road map based on a strong private-public partnership with profound "buy-in" to diversify our economy. In its early stages of implementation, the momentum was powerful, but without the sustained commitment of Arizona's successive leaders, many of these endeavors dissipated over time.

Benjamin Disraeli, the British statesman and prime minister, once said, "There is no education like adversity."

Obviously, Arizonans still have a lot to learn because we continue to rely on growth to propel our economic fortunes and repeatedly suffer the ill effects of real-estate downturns, regardless of their causes.

Yes, Arizona's economy is in peril, but in times of adversity, opportunities abound.

The most important opportunity now before us is to take charge of our own economic

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destiny and make a deep and abiding commitment to build a more competitive, sustainable and prosperous economy.

The new Legislature

When Arizona's Legislature convenes on Jan. 12 and as Secretary of State Jan Brewer assumes the mantle as Arizona's 22nd governor, our state leadership must immediately confront many complex and difficult challenges.

Chief among them are Arizona's mounting deficit and the precipitous decline in revenues caused by the plummeting construction, real-estate and other growth-related sectors - the historic lifeblood of Arizona's economy and the major reason for Arizona's economic woes.


Our new governor soon will possess the political capital and platform necessary to unite various factions throughout Arizona, lead in the development of a broad- and consensus-based strategic plan, and focus Arizonans on constructing a more vibrant economy.


Let's hope the Legislature eschews draconian quick fixes and joins Brewer to initiate a 50-year commitment that builds a better Arizona for us all.


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