

Sunday, February 8, 2009

Ioanna Morfessis is president of IO.INC, a national business and economic development consulting firm based in Phoenix, AZ. She is the founding president/CEO of the Greater Phoenix Economic Council and the Economic Alliance of Greater Baltimore.

QUESTION: How you would compare the two housing recession of the late 1980s and the current one?

MORFESSIS: For Arizona, this recession appears to be far worse than that of the late 1980s, largely due to our persistent dependence on growth to drive our economy. More people are affected because our population is about twice as large as it was then. Companies are more leveraged financially, making them highly vulnerable to fluctuations in capital markets.

Virtually every sector of the state and national economy is affected by the near-total collapse of business and consumer spending in the U.S., which was not the case in the late 1980s.

Moreover, there are very few large, locally controlled banks, firms and headquarters here, meaning business leadership has less time to focus on localized matters. And the CEOs whose companies are headquartered in our state are confronted with intense global competition - a dynamic that was not as dominant in the late 1980s.

QUESTION: What could we learn from the housing market crash of the late 1980s that is relevant today?

MORFESSIS: Back in the 1980s, people had a difficult time working together on economic issues in Arizona.

As the recession of the 1980s began to wreak havoc on Arizona's real estate and other growth-related sectors, governments and business joined forces to address our plummeting economy. One result was the 1989 creation of the Greater Phoenix Economic Council. Another was the state-wide initiative to diversify Arizona's economy: the Arizona Strategic Plan for Economic Development. Some promising new developments started to materialize, but the state-wide effort was not sustained.

The housing bubble of 2005-2006 adversely affects everyone who lives in Arizona because growth has remained our number one industry. It's time we Arizonans learn from our recurring economic woes and commit to a long-term "extreme makeover" of our economy.

QUESTION: What indicators are you watching for signs of recovery?

MORFESSIS: The most important indicators are a sizable and sustained increase in capital outlays by business and industry; a dramatic and progressive decrease in unemployment; a consistent increase in consumer spending and disposable incomes; and a robust record of business, construction and consumer lending.



Ioanna Morfessis is president of IO.INC, a national business and economic development consulting firm based in Phoenix.