The Southwest Heartland:

The Good, the Bad & the Ugly

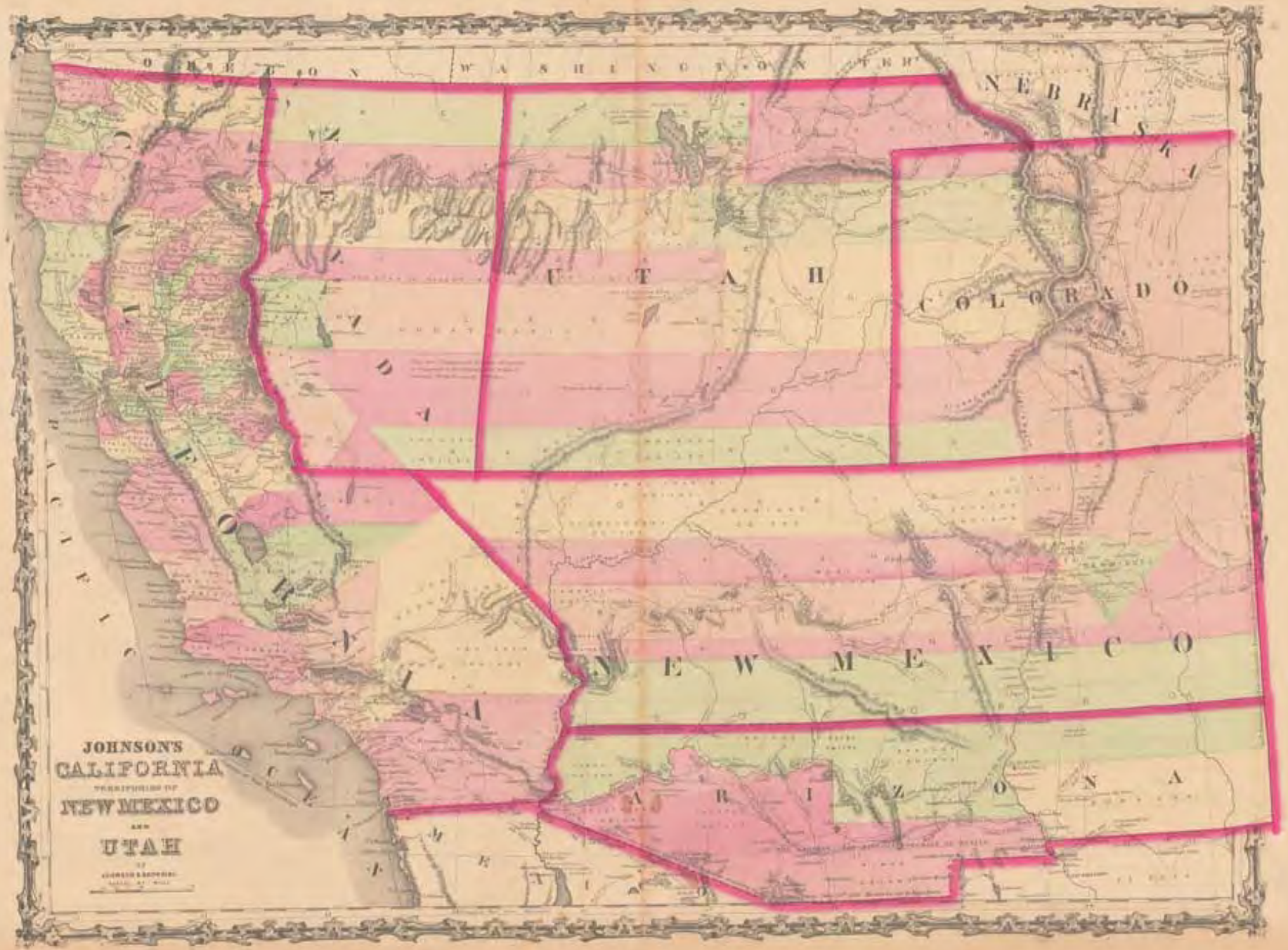
Lee A. Reynis
The University of New Mexico
and
Marshall J. Vest
The University of Arizona



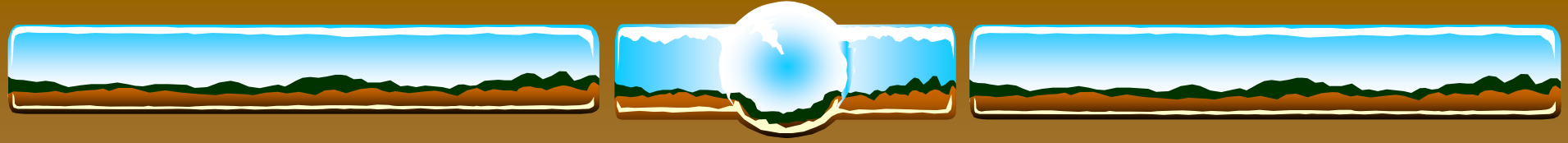
KEN BURNS presents a film by STEPHEN IVES

THE WEST

1997 CALENDAR


JOHNSON'S
CALIFORNIA
NEW MEXICO
AND
UTAH
NEBRASKA
UTAH
COLORADO
NEW MEXICO
ARIZONA


ARIZONA
NEW MEXICO
MEXICO
MEXICO
St. George
UTAH
Zion National Park
Kanab
Glen Canyon National Recreation Area
Page
Kayenta
Overton
Lake Mead
Colorado River
Grand Canyon National Park
Grand Canyon Village
Canyon De Chelly National Monument
Lake Mead National Recreation Area
Wupatki National Monument
Window Rock
Kingman
Williams
Flagstaff
Winslow
Petrified For National Par
Bullhead City
Needles
Holbrook
Lake Havasu City
Prescott
Show Low
Parker
Wickenburg
Alpine
Blythe
Phoenix
Mesa
Globe
Clifton
Gila River
Gila Bend
Casa Grande
Safford
Yuma
Saguaro National Park
Ajo
Tucson
Willcox
San Luis Rio Colorado
Organ Pipe Cactus National Monument
Green Valley
Benson
Tombstone
Sonoita
Sierra Vista
Nogales
Puerto Peñasco
Gulf of California
Cananea
Railroad
0 40 mi
MAGELLAN Geographix℠
685-3100 www.maps.com
Cortez
MESA VERDE NATIONAL PARK
Durango
Pagosa Springs
Antonito
Trinidad
Shiprock
Navajo Reservoir
Farmington
Tierra Amarilla
Raton
Des Moines
Clayton
Taos
Springer
Los Alamos
Santa Fe
Las Vegas
Logan
Gallup
Bernalillo
Grants
Zuni
Albuquerque
Tucumcari
Santa Rosa
Belen
Vaughn
Fort Sumner
Clovis
Portales
Socorro
Carrizozo
Roswell
Truth or Consequences
Silver City
Alamogordo
Artesia
Hobbs
Hatch
WHITE SANDS NATIONAL MONUMENT
Lordsburg
Deming
Las Cruces
CARLSBAD CAVERNS NATIONAL PARK
Carlsbad
Rio Grande
El Paso
GUADALUPE MTS. NATIONAL PARK
Ciudad Juárez
Pecos River
Railroad
0 40 mi
MAGELLAN Geographix℠
685-3100 www.maps.com

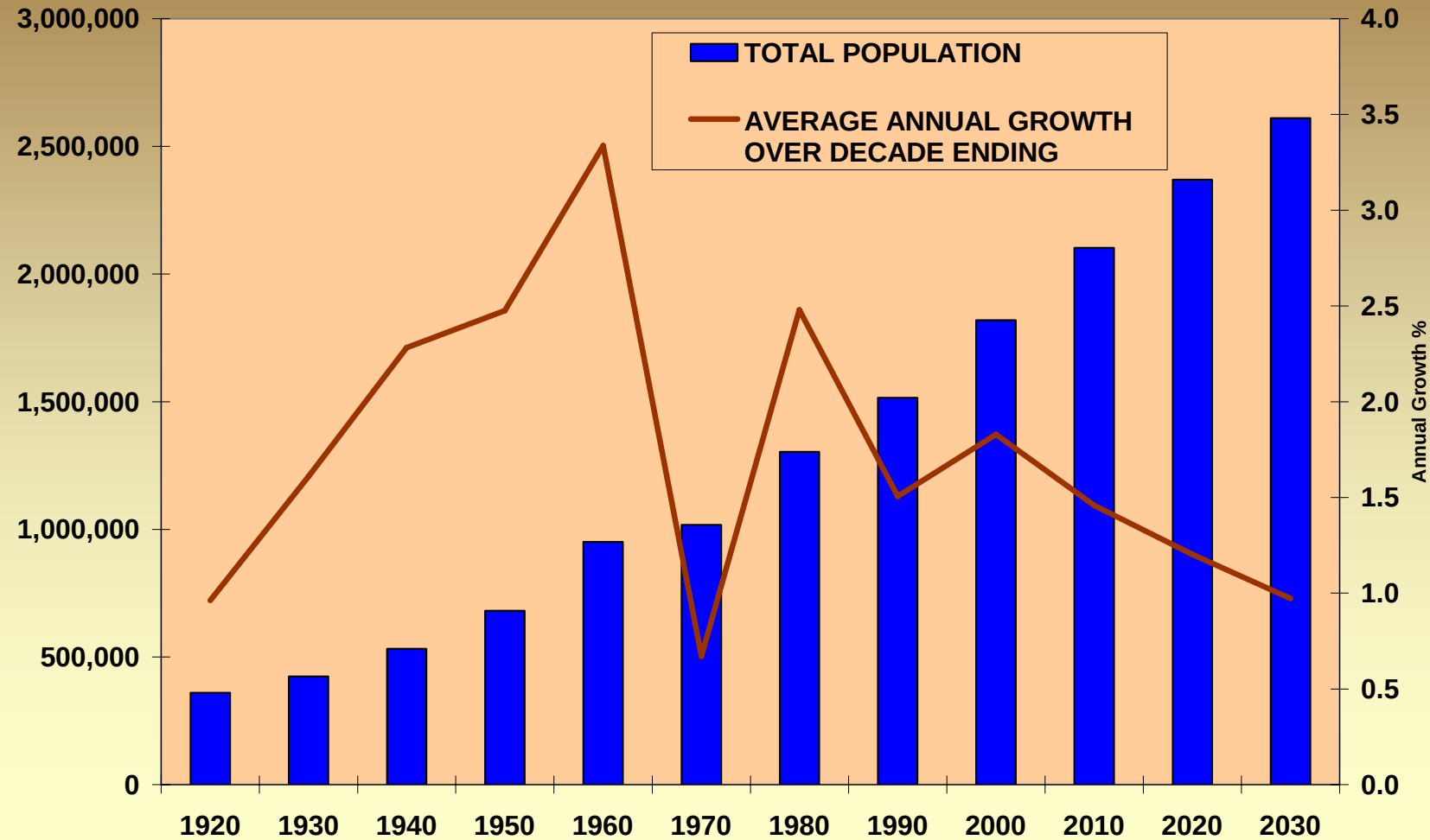


New Mexico

Economy

Population

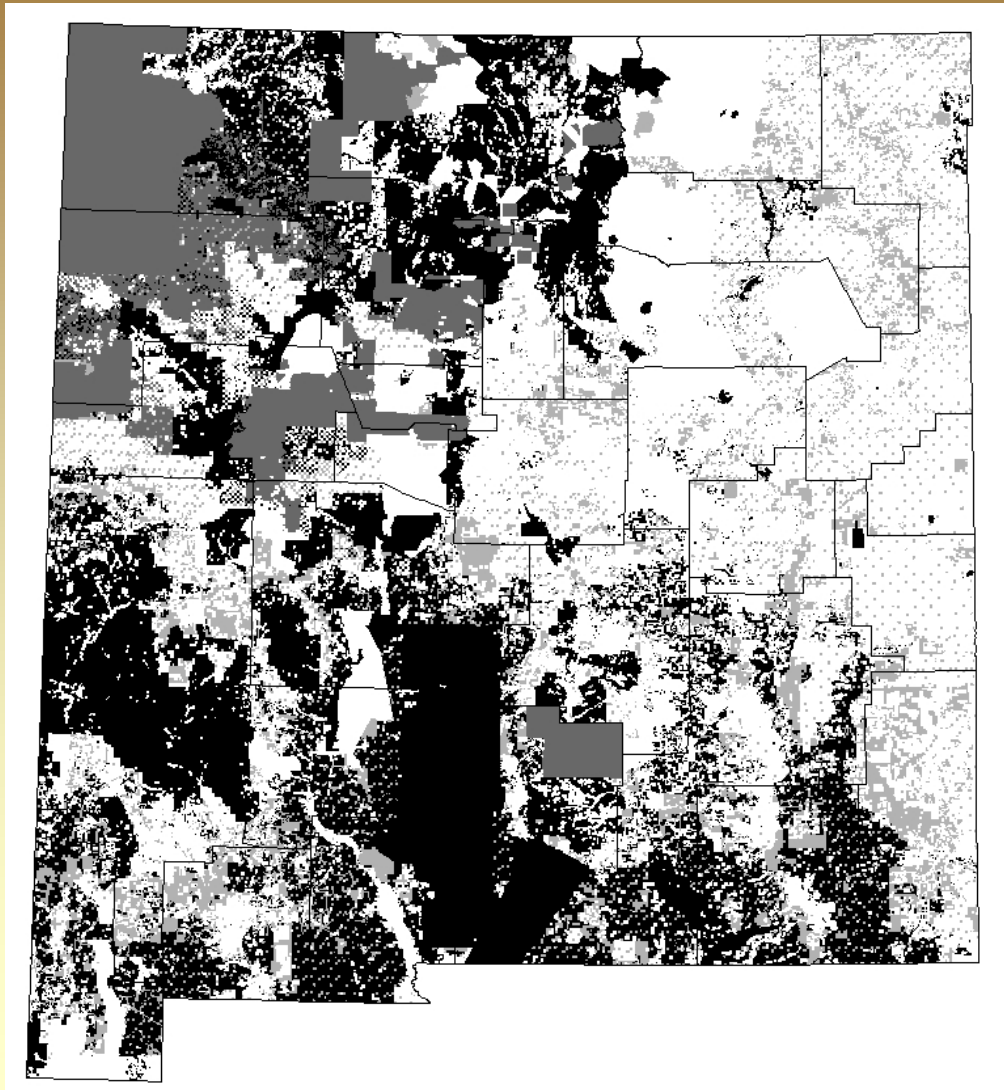
2004 pop = 1,925,000



Land area and population density, 2000

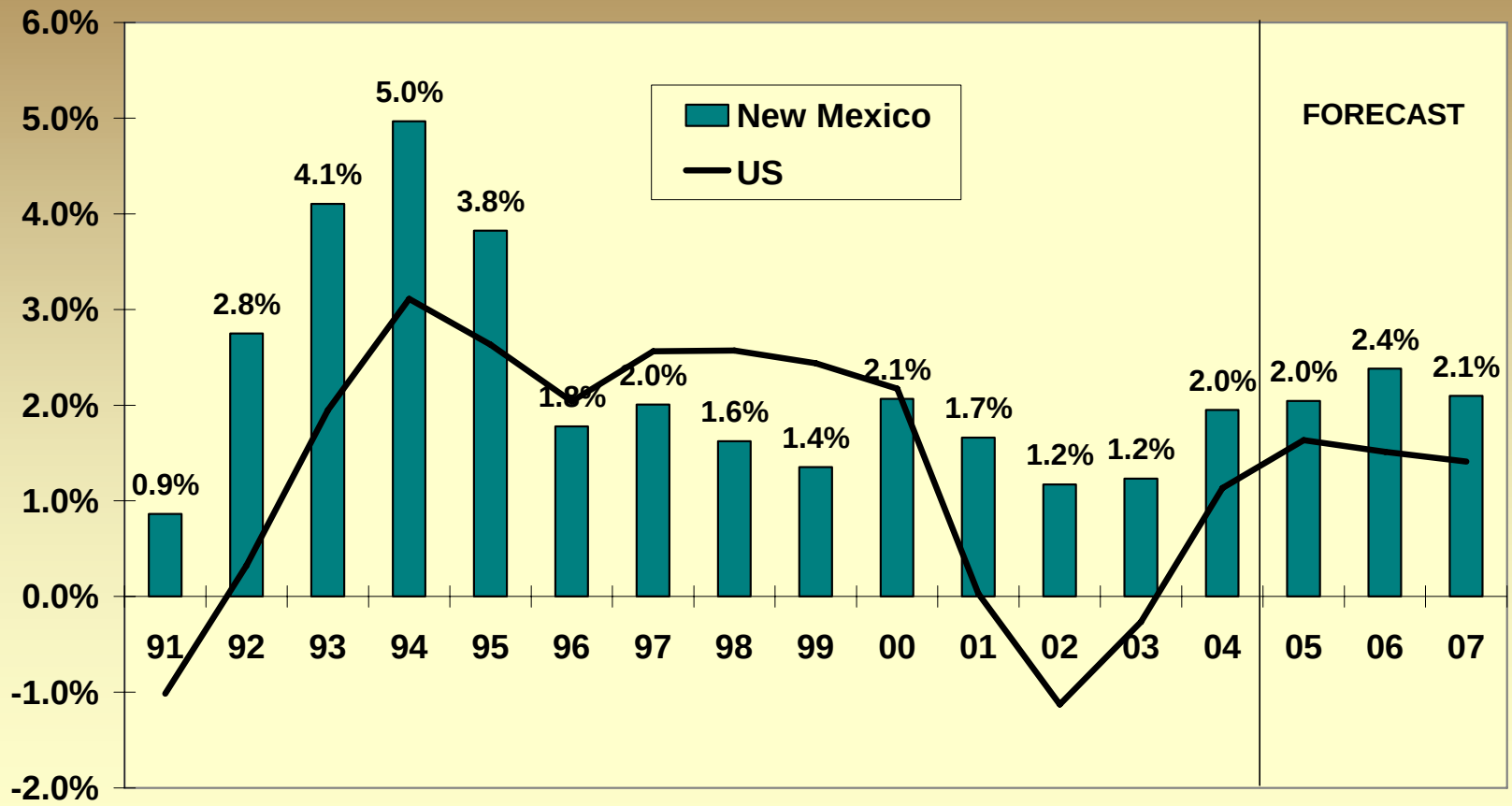
	New Mexico	Arizona	US
Land Area (Square miles)	121,356	113,635	1,537,438
Persons per square mile	15.0	45.2	79.6

Land ownership by type



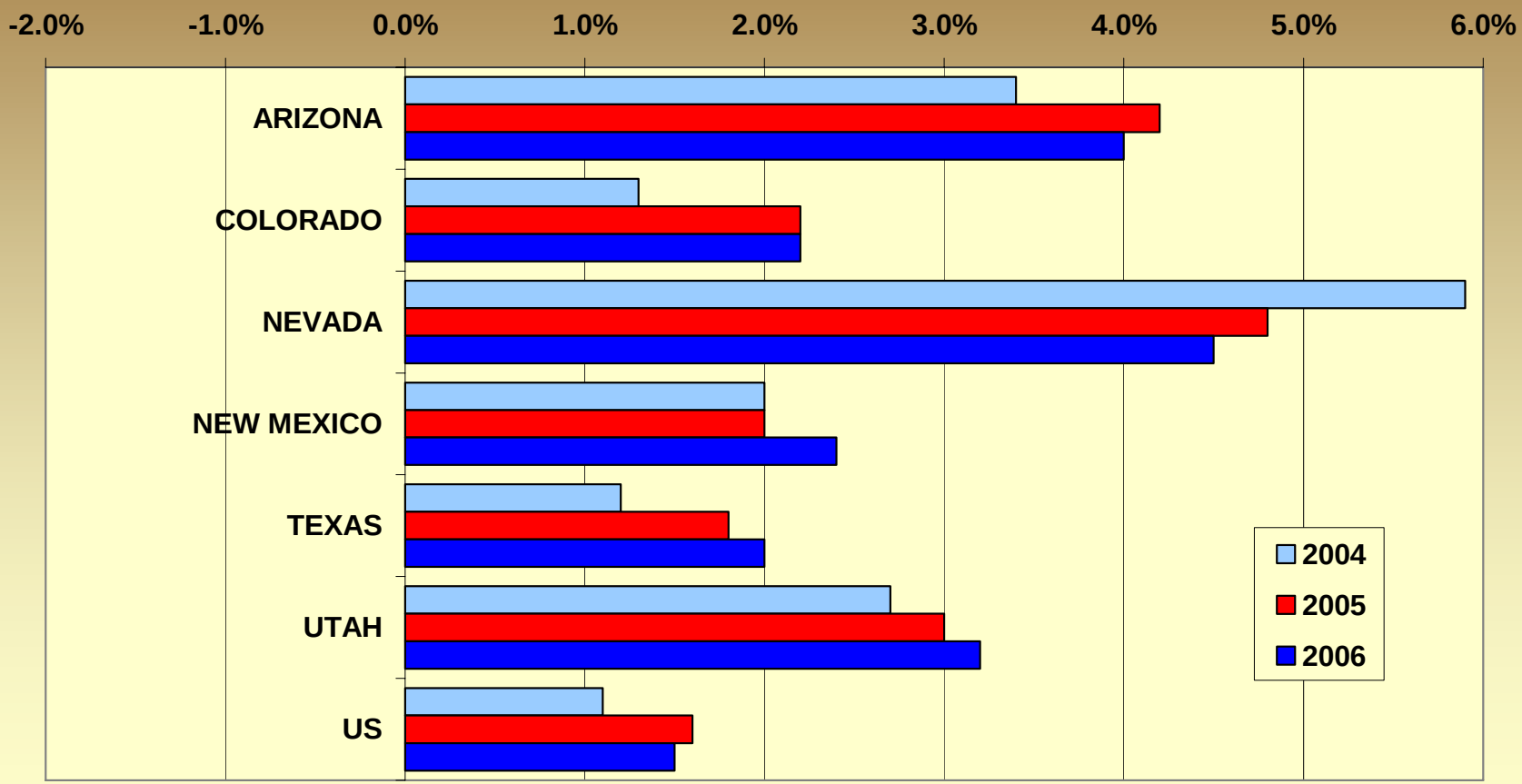
Employment growth

ANNUAL GROWTH IN NONFARM EMPLOYMENT
NEW MEXICO AND US



Source: FOR-UNM, Jan 05
Global Insight, Jan 05

Employment growth compared



SOURCE: WESTERN BLUE CHIP ECONOMIC FORECAST, Jan-Feb 06
Global Insight, Jan 06, FOR-UNM, Jan 06

Historically, 4 sectors have dominated

Ranching/Farming

Mining

Military/Federal Government

Tourism

As NM discovered, add real estate & construction

1990s – rise of the 3 C's

Computer chips – 4,300 jobs btw Jan 90 & Jan 98, when peaked (before Asian financial crisis)

Call Centers -- Some 8,000 jobs by end of 2000.

Casinos (Indian) – 7,000 jobs created since compacts first signed with tribes. Now creating destination resorts.

COMPOSITION OF NON-FARM EMPLOYMENT, 2004

ALBUQUERQUE MSA, NEW MEXICO, US

	Albuq MSA	New Mexico	United States (1,000's)
Natural Resources & Mining	a	1.9%	0.4%
Construction	7.0%	6.3%	5.3%
Manufacturing	6.1%	4.5%	10.9%
Wholesale Trade	3.5%	2.8%	4.3%
Retail Trade	11.6%	11.7%	11.4%
Trans, Warehousing and Utilities	2.8%	2.9%	3.7%
Information	2.5%	1.8%	2.4%
Financial Activities	5.2%	4.4%	6.1%
Professional and Business Services	16.0%	11.4%	12.5%
Educational and Health Services	12.2%	13.0%	12.9%
Leisure and Hospitality	9.8%	10.5%	9.5%
Other Services	3.2%	3.7%	4.1%
Federal Government	3.8%	3.8%	2.1%
State Government	6.5%	8.5%	3.8%
Local Government	9.9%	12.8%	10.6%
Total Nonfarm Employment	370,750	790,725	131,475

a Combined with construction.

Source: New Mexico Department of Labor, US Bureau of Labor Statistics

Impacts of large neighbors

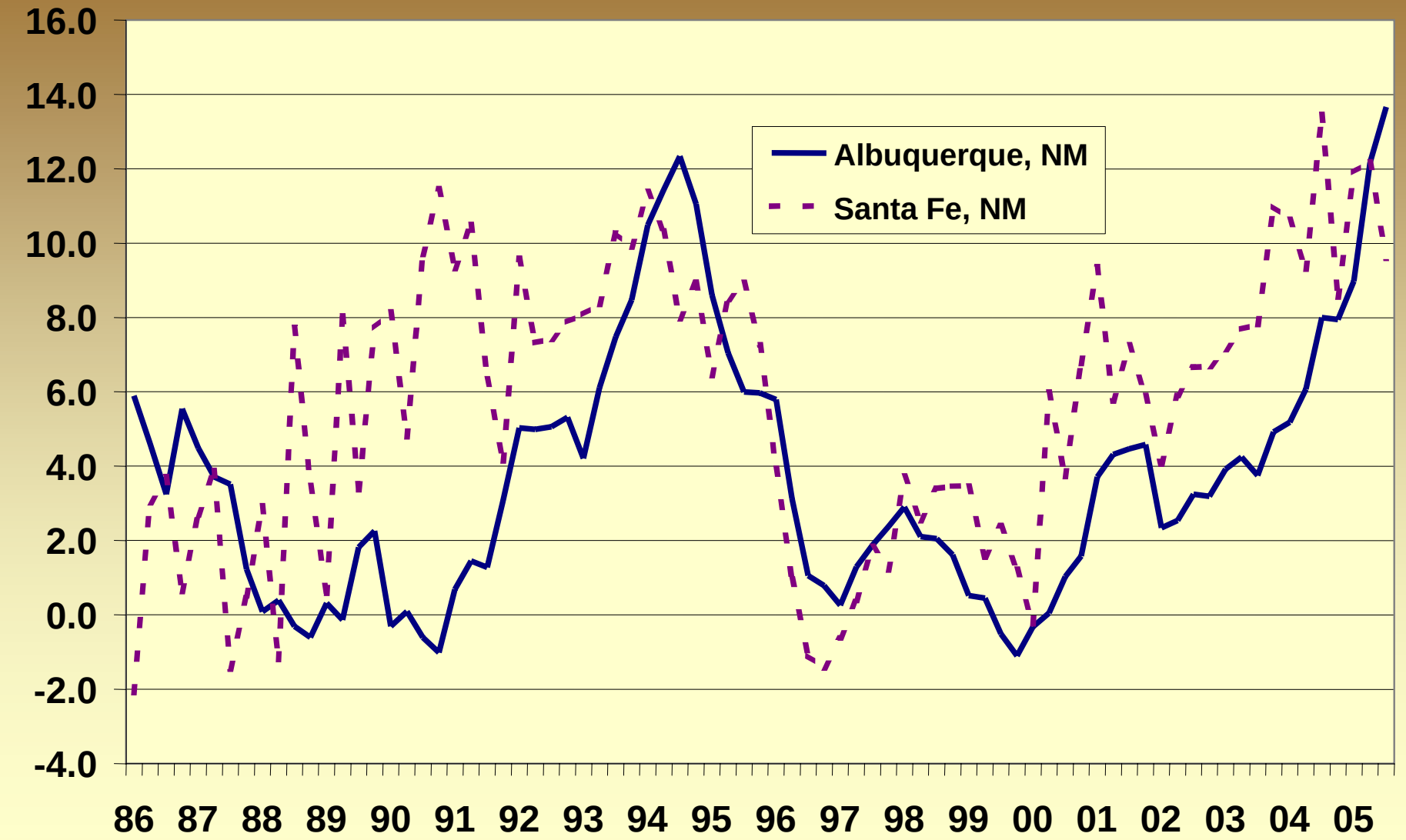


California

Texas

HOUSING PRICES IN ALBUQUERQUE & SANTA FE

ANNUAL % CHANGE IN OFHEO MSA HOUSE PRICE INDEX



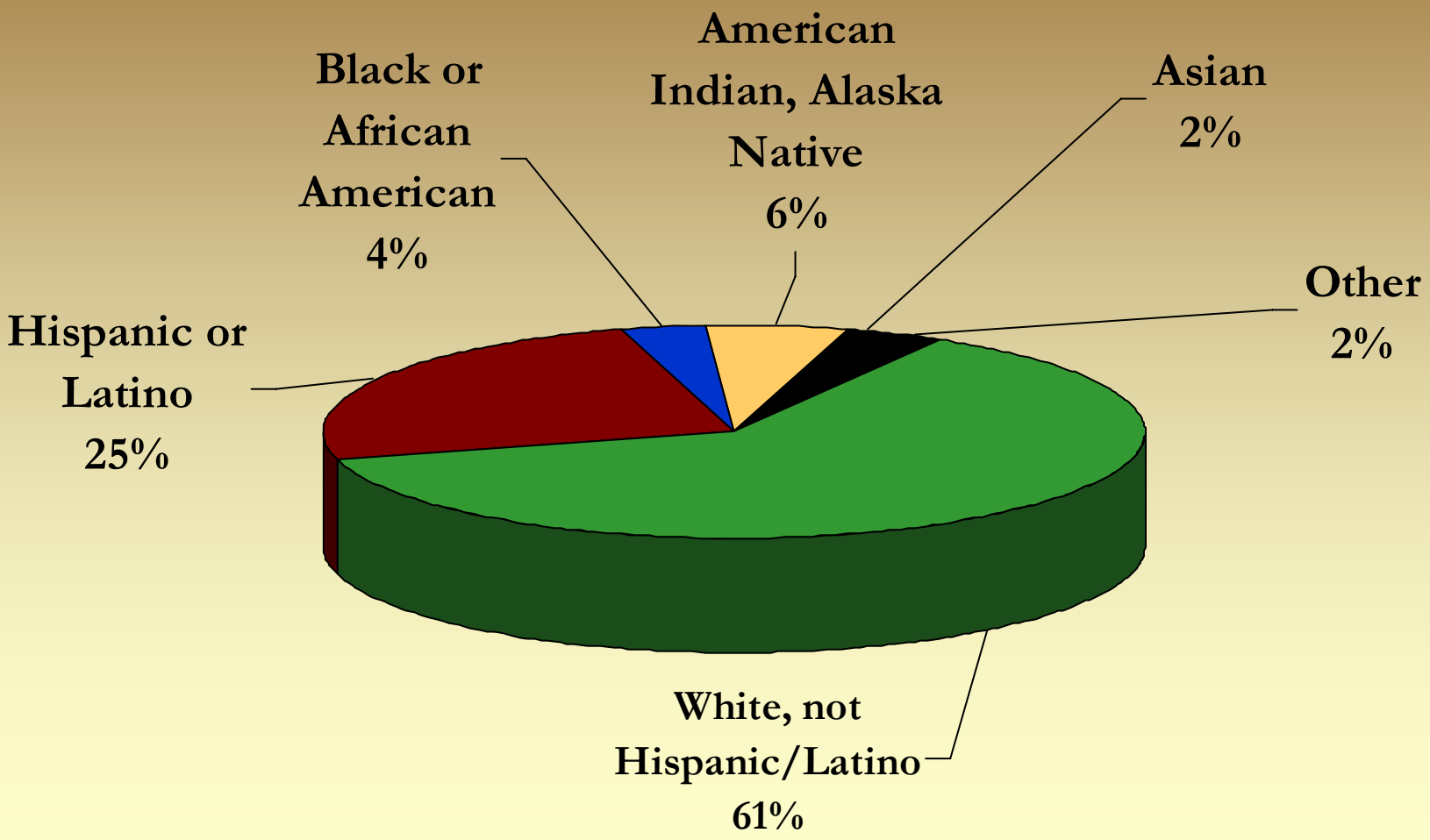
Arizona

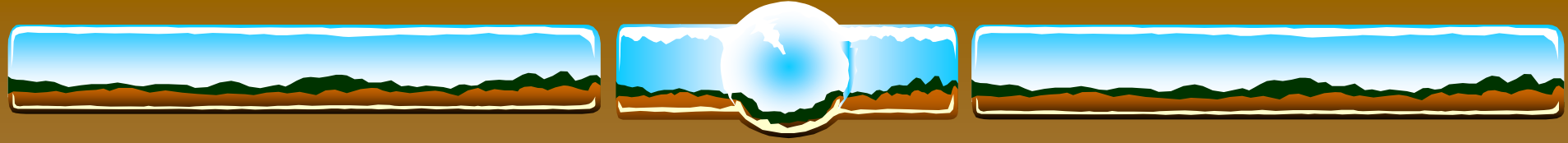
Economy

2005 Population, Census Bureau

- Arizona is 17th largest state, 5.9 mil
  - Larger than Colorado - 4.6 mil people
  - Larger than Oregon – 3.6 mil
- Arizona has more than twice the number of people as
  - Utah, 2.4 mil
  - Nevada, 2.4 mil
  - New Mexico 1.9 mil
  - Idaho, 1.4 mil
- New Mexico ranks 36th with 1.9 mil

Racial & Ethnic Diversity, AZ





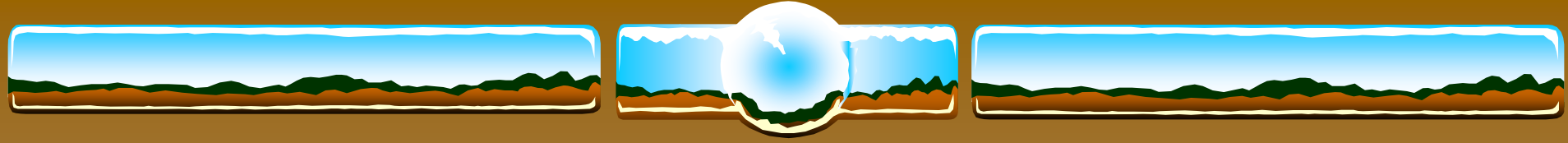
What Drives Arizona's Growth?

- Tourism, golf, resorts & spas
- High tech
  - Aerospace
  - Optics, astronomy
  - Computers, electronic products, semiconductors
  - Bio-technology wanna-be
- Copper mining
- Migration (retirement, job-related)
- Growth itself?







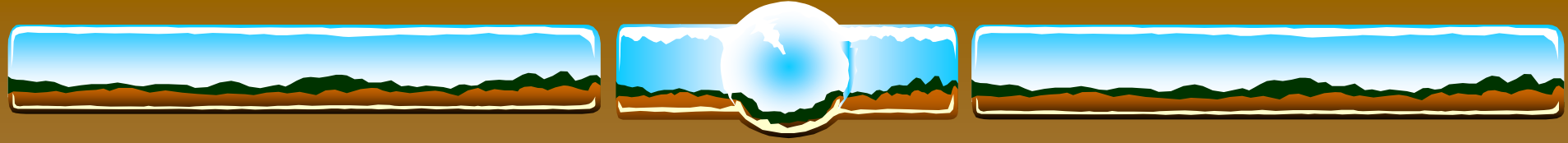


ARIZONA

the good...

Fastest-Growing States (Population)

Period	AZ's Rank	Top 5 States
1900 - 00	2	NV, **AZ**, FL, CA, WA
1900 - 10	7	WA, OK, ID, NV, ND
1910 - 20	1	**AZ**, CA, MT, WY, DC
1920 - 30	4	CA, FL, MI, **AZ**, NJ
1930 - 40	7	DC, FL, **NM**, NV, CA
1940 - 50	2	CA, **AZ**, FL, NV, OR
1950 - 60	4	FL, NV, AK, **AZ**, CA
1960 - 70	3	NV, FL, **AZ**, AK, CA
1970 - 80	2	NV, **AZ**, FL, WY, UT
1980 - 90	3	NV, AK, **AZ**, FL, CA
1990 - 00	2	NV, **AZ**, CO, UT, ID



Why is AZ So Attractive?

- Factors that draw new residents
  - Warm climate
  - Absence of natural disasters
  - Inexpensive housing
  - Availability of jobs
  - Low taxes
- California “refugees” escaping high taxes, congestion, high-priced housing
- Illegal immigration - jobs

Milken Institute Tech-Poles

Western Region

Rank	City	#
1	San Jose, CA	10
3	LA-Long Beach	5
5	Seattle-Bell.-Ever.	6
7	Albuquerque, NM	3
12	Phoenix-Mesa, AZ	1
13	Orange County, CA	10
14	Oakland, CA	8
17	San Diego, CA	9

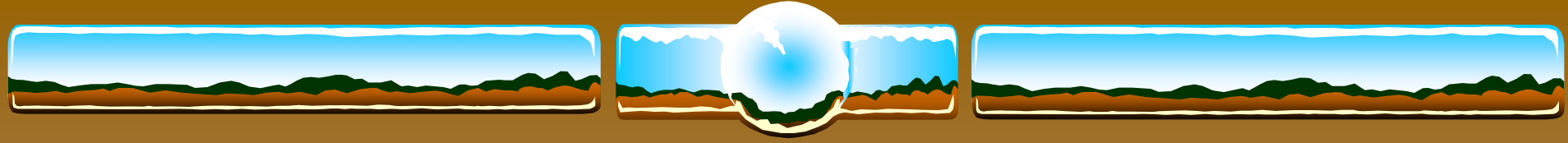
Rank	City	#
19	Denver, CO	3
22	San Francisco, CA	5
24	Boice City, ID	2
26	Portland-Vancouver	2
27	Boulder-Longmont	9
37	Sacramento, CA	6
40	Tucson, AZ	5
42	Colorado Springs, CO	9

 # is the number of industries with concentration (LQs > 1)

State "New Economy Index"

Progressive Policy Institute

	Overall Rank
California	2
Colorado	3
Washington	4
Utah	6
Arizona	10
Oregon	15
New Mexico	19
Nevada	21
Idaho	23
Wyoming	41
Montana	46

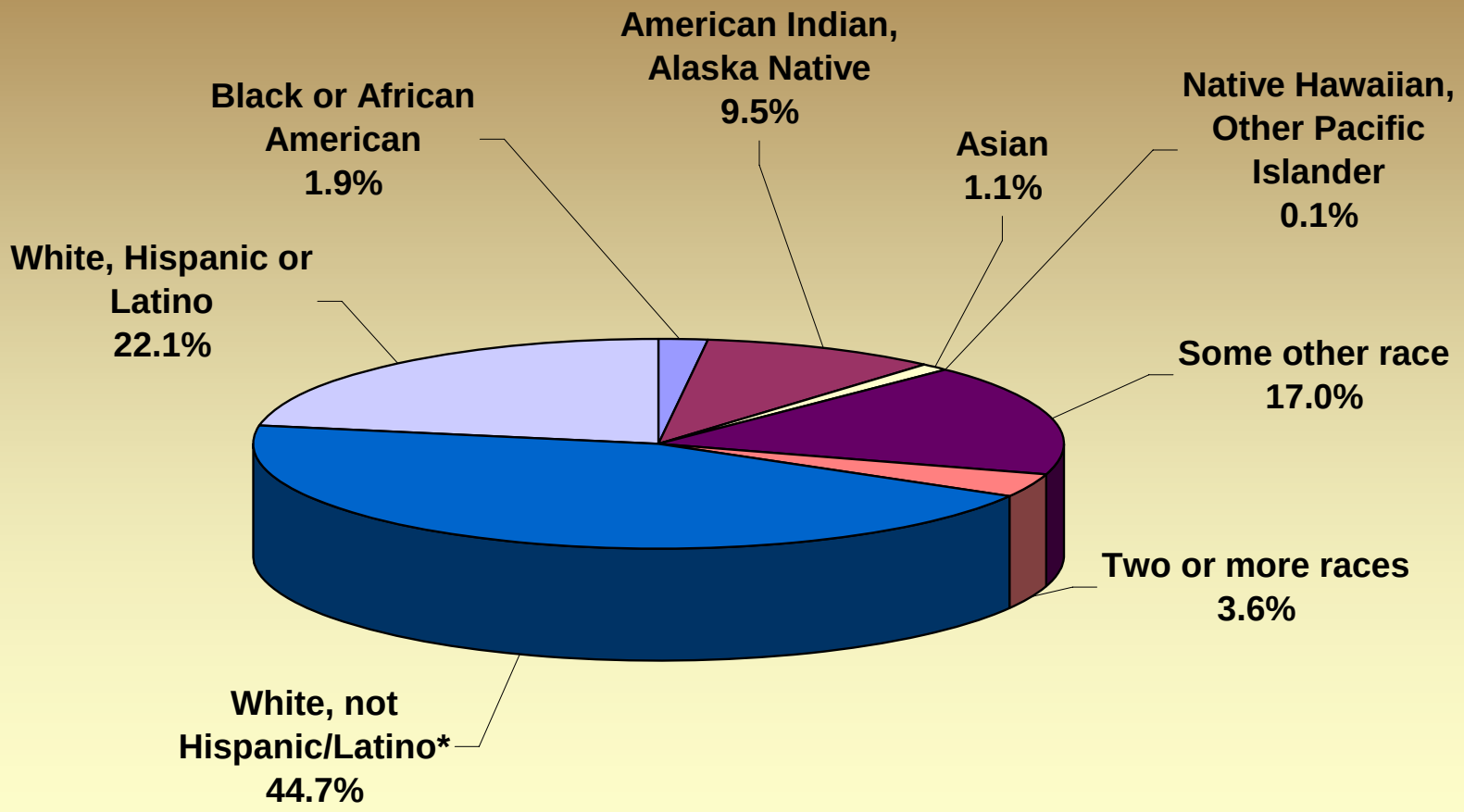


NEW MEXICO

the good...

Racial & ethnic diversity

RACIAL AND ETHNIC COMPOSITION OF NEW MEXICO POPULATION, 2000



* Hispanics/Latinos of all races comprise 42.1% of the population

New Mexico has the highest percentage of people 5 and over who speak Spanish at home – 29.2% in 2004

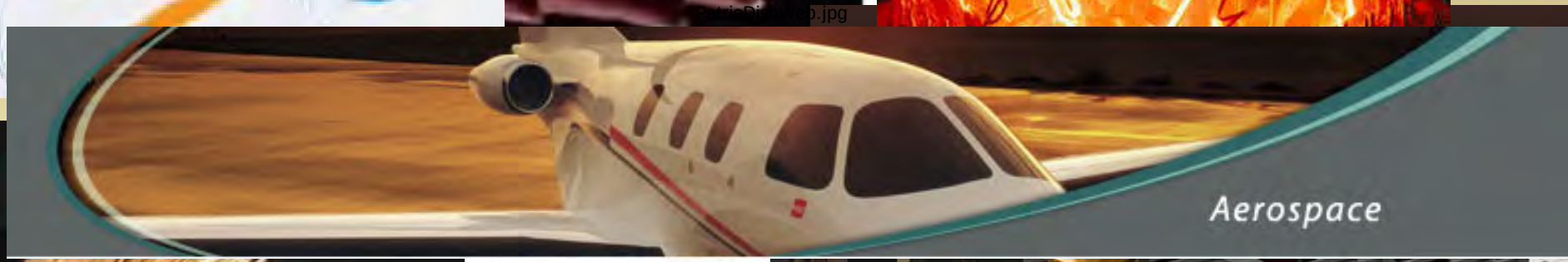
R&D, High Tech Industry

biomedical





materials



Aerospace

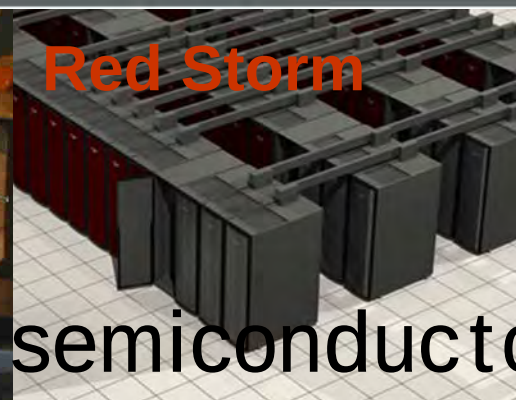


laser optics

Sandia National Laboratori



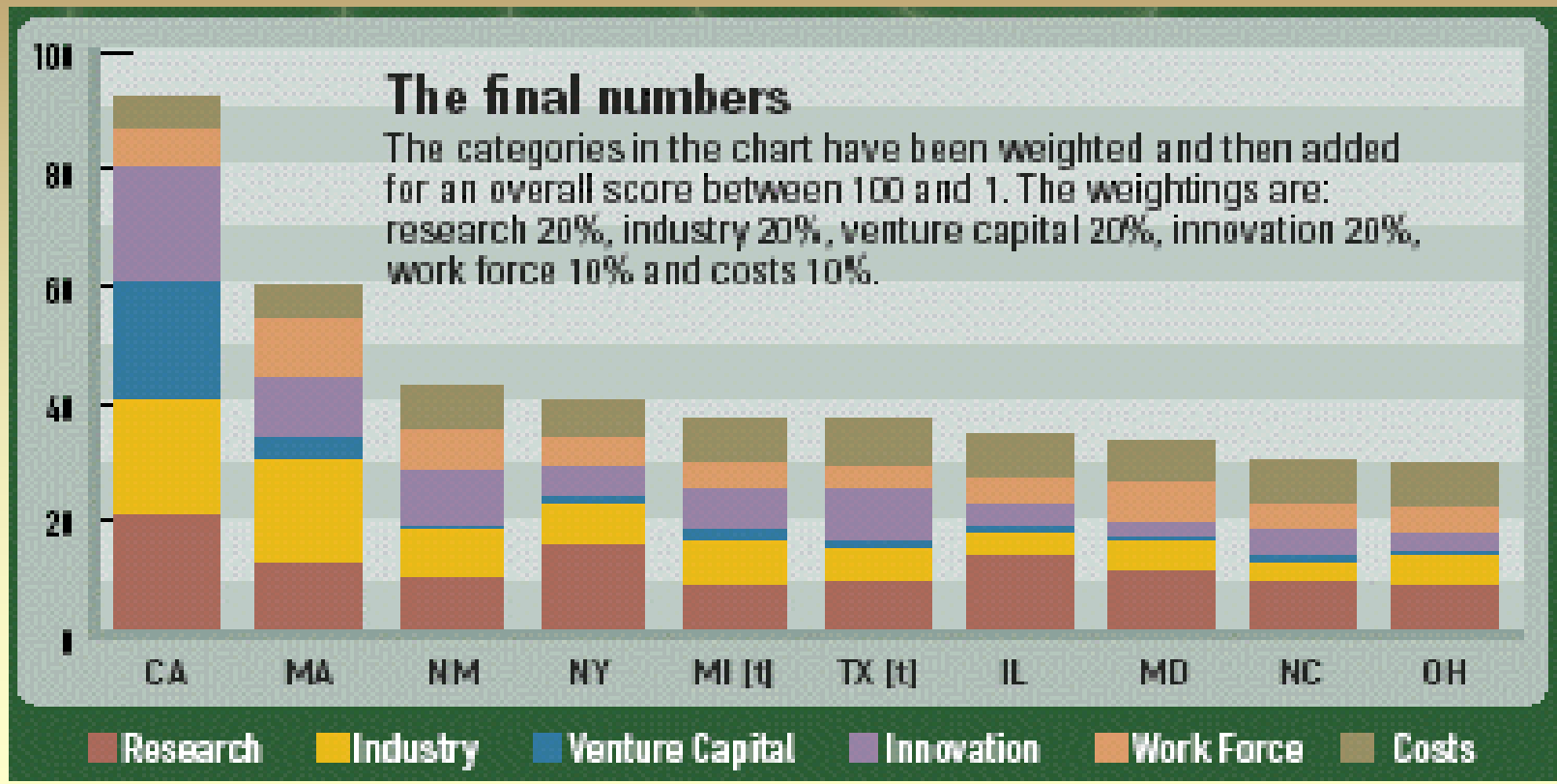
lasers



Red Storm

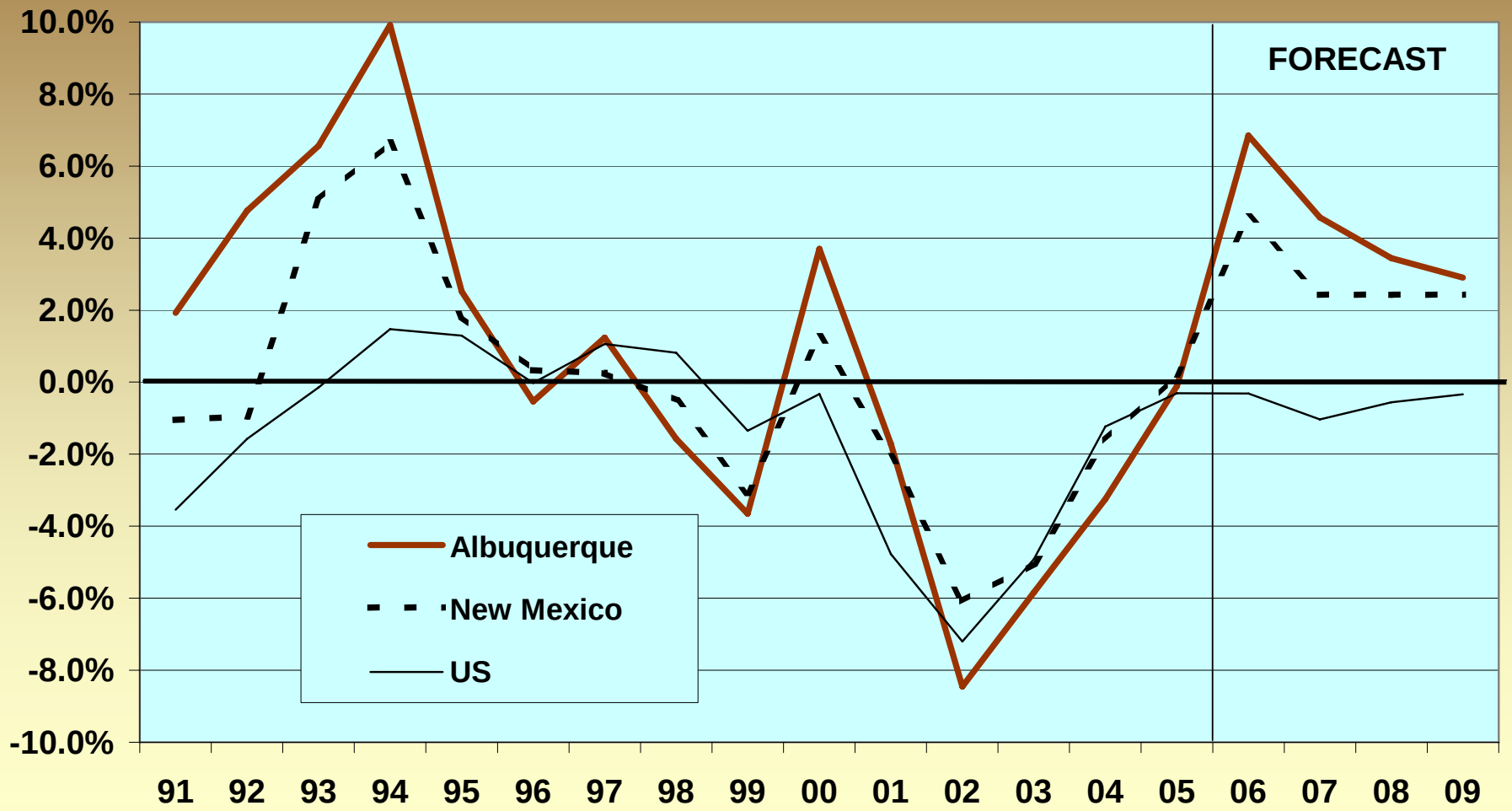
semiconducto

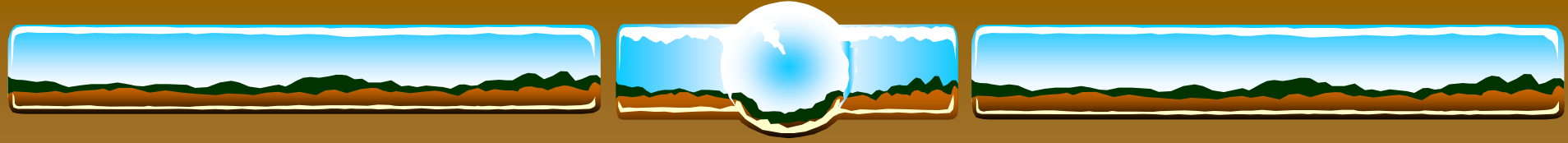
Small Times' list of the top 10 states for micro and nanotechnology – NM is 3rd



Manufacturing

PERCENTAGE CHANGE IN MANUFACTURING EMPLOYMENT
ALBUQUERQUE MSA, NEW MEXICO AND US





NEW MEXICO

the bad...

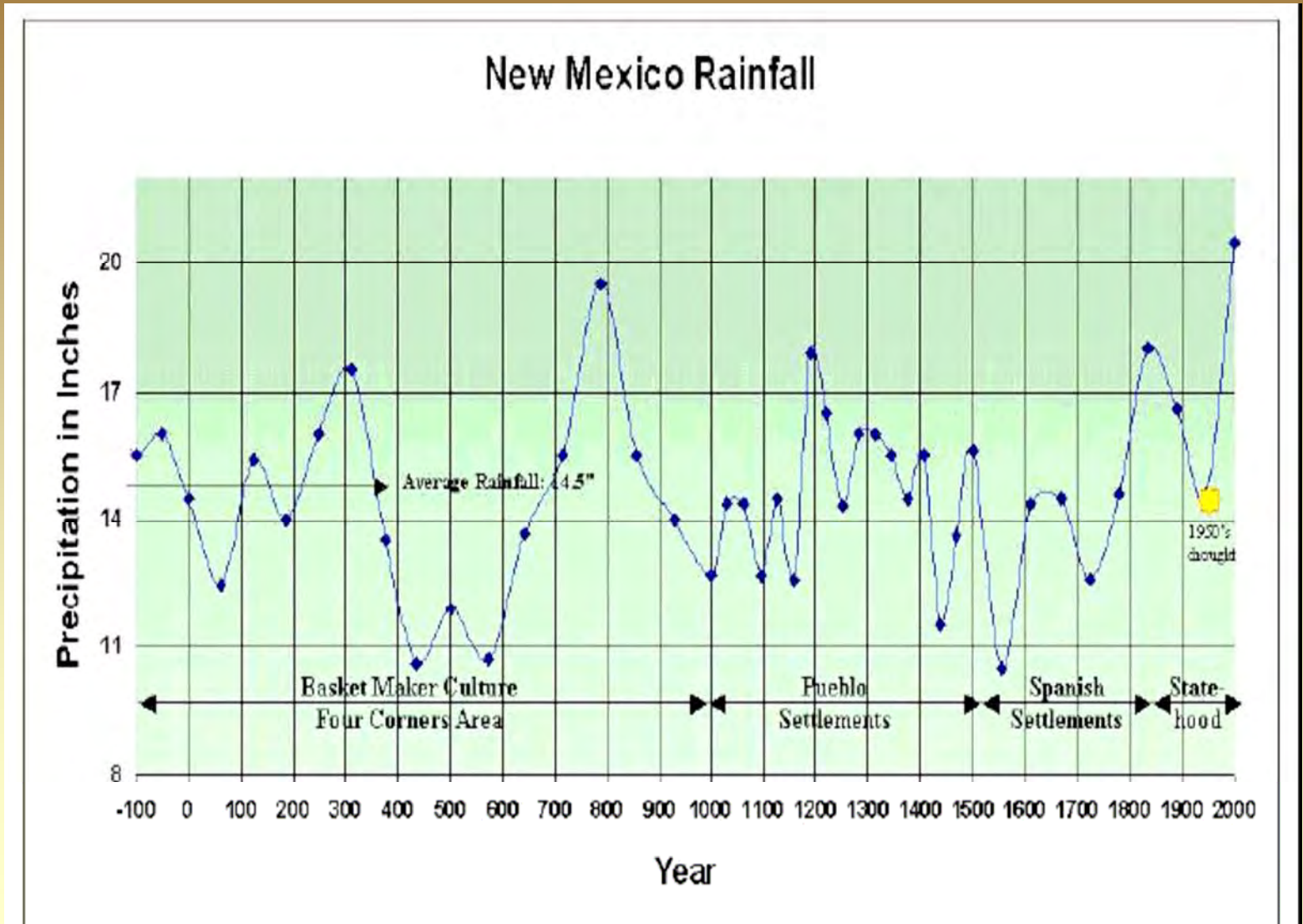
Dependence on the federal government…

NEW MEXICO'S RANKINGS AMONG THE STATES

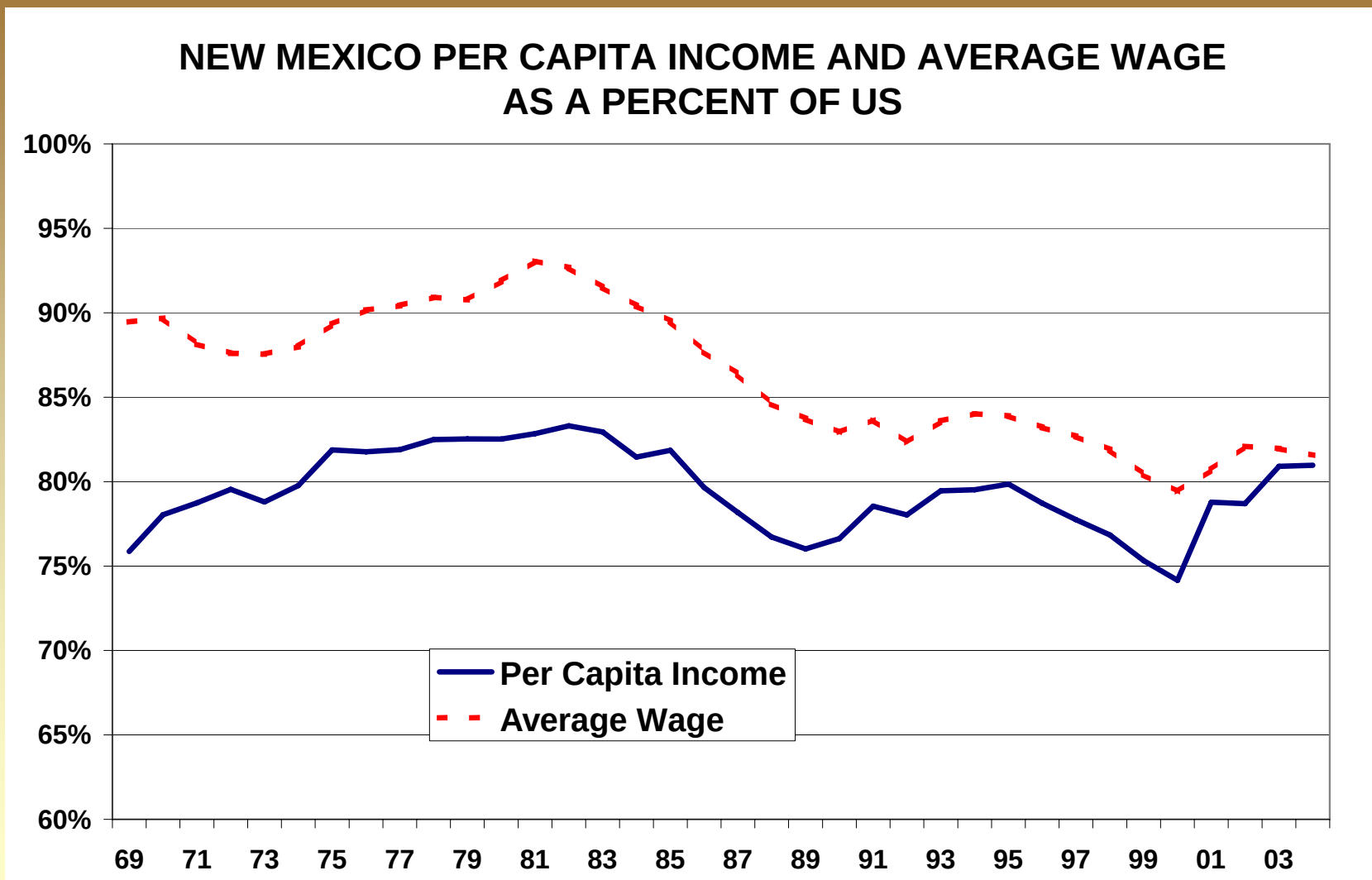
	Rank in FY 03
Per Capita Federal Spending:	
Total Federal Government Expenditure, FY 03	**4**
Retirement and Disability	**20**
Other Direct Payments	**41**
Grants	**5**
Procurement	**2**
Salaries and Wages	**6**
Total Federal Expenditures Per Dollar of Taxes	**1**
Per Capita Income	**47**

Source: U.S. Census Bureau, Consolidated Federal Funds Report for Fiscal Year 2003, Table 14.
Tax Foundation, State-by-State Tax Burden Allocation Model
US Bureau of Economic Analysis

Water & the looming drought



Low Income – PCI 47th in US

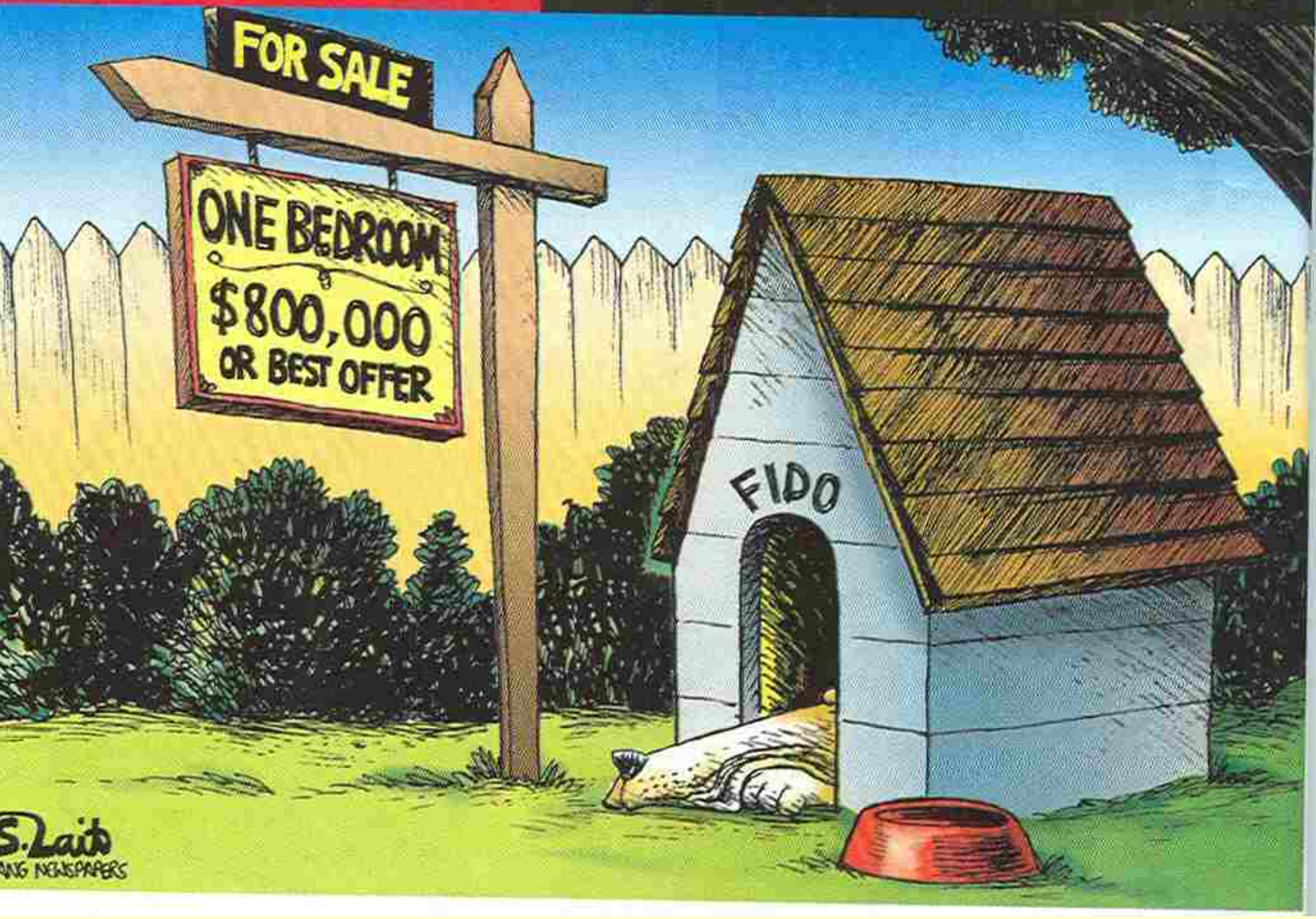


Data: US Bureau of Economic Analysis

ARIZONA

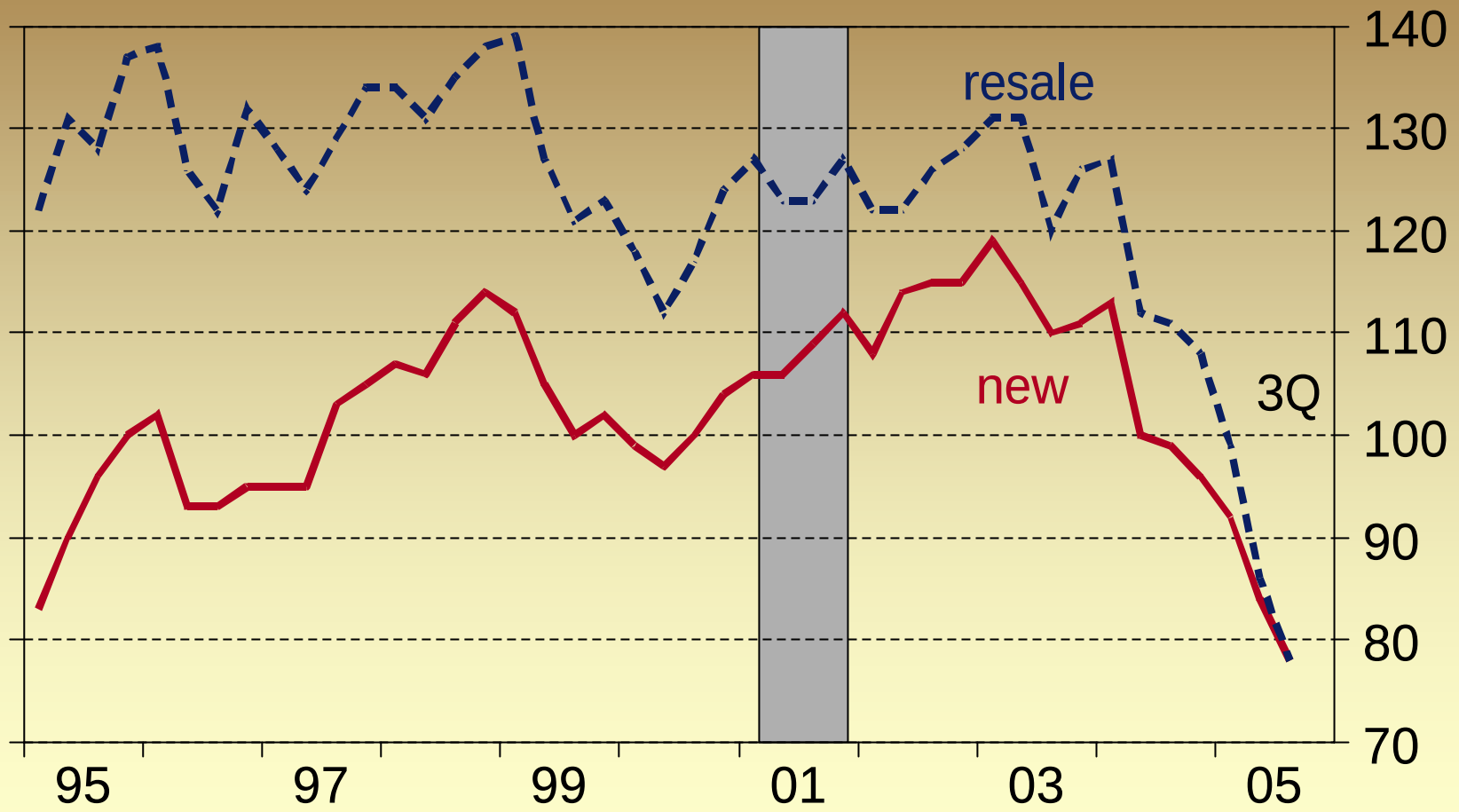
the bad...

DRAWN & QUARTERED



Housing Affordability

Metro PHX



Home Price Increases Lead Nation

- 4th quarter MLS data
  - Metro Phoenix median price up 48.9% y/y
  - Metro Tucson, 2nd-fastest in West, 32.3%
- Rapid increase over past year

Home Price Appreciation

2005Q3 Price Increases, OFHEO

	2Q05 ann. rate	3Q05 ann. rate	5-year cumul.
Los Angeles	**21.9%**	**19.7%**	**121.6%**
San Diego	**10.9%**	**7.1%**	**115.2%**
Las Vegas	**18.7%**	**9.3%**	**99.0%**
PHX	***51.3%***	***37.7%***	***80.9%***
Tucson	***37.6%***	***28.3%***	***71.0%***
Albuquerque	**21.2%**	**17.0%**	**37.4%**
Denver	**3.4%**	**3.1%**	**26.5%**
Dallas	**5.0%**	**2.3%**	**21.0%**
Austin	**18.6%**	**12.7%**	**8.0%**

Rapid Growth & Policy-Making

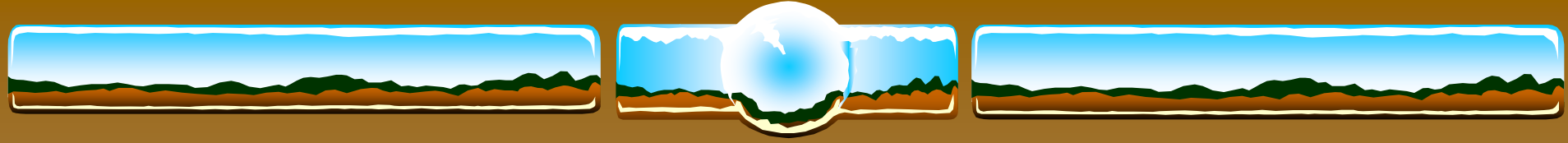
- Nearly one-fourth of the population didn’t live in AZ five years ago
- They don’t know the issues
- How do you reach consensus?

AZ's Social Pathology

- Age and culture clash
- Hispanic population is growing rapidly
- 500,000 undocumented residents
- Arizona is one of the youngest states

AZ's Social Pathology

- Age and culture clash
- Hispanic population is growing rapidly
- 500,000 undocumented residents
- Arizona is one of the youngest states
- Population "age pyramid" varies
  - US-born Anglos is a rectangle (retirees)
  - US-born Hispanics is a pyramid
  - Mexican born bulges ages 17-34
  - Hispanic pattern resembles a developing country

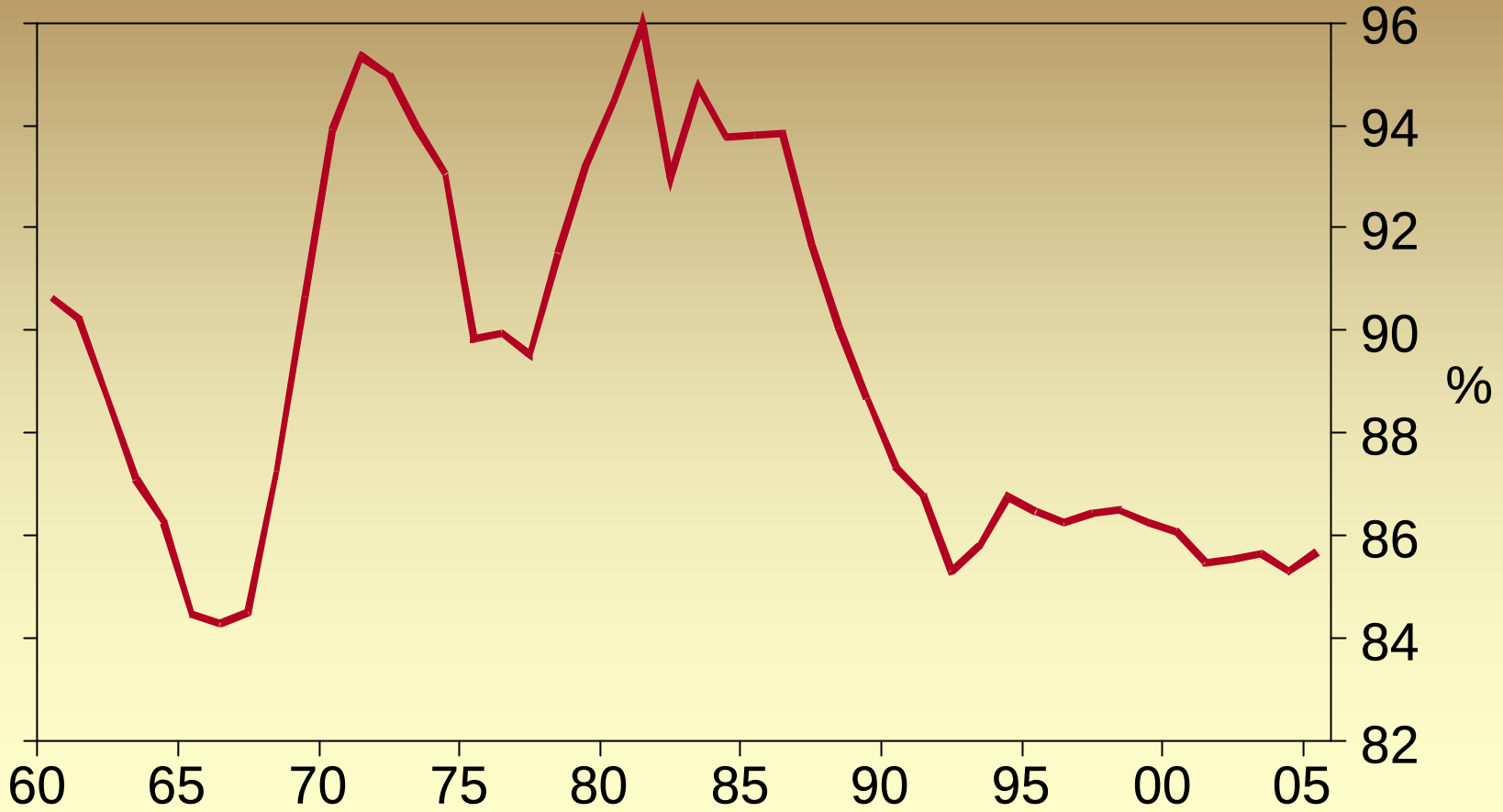


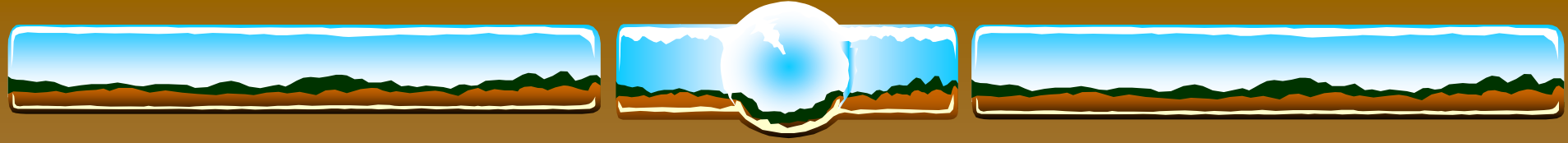
ARIZONA

the ugly…

Per Capita Personal Income

AZ as a % of US





Dismal Report Card

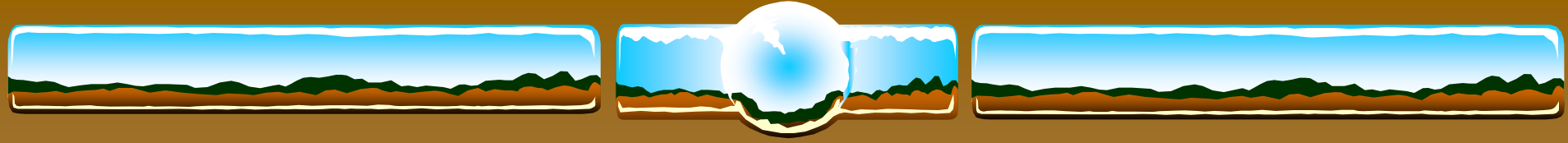
- Corporation for Enterprise Development gives Ds
  - Performance
  - Business vitality
  - Development capacity
- AZ, MS, WV, NM, AK earned D's & F's
- AZ's portrayed as
  - Have-and-have-nots
  - Mediocre workforce, poor public schools
  - Poor quality of life due to social ills

Hot Policy Issues in AZ

- Anti-government, anti-tax sentiment
- Public education
  - Underperformance, inadequate funding
- Transportation and physical infrastructure
- During the next 30 years, where will AZ put another 8 mil people who are not in someone's' neighborhood?
- Immigration policy

Immigration

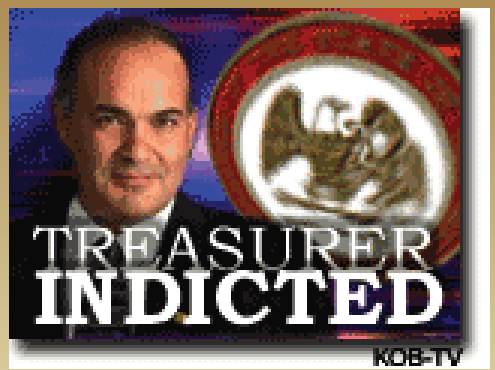
- Divisive – racial, ethnic, class overtones
- Hard liners
  - They've broken the law – send them home
  - Deny public services to the undocumented
  - Punish businesses who hire them
  - Build fences on the border, more enforcement
- System of immigration laws are broken
  - No way for workers to come here legally
  - Guest worker program
- English requirement



NEW MEXICO

the ugly…

Corruption in government





the 6th State Treasurer to be indicted

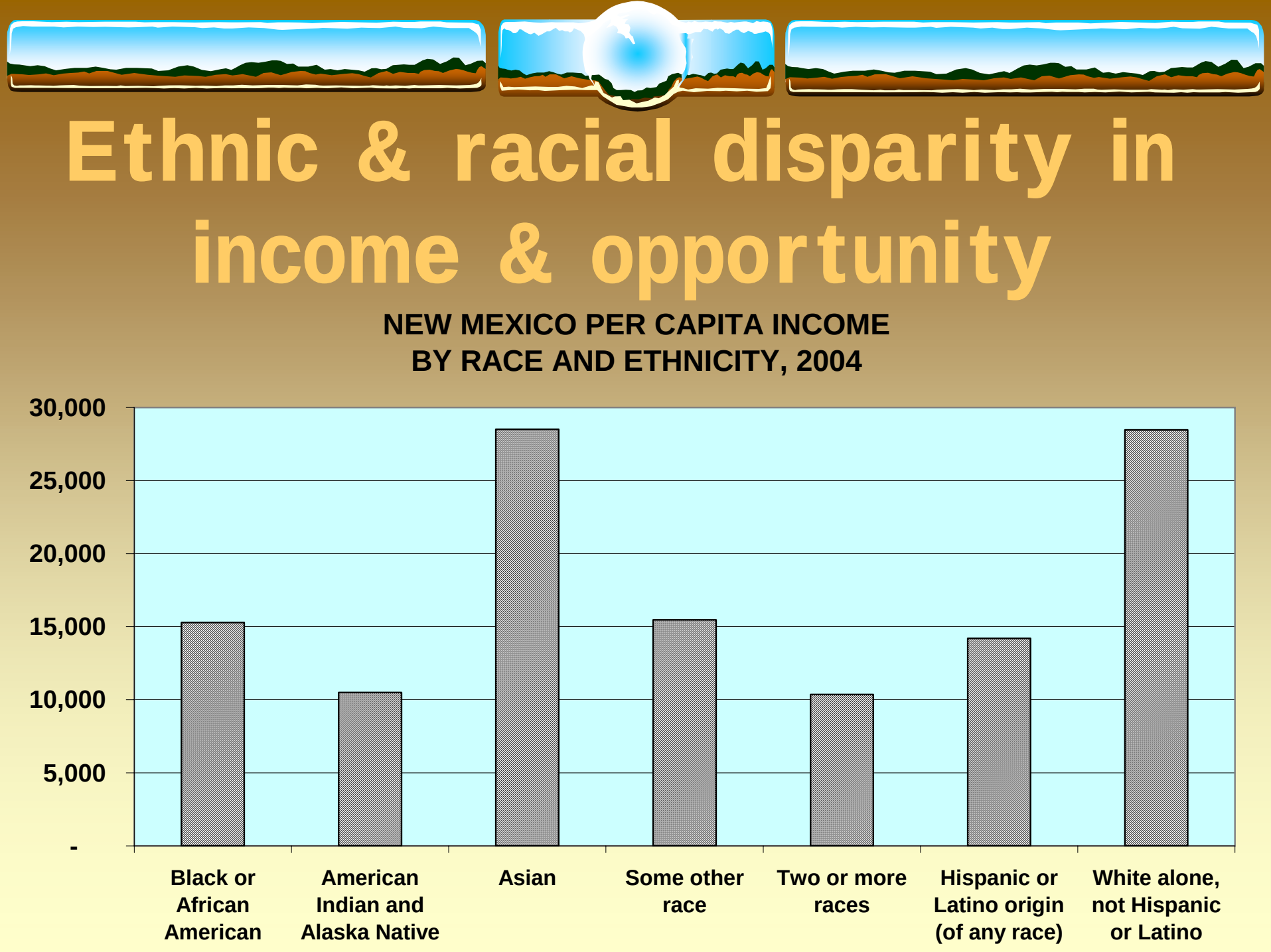
Crime

Type of crime	Crimes per 100,000	State Rank
Serious crimes	4,789	12
Violent crimes	665	5
Property crimes	4,124	15

High intensity drug trafficking area



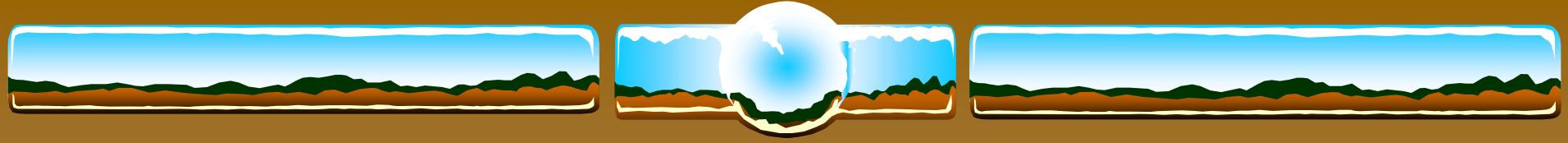
Ethnic & racial disparity in income & opportunity



Poverty

Group	% in Poverty	State Rank
People	19.3%	3
Children under 18	27.7%	4

Source: American Community Survey, 2004



NEW MEXICO

the great…

Arts & Cultural Industries





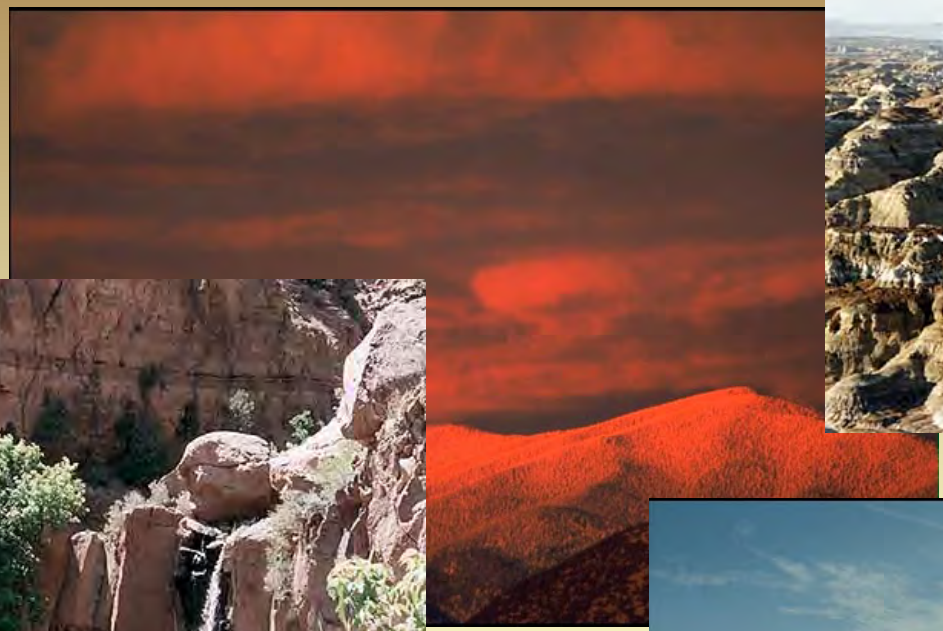




According to the Economic Census, in 2002…

- NM ranked 4th among the states in total value of art dealer sales
- NM Ranked 7th in the number of independent artists, writers & performers per capita

Scenic beauty, outdoor recreation opportunities





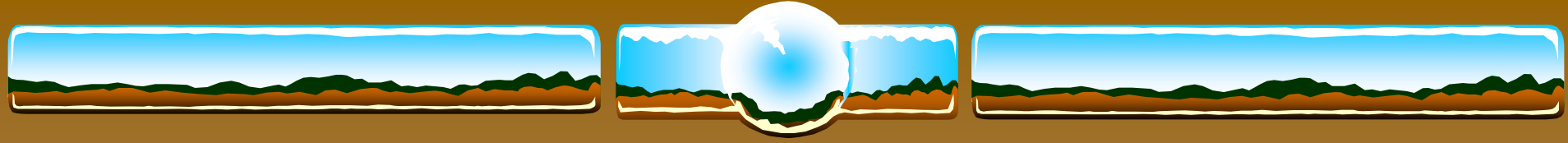








THE BEST CHILE!



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