

The Southwest Heartland:

The Good, the Bad & the Ugly

Lee A. Reynis

The University of New Mexico

and

Marshall J. Vest

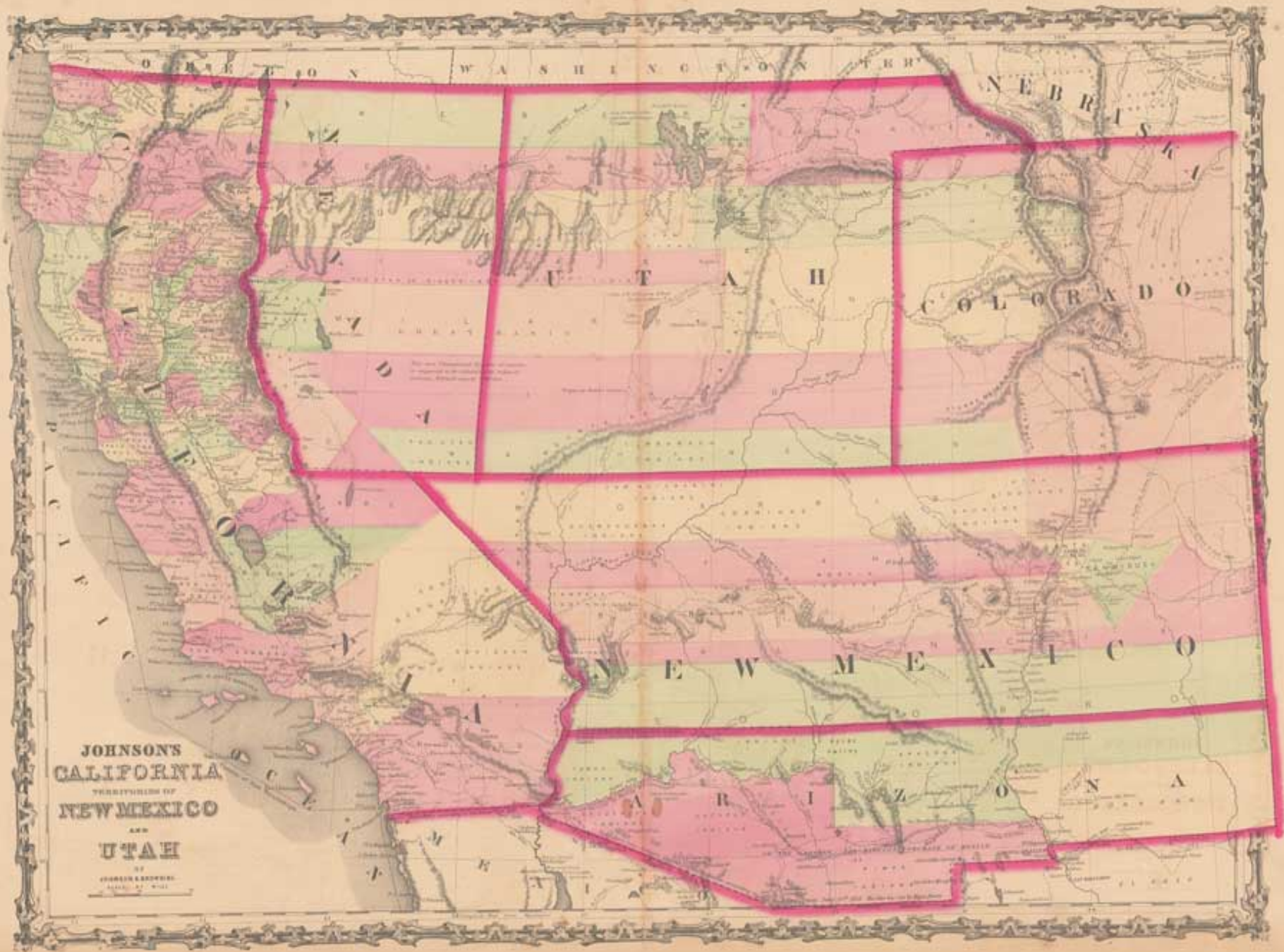
The University of Arizona



KEN BURNS presents a film by STEPHEN IVES

THE WEST

1997 CALENDAR



O R E G O N W A S H I N G T O N T E R R N E B R A S K A

U T A H C O L O R A D O

N E W M E X I C O

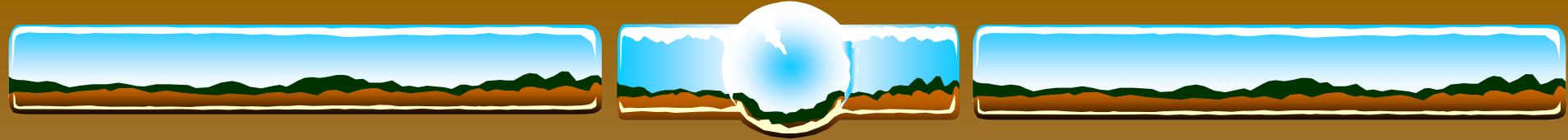
A R I Z O N A

JOHNSON'S
CALIFORNIA
THE TERRITORIES OF
NEW MEXICO
AND
UTAH
BY
JOHNSON & BARNES
MADE BY WALL



ARIZONA NEW MEXICO





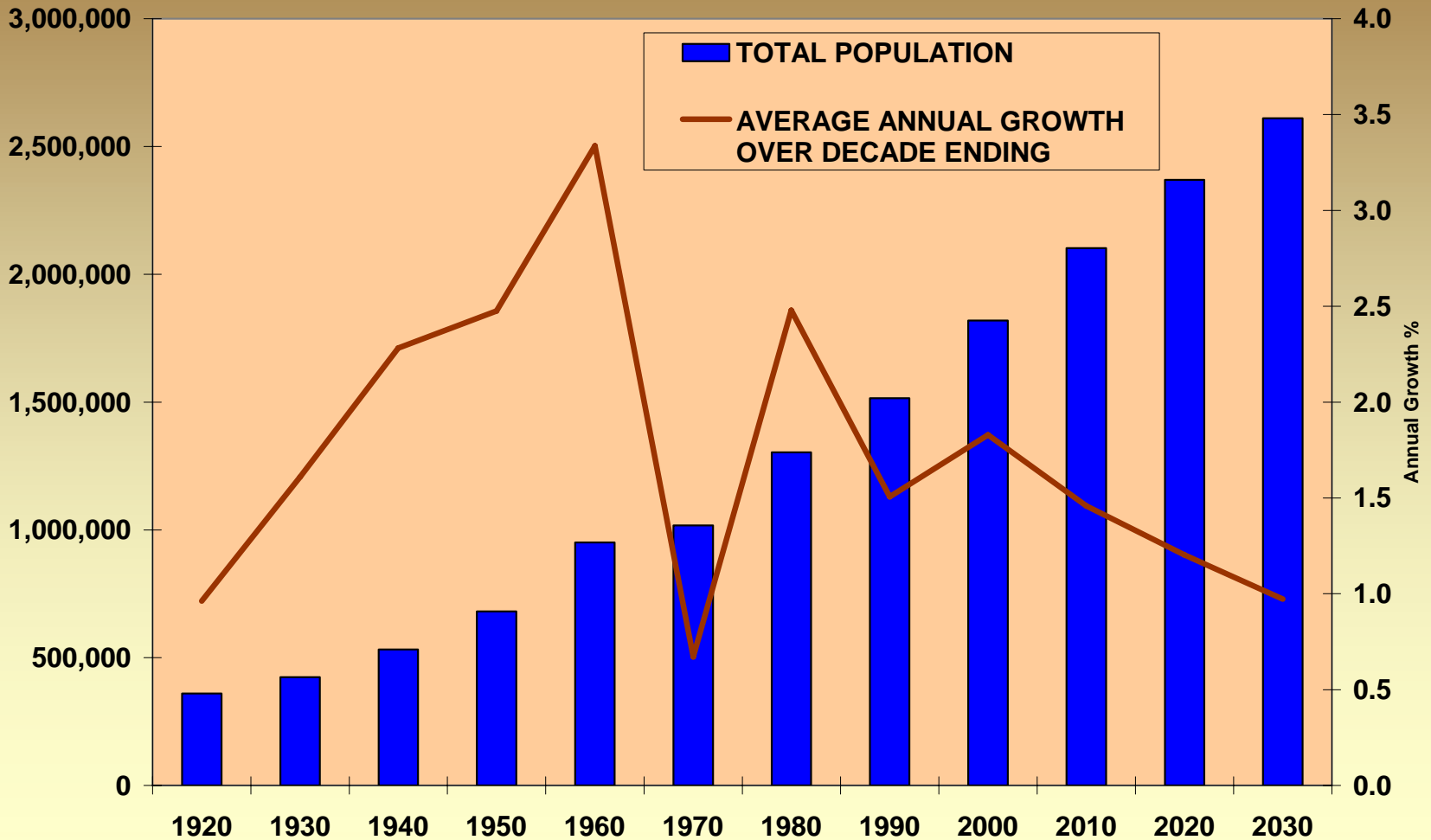
New Mexico

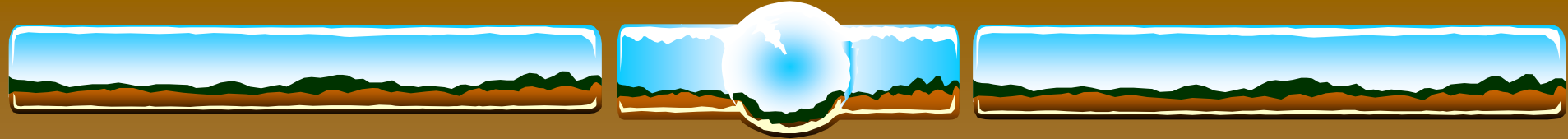
Economy

Population

2004 pop = 1,925,000

NEW MEXICO TOTAL POPULATION ACTUAL AND PROJECTED





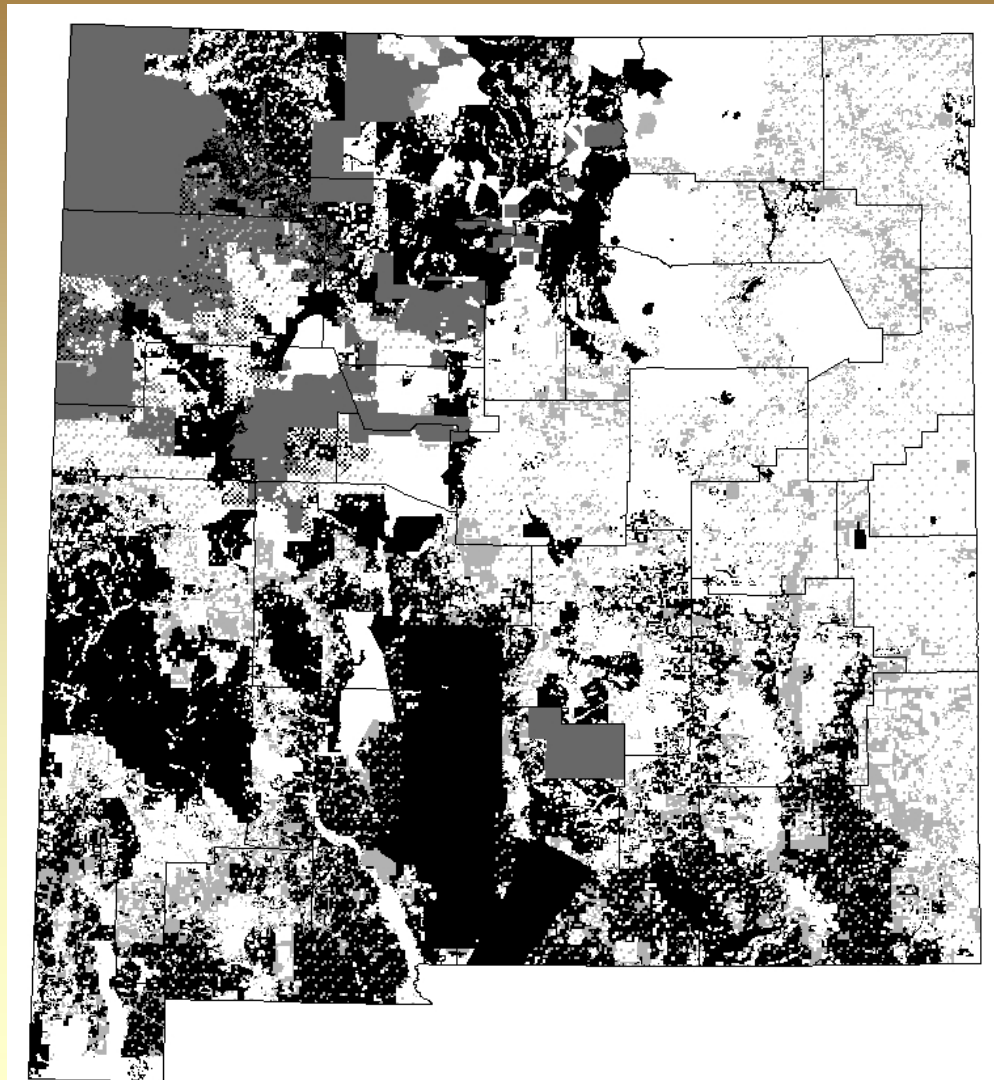
Land area and population density, 2000

	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



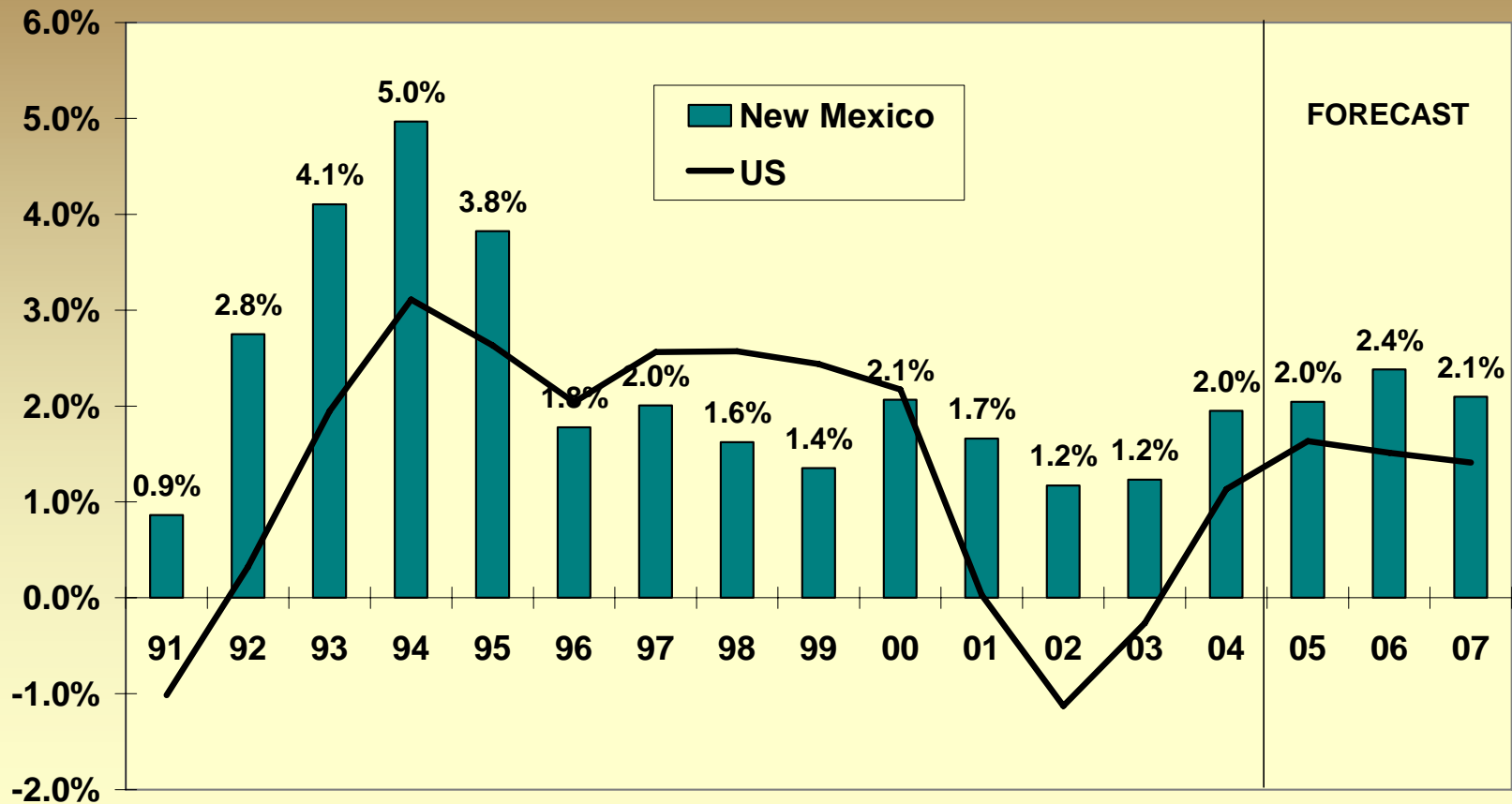
Legend

Ownership Type

-  Federal Land
-  Indian/Tribal Land
-  State Land
-  Private

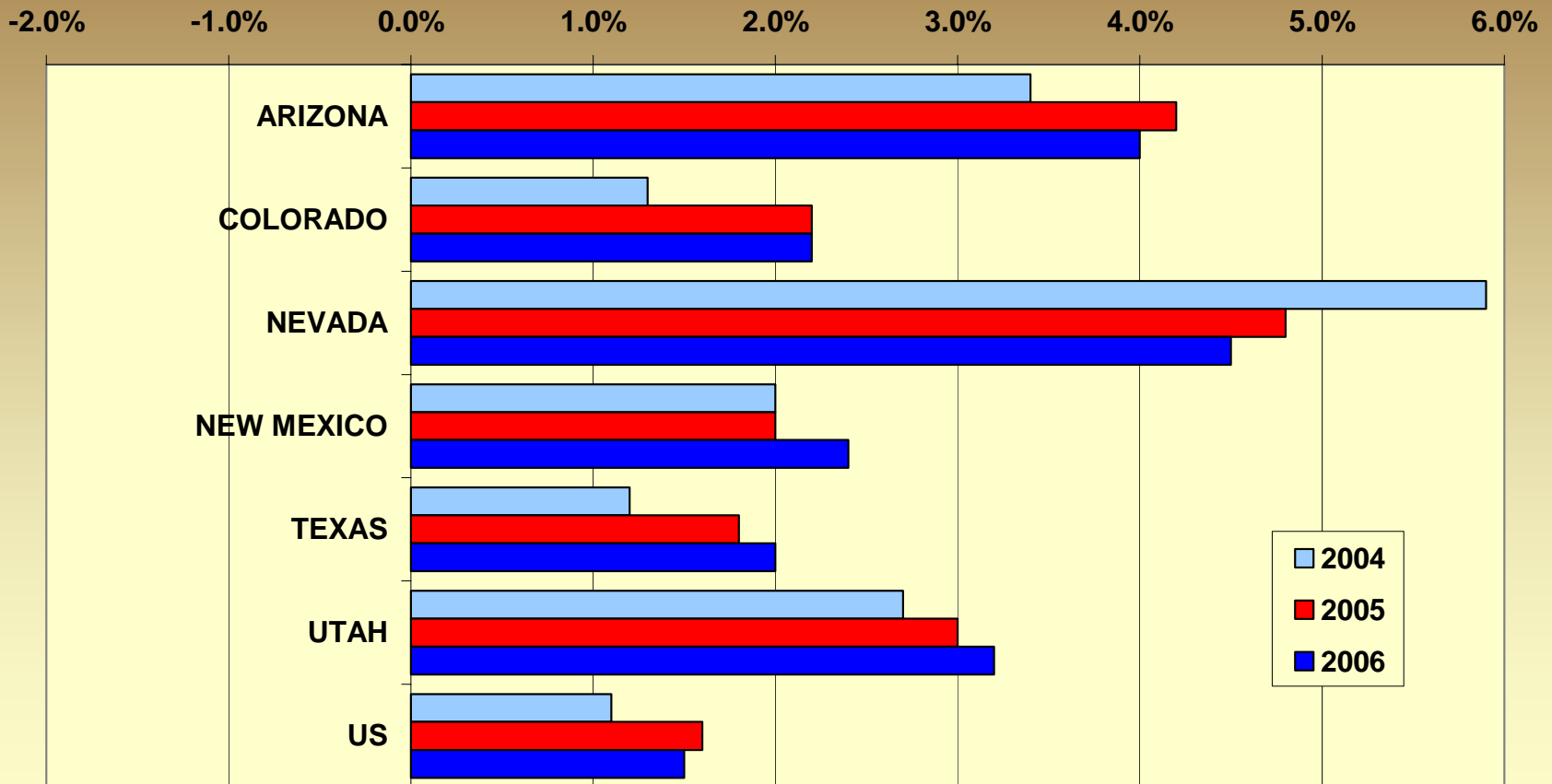
Employment growth

ANNUAL GROWTH IN NONFARM EMPLOYMENT NEW MEXICO AND US



Employment growth compared

NON-FARM EMPLOYMENT GROWTH WESTERN STATES AND US, ACTUAL 2004, FORECAST 2005 AND 2006



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.

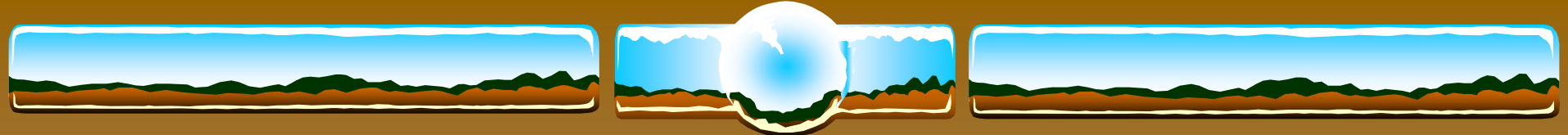
Source: New Mexico Department of Labor, US Bureau of Labor Statistics

Impacts of large neighbors



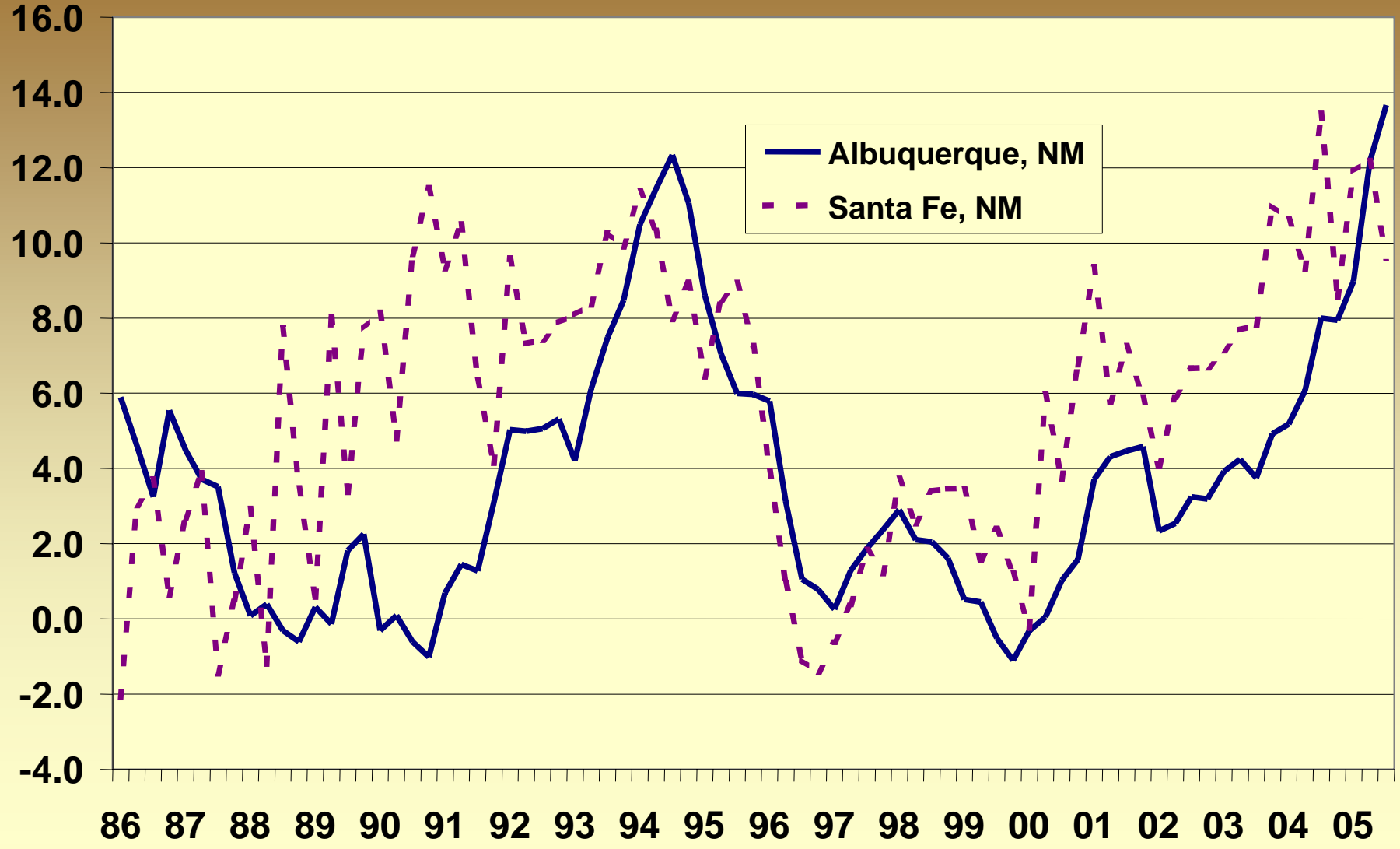
California

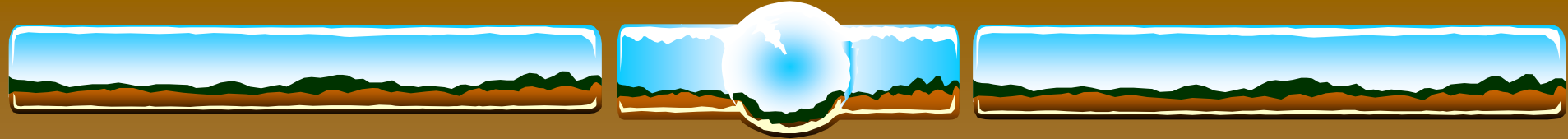
Texas



HOUSING PRICES IN ALBUQUERQUE & SANTA FE

ANNUAL % CHANGE IN OFHEO MSA HOUSE PRICE INDEX





Arizona

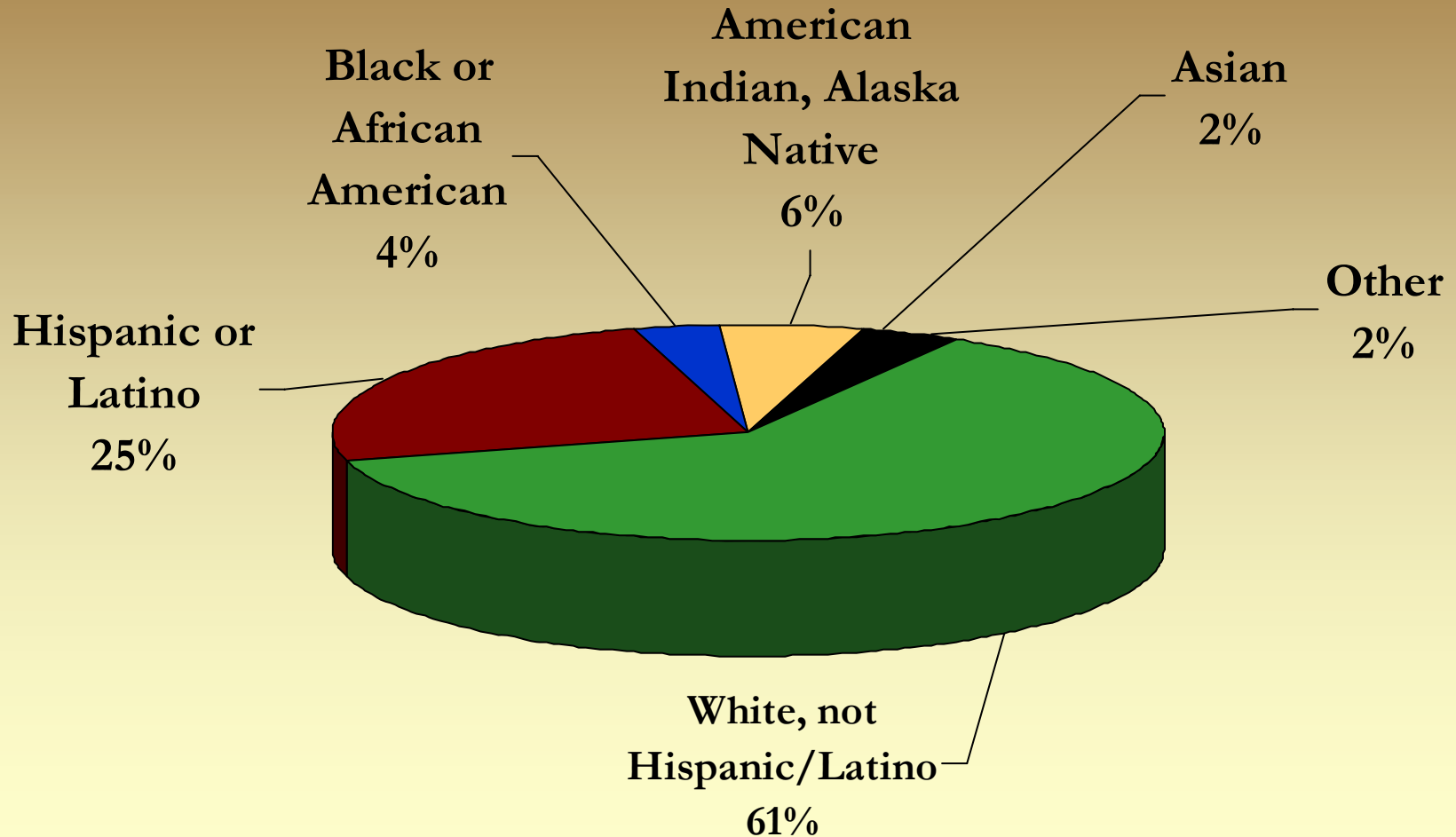
Economy



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





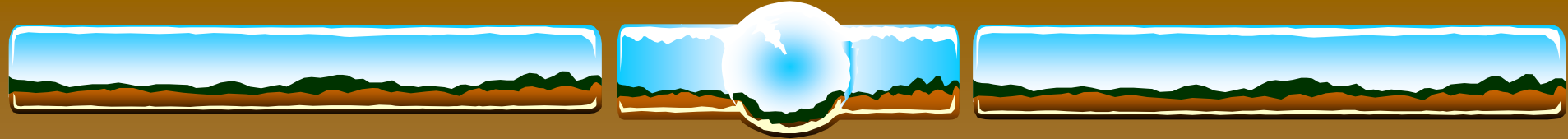
What Drives Arizona's Growth?

- ❖ 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)

<u>Period</u>	<u>AZ's Rank</u>	<u>Top 5 States</u>
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	#	Rank	City	#
1	San Jose, CA	10	19	Denver, CO	3
3	LA-Long Beach	5	22	San Francisco, CA	5
5	Seattle-Bell.-Ever.	6	24	Boice City, ID	2
7	Albuquerque, NM	3	26	Portland-Vancouver	2
12	Phoenix-Mesa, AZ	1	27	Boulder-Longmont	9
13	Orange County, CA	10	37	Sacramento, CA	6
14	Oakland, CA	8	40	Tucson, AZ	5
17	San Diego, CA	9	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

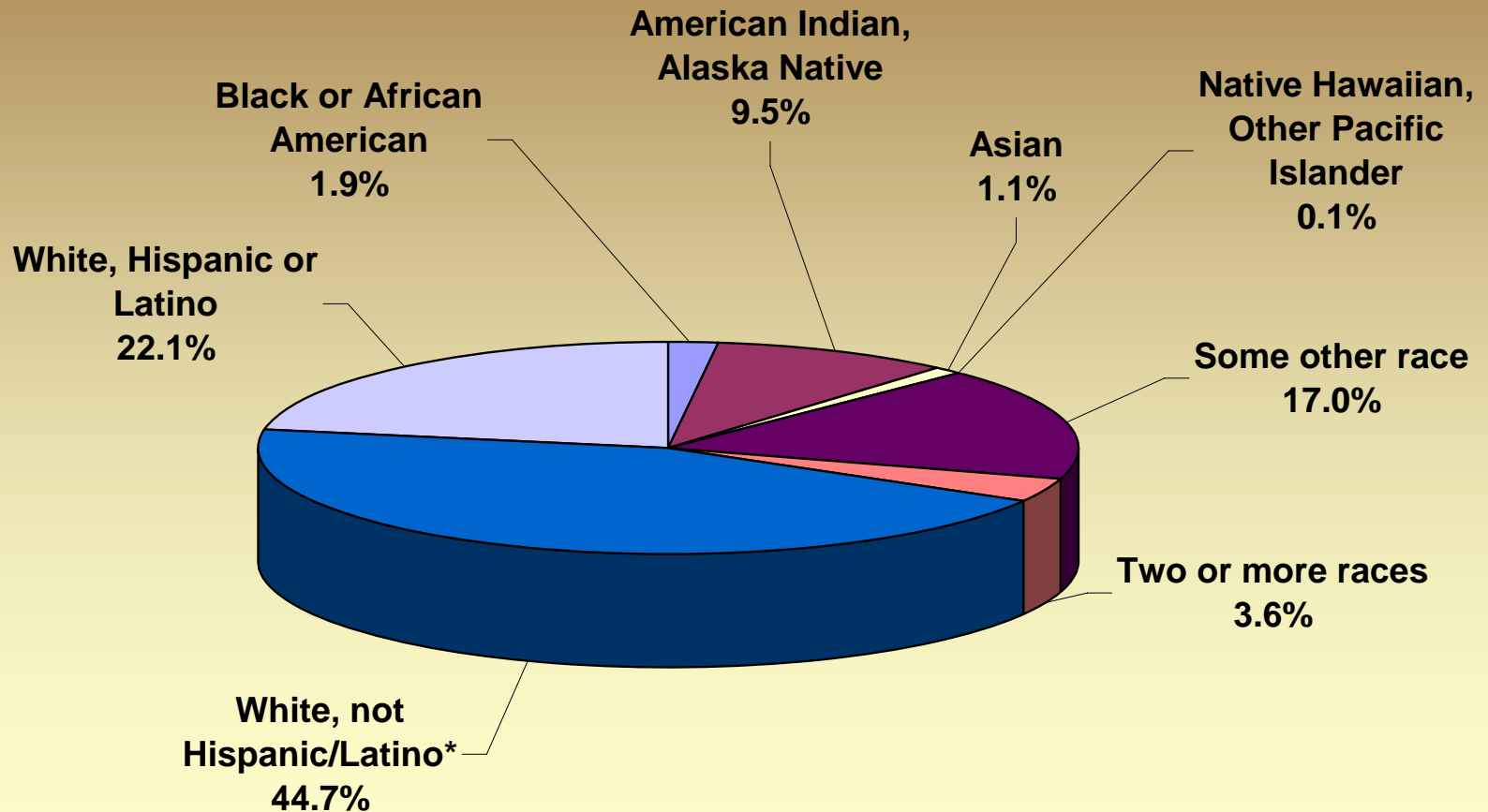


NEW MEXICO

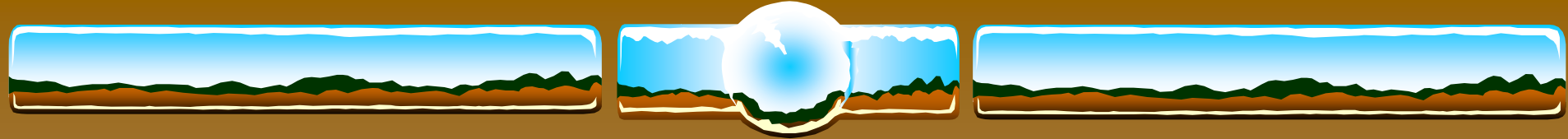
the good...

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
Laboratory



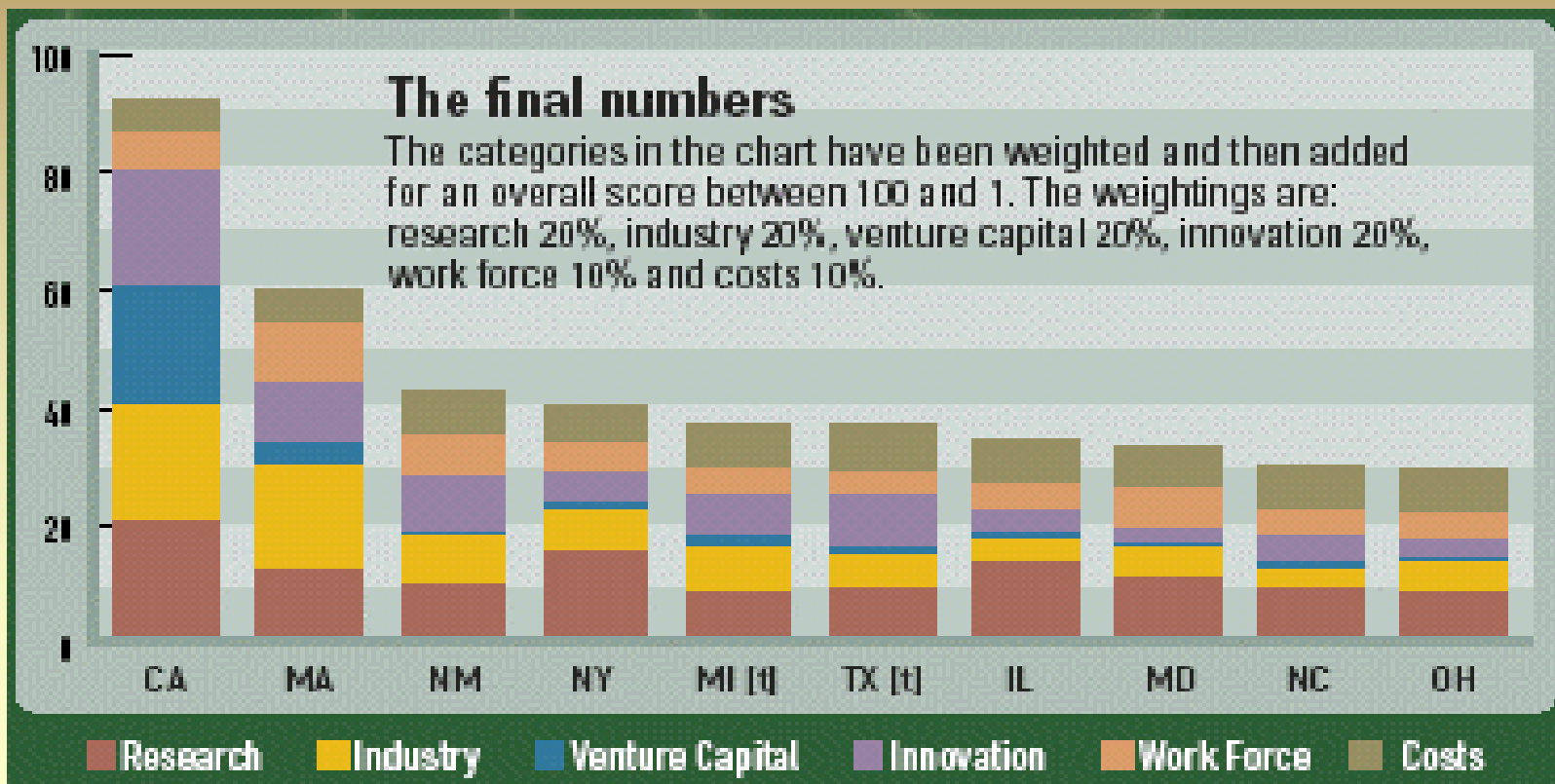
lasers



Red Storm

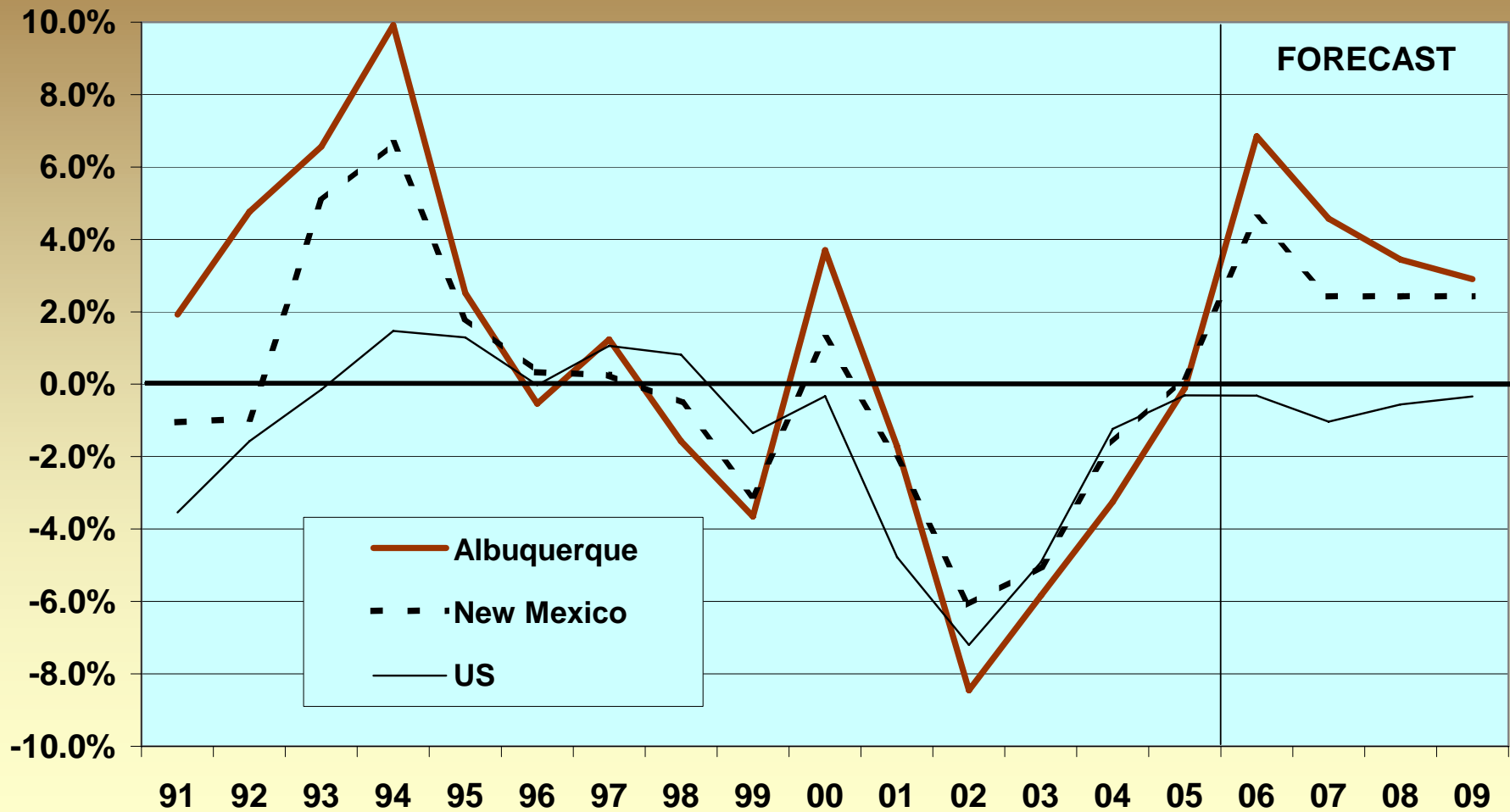
semiconductor

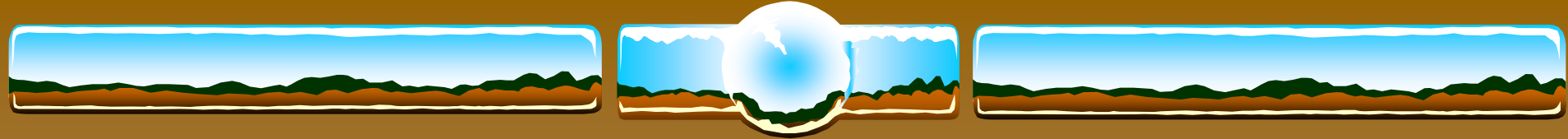
Small Times' list of the top 10 states for micro and nanotechnology – NM is 3rd



Manufacturing

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





NEW MEXICO

the bad...



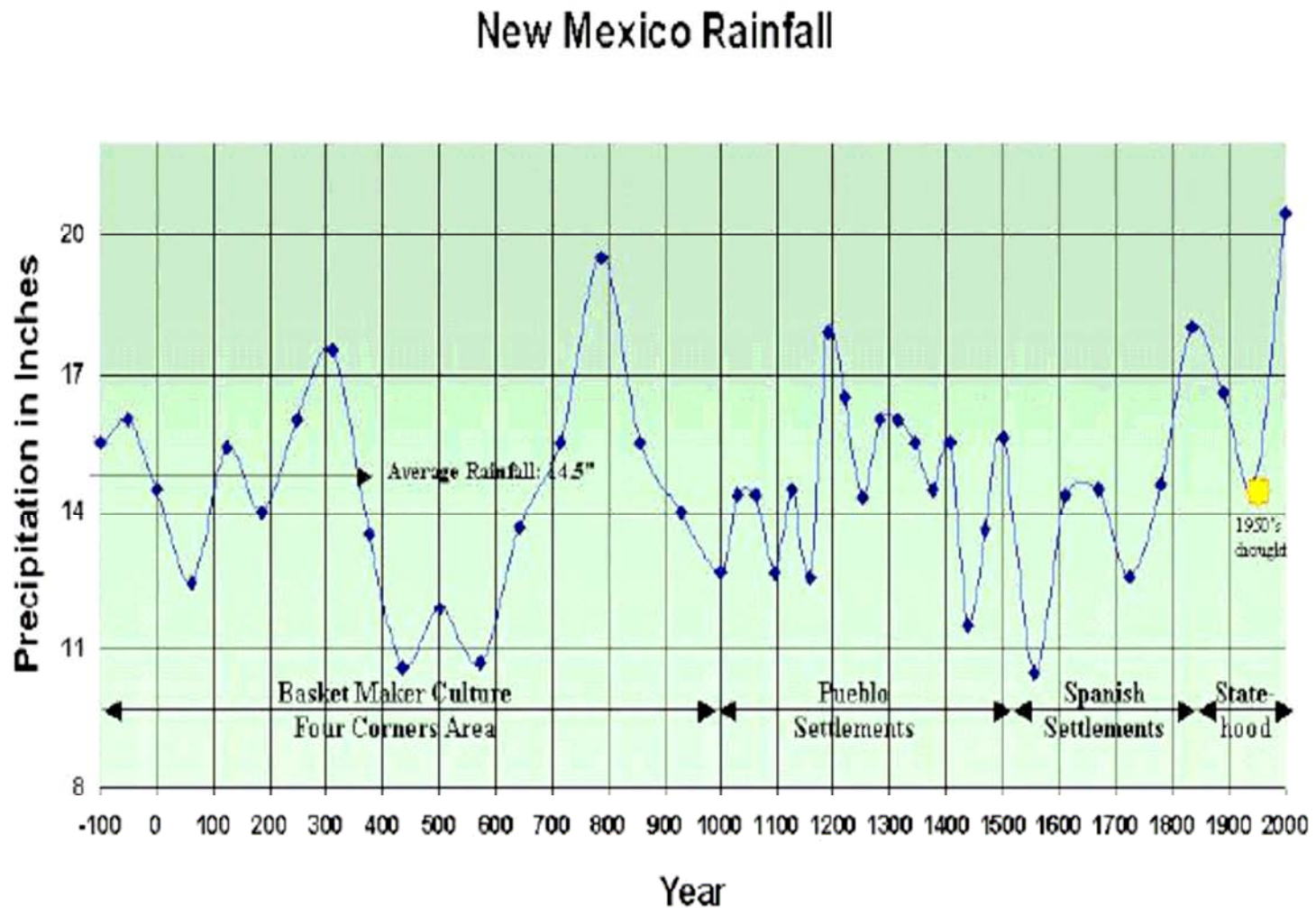
Dependence on the federal government...

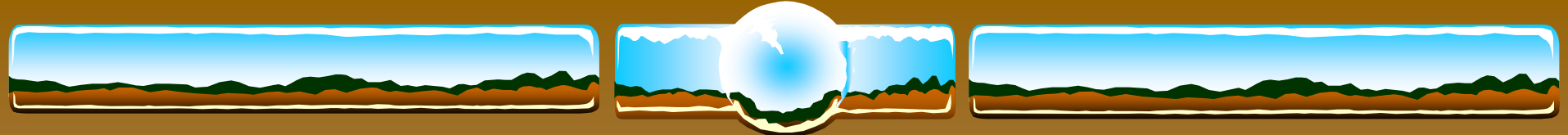
NEW MEXICO'S RANKINGS AMONG THE STATES

	<u>Rank in FY 03</u>
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

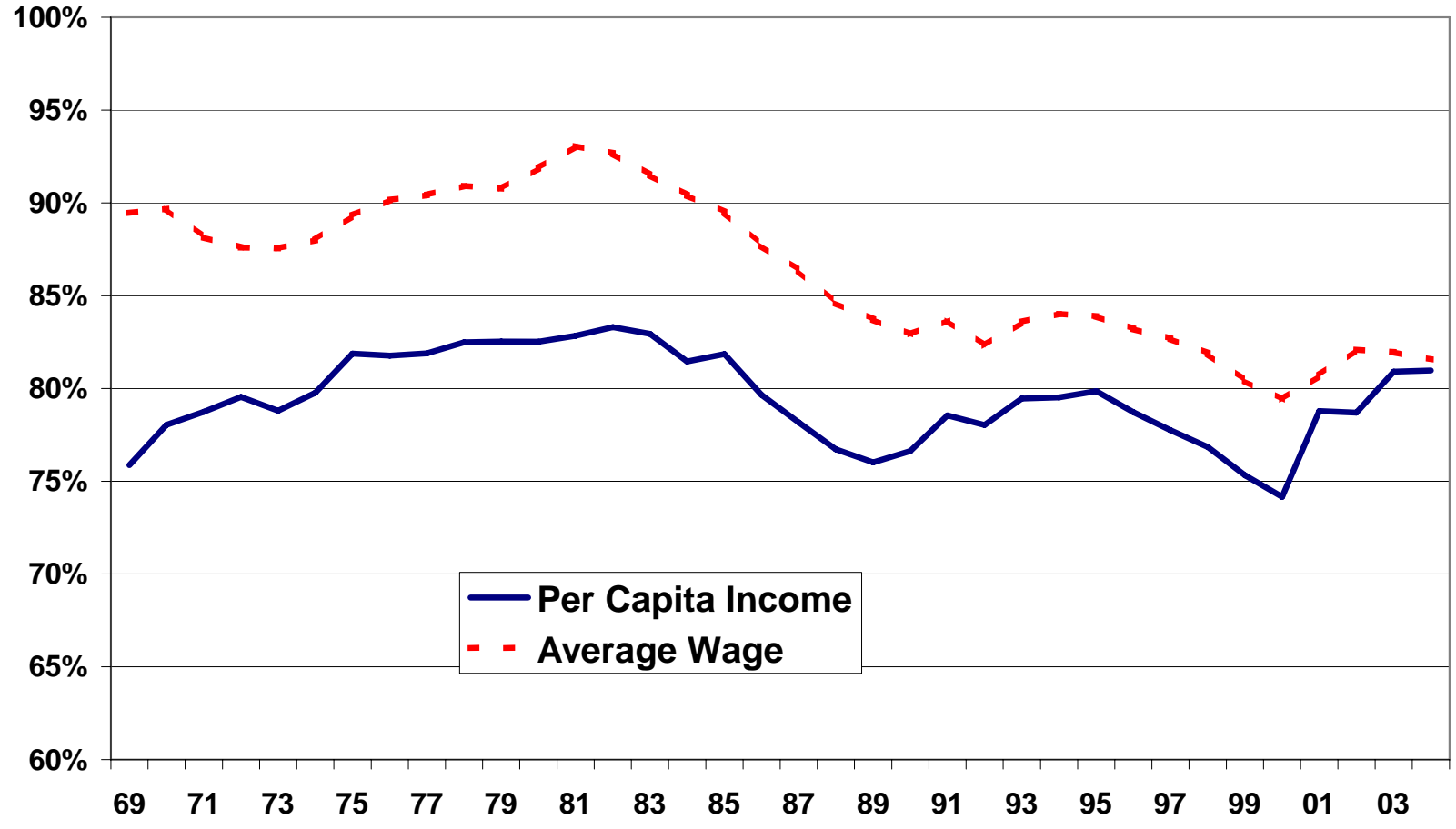
Water & the looming drought



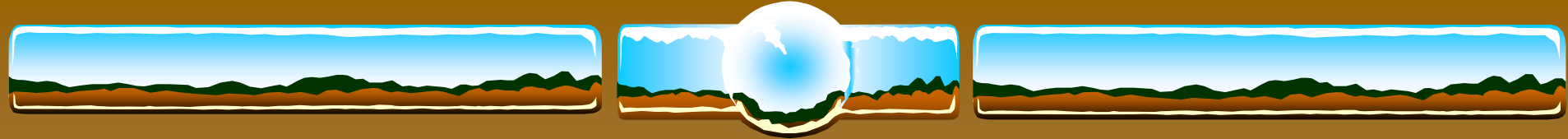


Low Income - PCI 47th in US

NEW MEXICO PER CAPITA INCOME AND AVERAGE WAGE AS A PERCENT OF US

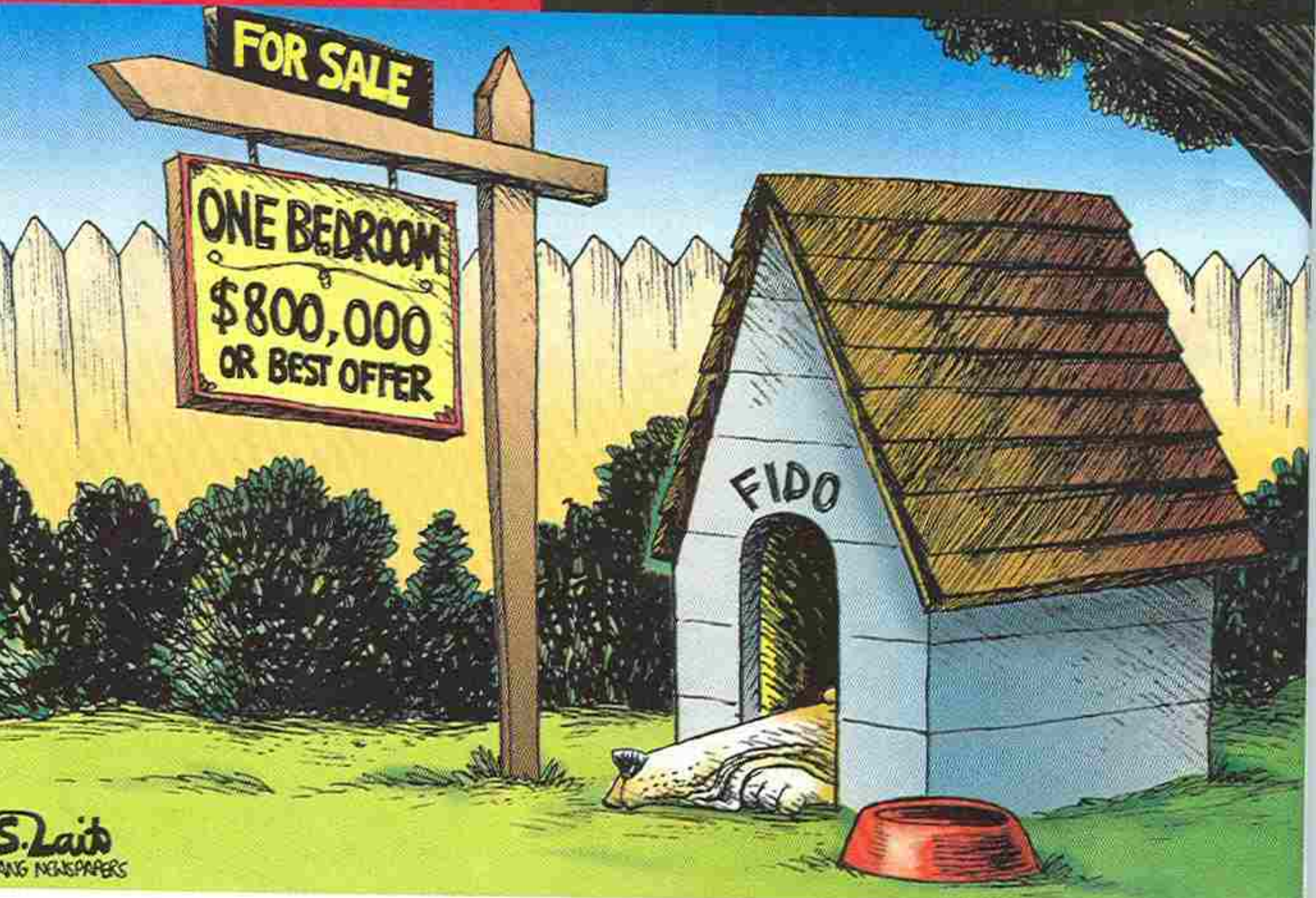


Data: US Bureau of Economic Analysis



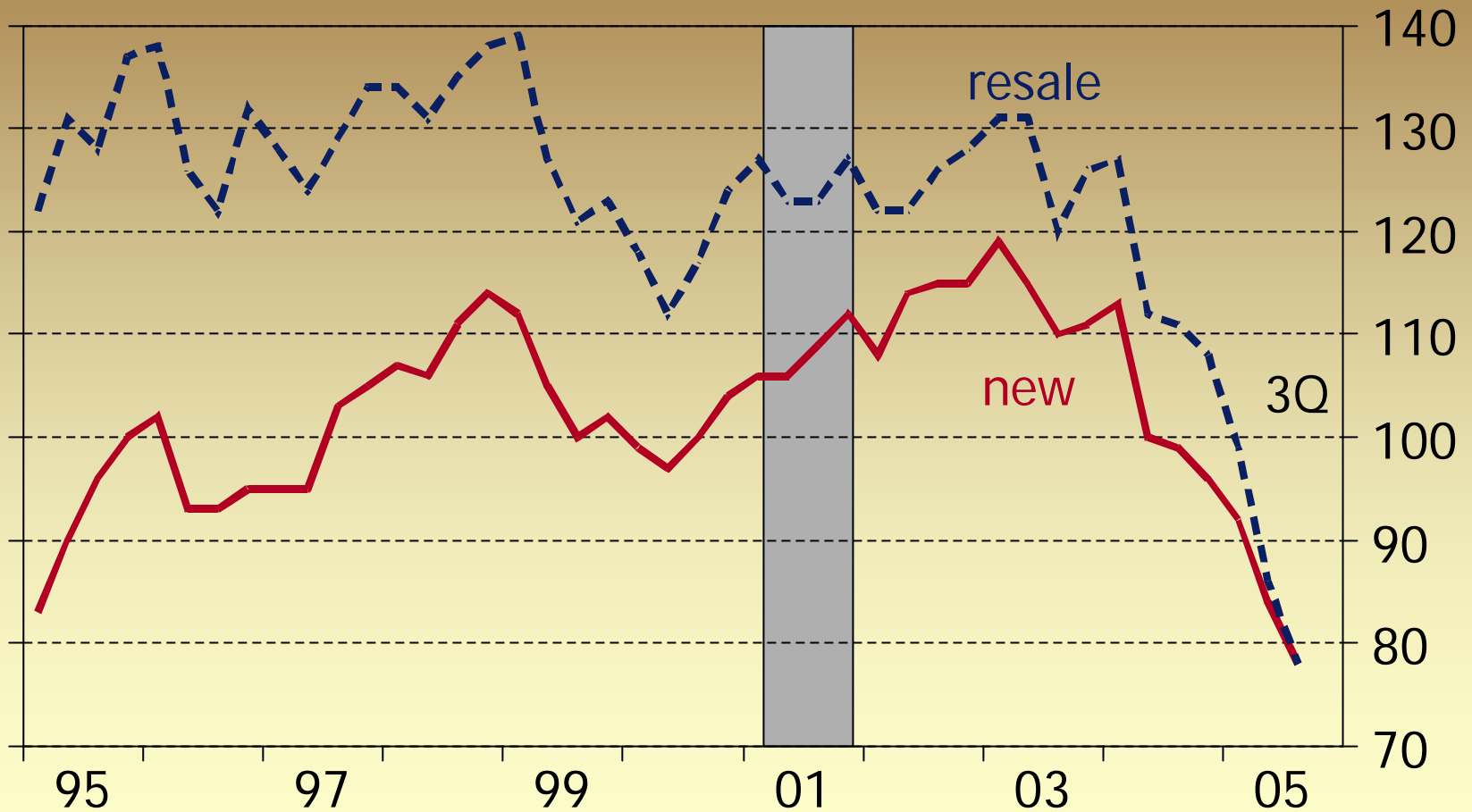
ARIZONA

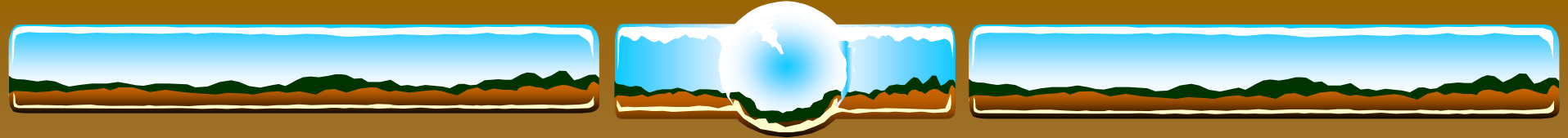
the bad...



Housing Affordability

Metro PHX





Home Price Increases Lead Nation

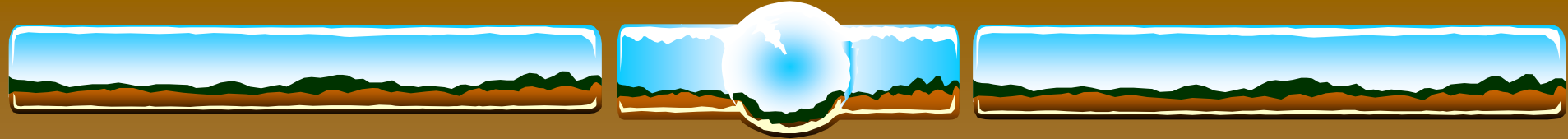
- ❖ 4th quarter MLS data
 - ❖ Metro Phoenix median price up 48.9% y/y
 - ❖ Metro Tucson, 2nd-fastest in West, 32.3%
- ❖ Rapid increase over past year



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%
<i>PHX</i>	<i>51.3%</i>	<i>37.7%</i>	<i>80.9%</i>
<i>Tucson</i>	<i>37.6%</i>	<i>28.3%</i>	<i>71.0%</i>
Albuquerque	21.2%	17.0%	37.4%
Denver	3.4%	3.1%	26.5%
Dallas	5.0%	2.3%	21.0%
Austin		12.7%	8.0%
	18.6%		



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?



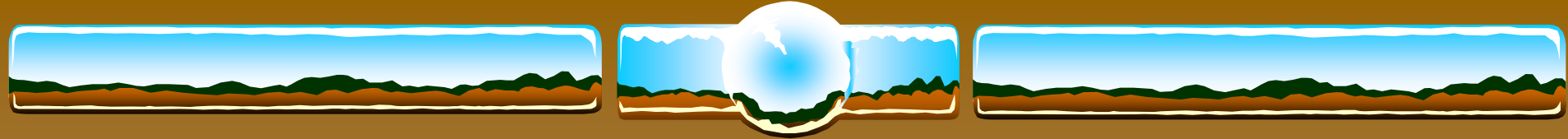
AZ's Social Pathology

- ❖ 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

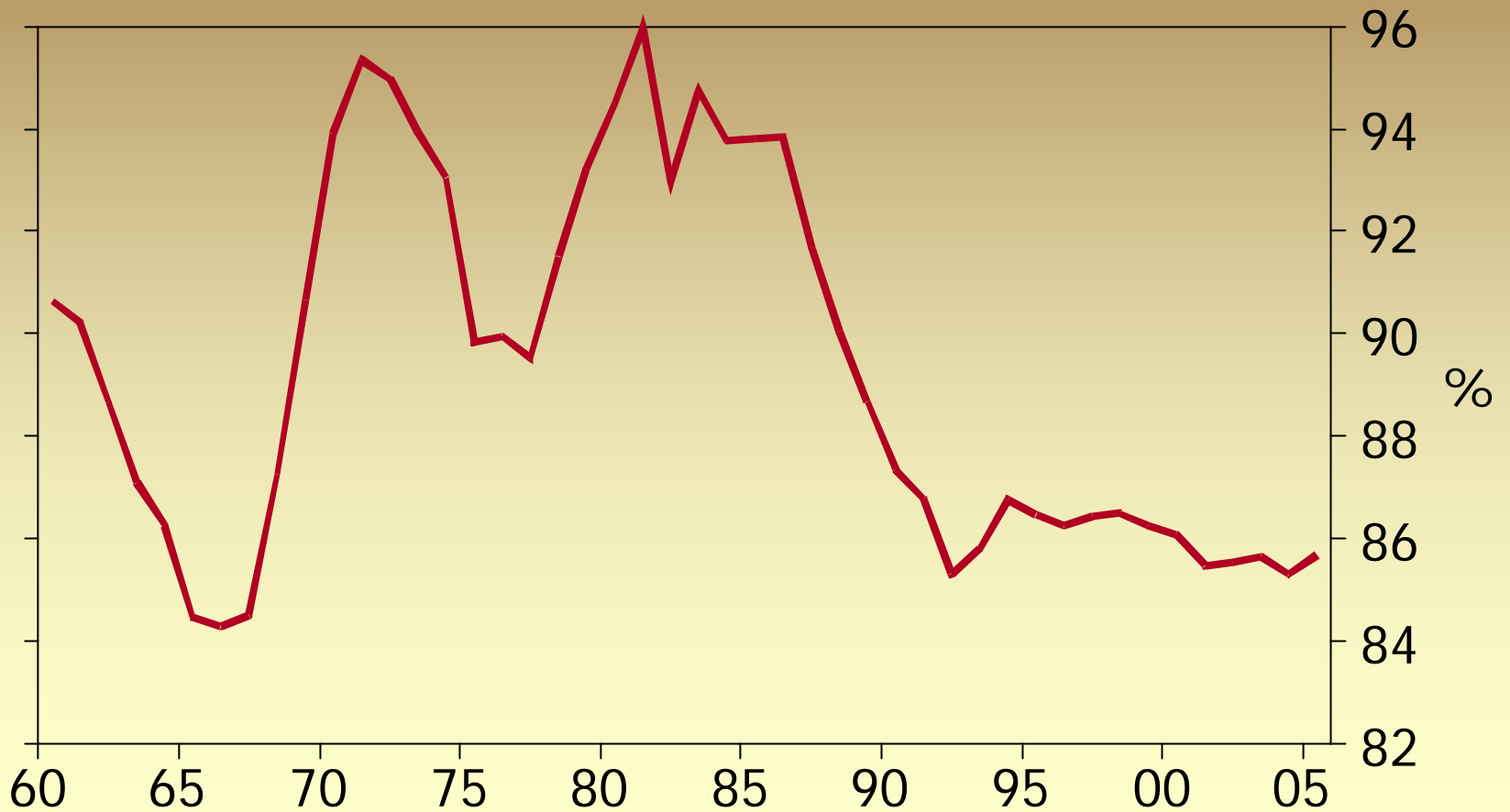


ARIZONA

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



I mmigration

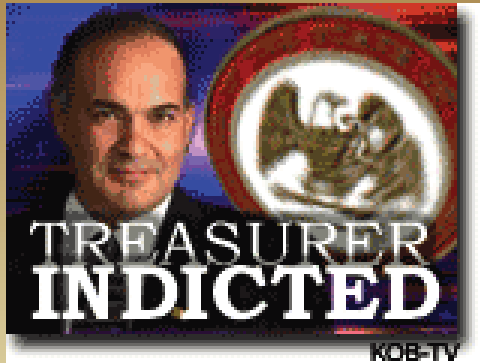
- ❖ Divisive – racial, ethnic, class overtones
- ❖ Hard liners
 - ❖ They've broken the law – send them home
 - ❖ Deny public services to the undocumented
 - ❖ Punish businesses who hire them
 - ❖ Build fences on the border, more enforcement
- ❖ System of immigration laws are broken
 - ❖ No way for workers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

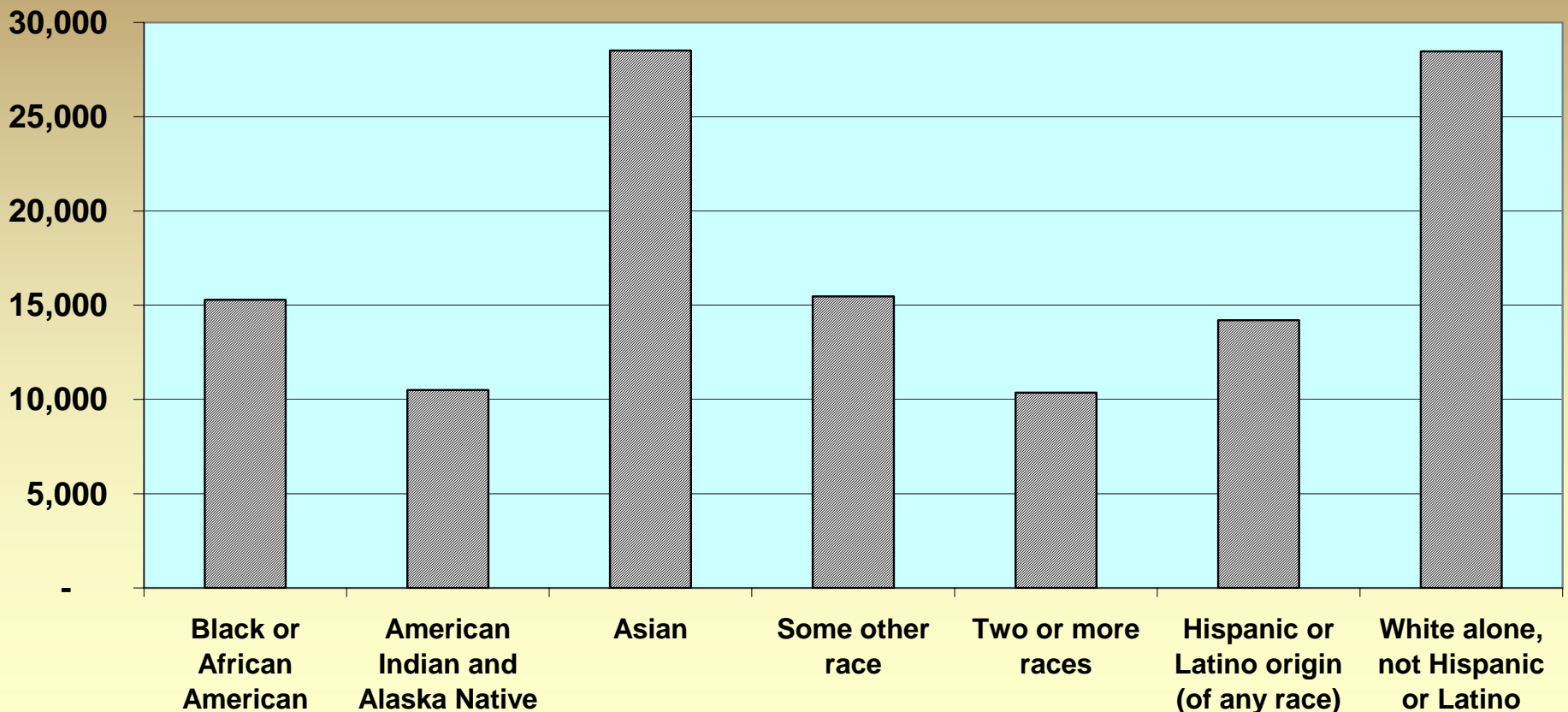
High intensity drug trafficking area





Ethnic & racial disparity in income & opportunity

**NEW MEXICO PER CAPITA INCOME
BY RACE AND ETHNICITY, 2004**

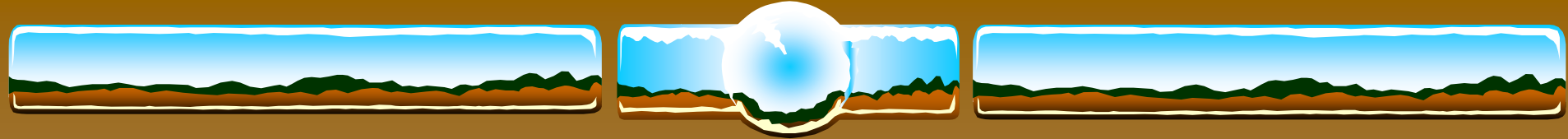




Poverty

<u>Group</u>	<u>% in Poverty</u>	<u>State Rank</u>
People	19.3%	3
Children under 18	27.7%	4

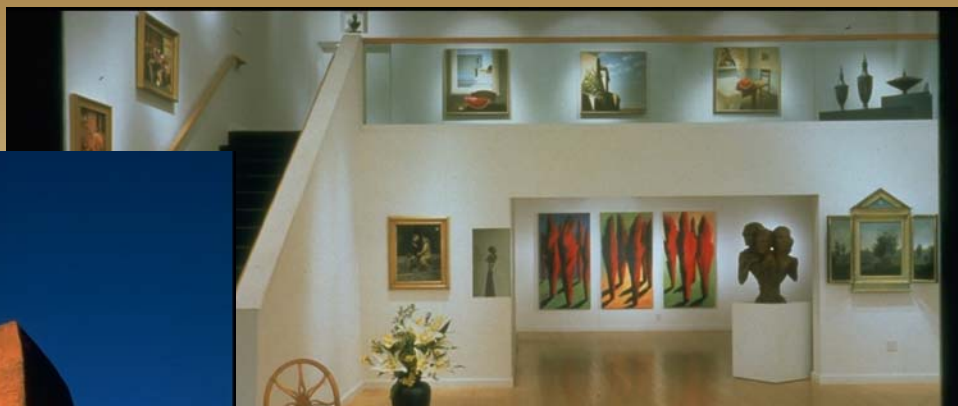
Source: American Community Survey, 2004

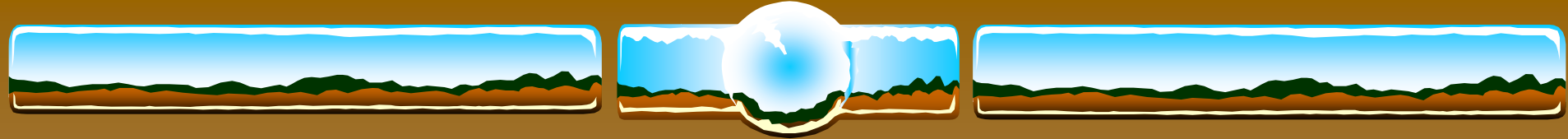


NEW MEXICO

the great...

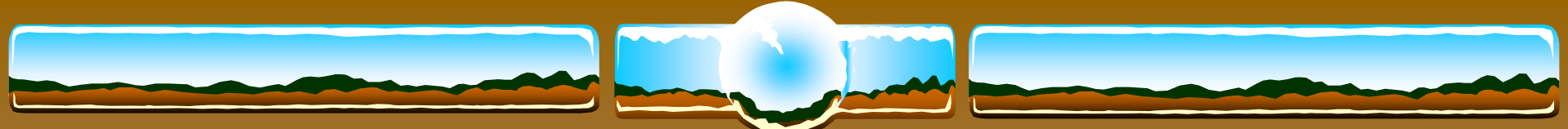
Arts & Cultural Industries





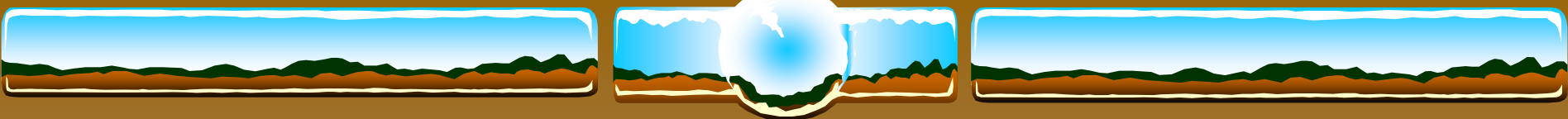
According to the Economic Census, in 2002...

- 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

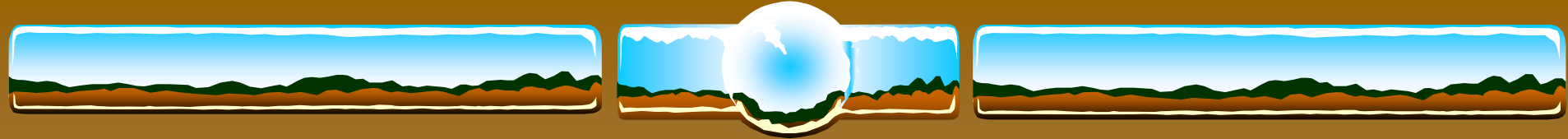


Scenic beauty, outdoor recreation opportunities





**THE
BEST
CHILE!**



ARIZONA

the great...

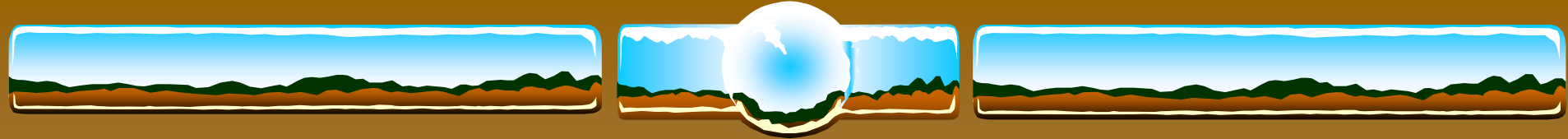












The Southwest Heartland:

The Good, the Bad & the Ugly

Lee A. Reynis

The University of New Mexico

and

Marshall J. Vest

The University of Arizona