

How We Got Here – a Triumph of Will
An Economic History of Greater Phoenix ¹

1940 – Present

Elliott D. Pollack

Presentation to the Arizona Historical Foundation

February 23, 2005

We will start the story around 1940 because it was the impact of World War II that really caused Phoenix to go down the road that led it to where it is today. Many of the underlying dynamics that caused Phoenix to grow and prosper were already in place. By 1940, Phoenix had already become the largest metropolitan area in the southwest. (Defined as Southern Texas, Arizona, New Mexico and Utah).

1940's

In 1940, the Greater Phoenix area was the agricultural capital of the southwest, the political capital of Arizona, and functioned as the economic and social focal point of the region. It was already a national tourist attraction with highway, rail, and air transportation links to the rest of the Country. Arizona's economy was still based on the five C's – Copper, Cattle, Citrus, Cotton and Climate. Indeed, old perceptions die-hard. While four of the five C's have not been a major factor in the Greater Phoenix economy for 50 years, I continued to read about them in articles people wrote on Arizona through the mid-1990s.

The real movement to the “modern” Phoenix economy started with the military build up for World War II. It was these war years that led to the building of several local military installations and the establishment of local defense industries.

Military buildup

As early as 1939, the federal government contracted with flyers throughout the county to conduct “War Preparedness” programs. One such program was run by Carl “Pappy” Knier at an airfield called Sky Harbor Airport. In January 1941, the Arizona Republic announced the government's plan to establish a large advanced aviation training field in the Valley. The site chosen was two miles north of Litchfield Park and eight miles west of Glendale.

Phoenix officials, understanding the importance of such an operation, purchased 14,040 acres for \$40,000 and leased it to the War Department for \$1 per year. Originally named the Phoenix Military Airport, it was built by a local contractor named Del Webb and opened in June 1941. The complex, which had 126 buildings, was capable of accommodating 25,000 men. The name was soon changed to Luke Field, named after Frank Luke, Jr., the famous Phoenix ace of World War I.

Also in 1941, officials at Thunderbird Field, north of Glendale, signed a contract with the Army Air Corps to provide primary training to cadets. Soon after, another contract was

signed, this time with England's Royal Air Force, to train its cadets at a new base northeast of Mesa, called Falcon Field. It opened in September 1941. Both operations were successful.

The area offered air bases, excellent flying weather, level terrain, little rainfall, rarity of high winds, and the availability of vast uninhabited territory for gunnery range purposes. This, combined with strong local representation in Washington, particularly Senators Ernest McFarland and Carl Hayden who did their best to attract attention to Phoenix for military installations, changed the future of Greater Phoenix.

The military story doesn't stop there. Again, with the help of Senator McFarland, the Army Air Corps also selected a sight south of Mesa and east of Chandler for an intermediate flight school. In 1942, the Mesa Military Airport was renamed Williams Field and added 3,000 officers, cadets and enlisted men to the area. Del Webb, who also built Luke, employed some 2,500 men on the Mesa Military Airport project.

On the heels of Pearl Harbor, other fields came into existence. Thunderbird II, now Scottsdale Airpark, and Litchfield Naval Air Facility, a testing station in Litchfield Park, were added. By the end of the war, Luke Air Force Base had become the world's largest advanced flight training school. By August 1945, more than 13,500 pilots had received their wings at Luke.

Army camps were attracted to the area as well, notably Camp Horn and Camp Hyder. At one point, Camp Hyder housed over 30,000 troops. Phoenix, being the only major city in the area with about 65,000 people, was the major beneficiary. The troops came in large numbers to enjoy the benefits of the city. However, this was only the start.

Defense plants & manufacturing

Because of the government's attempt to diversify the country's manufacturing basis away from the coasts, which the military believed was vulnerable to air attack, the Valley began to attract defense plants.

In July 1941, city officials announced that Goodyear Aircraft Corporation would open a plant west of Phoenix at Litchfield Park. The \$500,000 airplane parts plant was Arizona's first large defense facility. According to the government, the new facility "Is another step towards decentralization of America's program for the production of vital defense materials, it is well inland and thus protected from any possible air attacks". At its peak, the plant employed more than 7,500 workers. Compare this to the 1940 level of employment in the Valley of less than 45,000. Taking into account the multiplier effect, this plant alone effectively increased the size of the Valley economy by 33%.

Within a few years, several other defense plants located to the area, notably Alcoa and Air Research. In 1942, Alcoa opened a plant on a 300-acre site at 35th Avenue and Van Buren that employed 3,500. In November 1942, Air Research opened a plant south of

Sky Harbor that ultimately employed 2,700 workers. Both of these facilities opened in cooperation with the government's Defense Plant Corporation. Thousands of defense workers arrived in Phoenix during the war, seeking employment at the new plants. Then, as today, the continued flow of population supplied companies with a growing pool of qualified workers necessary to support employment growth.

Phoenix business organizations, such as the Chamber of Commerce, worked closely with Arizona's representatives in Washington to secure as much of this type of manufacturing as they could. Inducements were offered in every form because Phoenix promoters realized that defense plants, as well as the military bases, meant millions of dollars to the local economy.

Visionary politics

The rapid economic growth during the war years caused political changes as well. By the late 1940's, it was evident that Phoenix, under an inefficient commission/manager system, had been governed in an undistinguished manner. Indeed, inefficiency and corruption that was rampant under the system gave Phoenix a bad reputation nationally.

In October 1947, Phoenix Mayor Ray Busey appointed a Charter Revision Committee. The committee called for amending the charter to exempt the City Manager from the "local resident requirement", thus freeing the City to hire a trained professional manager from outside. Other reforms were implanted as well. These reforms, pushed through by the Charter Government Committee, created a business-like approach to government.

Credit for these sweeping reforms belonged to numerous organizations and individuals including Eugene Pulliam, the then publisher of the Arizona Republic and Phoenix Gazette, Walter Bimson, chairman of Valley National Bank, as well as Frank Snell and Sherman Hazeltine. Pulliam helped select various members for the Charter Government Committee Slate that was swept into office in 1949. Among the successful candidates was a local businessman named Barry Goldwater. The transformation turned Phoenix government into a business-like, honest, growth-oriented, flexible and pragmatic organization that reflected the ideals of most Phoenicians.

The 1950's

During the 1950's, the economy, including both population and employment, continued to expand. By 1955, manufacturing provided the major source of income in the Valley. During the Cold War era, military installations, such as Luke and Williams, continued to serve as part of the National Defense effort. However, former war plants now looked to both civil and military customers.

Other types of manufacturing eventually took to the area. Predominant were light, clean industries, especially electronic firms, that flourished in the low humidity climate that was so necessary to their success. The electronic plants used little water and produced

high value, low weight goods that could be easily shipped anywhere. Generally, these pollution-free industries were also positive for the tourist industry.

In Greater Phoenix, the sun shines 85% of the time, a fact that pleased many manufacturers. Business could meet production schedules without being interrupted by adverse weather. Absenteeism fell. Outdoor testing of particular products, such as weapon systems, went undisturbed. Executives and workers appreciated the scenic beauty, man-made lakes, and active but casual lifestyles. For perspective, between 1948 and 1960, Phoenix drew more than 300 new manufacturing companies to the area with more than 15,000 jobs.

By the late 1950's, according to the Arizona Republic, the eight largest manufacturers in the Valley included: Air Research, Allison Steel, G.E., Goodyear Aircraft, Kaiser Aircraft and Electronics, Motorola, Reynolds Metals and Sperry Rand. These eight companies alone provided more than 12,000 jobs.

Motorola

Early in 1948, officials from Motorola decided to establish a new research and development center devoted exclusively to military electronics in Phoenix. The Cold War and National Defense considerations encouraged Motorola to locate in a primary dispersal area in line with the federal government's decentralization program. Phoenix drew attention because of its favorable business climate and excellent location midway between California and Albuquerque. Moreover, non-stop six-hour air service was available between Phoenix and Chicago, Motorola's home offices. Nearby Arizona State College in Tempe, with a 1945 enrollment of 553, also offered the potential for the development of a quality-engineering program.

The most important factor, however, was the City's outstanding climate and its nationwide reputation as a resort and health center. The climate and health factors would be a potent aid in attracting desired personnel. Indeed, the only drawback that was voiced was the intense heat in mid summer. Yet, a leading Motorola executive in June 1954, wrote,

“The agreement is quite general among Motorola families that they will take the four months of summer weather in preference to the winters in the north and the east. They point out that a 100-mile drive north of Phoenix will take them into cool wooded mountain areas, pines and streams. Where, they ask, in the north or the east can they drive out of the snow, ice and cold in 100-miles. Then there are coolers. Experience with evaporative coolers shows they work very well the greater part of the time. But refrigeration in laboratories perpetually created satisfactory working conditions for the staff during summer months. Staff members are installing

refrigeration units in their homes to provide an equally satisfactory control of temperatures for the family. Motorola management feels that refrigeration cooling is the complete solution to the Phoenix summer heat. Refrigeration cooling has transformed Phoenix into a year-round City.”

Modern technology bailed us out. By the end of the 1950s, a national magazine called Phoenix, “The most thoroughly air conditioned town on earth.” By 1960, Motorola operated three plants in the Phoenix area.

The attractiveness of Phoenix was clearly an advantage. In 1957, Robert W. Barton, then a Motorola manager, declared,

“The principal reason we are here is the serious shortage of engineers. We can run an ad in trade magazines mentioning three places to work: Phoenix, Chicago and Riverside, California. We will draw 25 to 1 replies for Phoenix compared to the other cities. We don’t have to pay a premium to get an engineer and other skilled workers to live there. The premium is free: sunshine.”

Phoenix had many business organizations to help attract and service its industries. The Phoenix Chamber conducted extensive national advertising campaigns in the post war years, and they were responsive as well. In 1955, the Municipal Industrial Development Corporation, a group of determined business leaders, played a key role in bringing Sperry Rand to the Valley by raising \$650,000 (then an enormous amount of money) in 72 hours to buy a factory site, pay for improvements to a nearby airport, and arranged for other inducements.

In December 1955, Phoenicians helped make the business climate better by repealing the State’s sales tax on products manufactured for sale to the federal government. The day after the repeal of the tax, Sperry Rand announced it would locate its aviatational electronics division plant and research center to Phoenix. The change also encouraged a number of other companies to move here, and inspired the expansion of several local electronics and aerospace firms that did business with the federal government.

While there were critics of the tax change, leaders such as Walter Bimson and Eugene Pulliam predicted that the lost tax revenue would be more than made up by increased employment. That prediction proved correct in a major way.

In Phoenix, a close relationship existed between the business community and local government. Often, one represented the other. The majority of citizens seemed to approve this united approach. The ongoing cooperation of Phoenix business and political

leaders assured the development of an environment attractive to industry, and hundreds of establishments, both large and small, appeared.

In 1946, legislation to make Arizona even friendlier to business was passed as Arizona became a right-to-work state. People in the area worked hard to induce firms to relocate here. Leading the recruitment efforts were such organizations as the Thunderbirds, then an arm of the Phoenix Chamber. Small as well as large industries were attracted to the greater Phoenix area resulting in such impressive statistics as a 1,500% increase in the value of manufacturing in the 1950's.

In Phoenix, an El Paso businessman observed, "Industrial scouts are met at the plane, entertained, offered free land, tax deals and an electorate willing to approve millions in business backed bond issues." He lamented, By comparison, "El Paso does nothing." As a result, El Paso lost its spot as the major city in the region.

Tourism

At the same time, the tourist business in the greater Phoenix area thrived. Income from tourism rose considerably as new resorts and modest hotels expanded operations. The Cactus League took hold in the 1950's and 1960's, giving the area an annual boost in tourism. Traditionally, most tourists had come to seek relief from the harsh northern winters. However, thanks to air conditioning, some visitors started to come in the summer as well.

The mass production of air conditioners in the 1950's and the consequent age of refrigeration not only attracted manufacturers, but also extended the tourist season in Phoenix. It also made the City more comfortable for those permanent residents unable to leave for the coast or mountains during the hot summers. In addition, many of the military veterans who had served in the area, and many of the increasing number of winter visitors wanted to come back to live permanently in the air conditioned oasis. In the 1960's, tourism replaced agriculture as Phoenix' s second largest source of income.

As a result of all of this activity, commercial and residential construction boomed. Indeed, there was more construction in 1959 than in all of the years from 1914 to 1946 combined. In that year, a total of 5,060 dwellings, mostly single-family residences, were built along with 429 swimming pools, 115 office buildings, 94 stores, 167 industrial buildings and 15 educational facilities.

Each year, as records were broken, national publications such as Time, Newsweek, US News and World Report, would contain glowing stories about the area's economic and demographic explosion in the 1950's. To quote a Phoenix booster from 1960, "The City is going somewhere and it is attracting more than an average share of people who want to go somewhere with it. It tends to attract young, well-educated and entrepreneurial people who want to promote the area and share in its benefits".

Phoenix was, and largely remains, a meritocracy. “What can you do?” and “what can you provide to the area?” Were the important questions to address, as opposed to focusing on where you went to school or who your parents were.

Phoenix, as a city, grew from 9.6 square miles in 1940, to 29 square miles in 1955, and to 187.4 square miles by 1960. The City today is 513.9 square miles in size. The continued annexation was necessary to keep pace with the large population growth. City officials, working closely with the Phoenix Chamber, continued to maintain our business climate including such inducements as reasonable tax rates and building codes.

1960's and 1970's

The process was not always perfect. One of the few significant mistakes that were made in the area, at least in my opinion, was that the originally proposed freeway system, proposed as early as 1960, went nowhere. In May 1960, Wilbur Smith and Associates of San Francisco presented an ambitious plan calling for improvement of existing streets and the construction of 140 miles of freeways by 1980. The price tag was some \$532 million dollars. The plan was turned down by the public largely because of opposition from the Pulliam press. The lack of an adequate freeway system would continue to plague metropolitan Phoenix.

CAP

More than a decade before, on the other hand, influential Phoenicians supported the 1947 plan to transport Colorado River Water to central Arizona. Once again, Arizona's strong congressional delegation, headed by Senators Hayden and Goldwater, proved instrumental in getting the plan through, although it took until 1968 to do so. This combined with the Groundwater Management Act of 1980, assured water for greater Phoenix's continued growth.

During the 1960's and 1970's explosive growth continued. The ongoing decline of old Snowbelt urban centers in the northeast and Midwest resulted in a shift in economic and demographic power toward the Sunbelt in the south, southwest and southern California. This trend continues today.

During the 1970's, the concept of making Phoenix a business friendly area continued to be an underlying theme. During the 1960's and 1970's, Greater Phoenix's diversified economy expanded and remained strong. Manufacturing held its lead as the most dynamic growth sector.

By the end of 1977, Greater Phoenix contained more than three-quarters of all the manufacturing in the State. Electronics and aerospace plants dominated the industrial landscape.

1980's

In 1980, the area was competitive with other leading high tech centers across the Country. Motorola continued to set the pace locally and by 1980 had 18,000 employees in the area. Air Research, General Electric, Goodyear Aerospace, Sperry Rand, along with newcomers Digital, Litton, ITT, General Semi-Conductor, Honeywell, Intel and GTE, were all important electronics companies in the area. The growth was primarily along the Black Canyon freeway corridor. But when the City of Chandler helped subsidize some infrastructure, the Southeast Valley's outlook brightened considerably.

In 1980, Air Products, with help from the City of Chandler, installed a nitrogen gas line (a necessary raw material in the semi-conductor industry) in Williams Field Road. Intel, Motorola, Norplex and Intertel joined General Instruments and Rogers & Gould by locating major facilities in west Chandler. By 1985, the number of manufacturing jobs in that area increased by 6,000.

Those electronic companies created a large number of high paying jobs that turned Chandler and Gilbert into high-end bedroom communities. Indeed, today Gilbert and Chandler have a higher median income than Scottsdale.

The multiplier effect of these companies was significant. In 1977, Phoenix Chamber of Commerce President George Reeve told the downtown Kiwanis Club that he figured \$66 million worth of business could be generated by GTE's estimated 350-person payroll of between \$12 and \$15 million dollars annually. GTE employees, he declared, would spend enough housing and other things in the Valley to create 210 construction jobs and another 438 jobs in allied industries.

Non-manufacturing companies liked it here as well. In 1971, Greyhound moved its headquarters to Phoenix. Gerald Trautman, Greyhound's head, stated, "Chicago is a good business city, but Phoenix offers us a substantial reduction in expenses, wages, rentals and communications. The survey we had done about relocating concluded that Phoenix was best for us. Although salaries were often lower than in the eastern states and in California, so was the cost of living. Housing remained very affordable. Reasonable land and labor costs along with abundant mortgage money created an ongoing housing boom, albeit cyclical."

Luxury resorts continued to boost the tourist trade in the 1970's, 1980's and 1990's. Camelback Inn, along with the Biltmore, Wigwam, and the Point at Squaw Peak, consistently won top ratings in national listings. In 1984, for example, those four Valley resorts were among only twelve in the nation to receive Mobil's prestigious five star rating. In addition, people started to appreciate the economic impact from the 190,000 Phoenix metropolitan area snowbirds (those who stayed one month or more).

In 1980, in response to a formal survey conducted by the Department of Economic Security, 29% of Arizona job hunters said that the hope of employment was the primary

reason they moved to Arizona, compared with 22% that decided climate was the reason. Other reasons for their move were a change in lifestyles, friends or relatives and health.

Sprawl

Issues related to sprawl were discussed as early as 1960, and infill has been discussed since the 1970's. Both of these trends, sprawl and infill, continue to be issues in the Valley. Actually, one of the factors that attracts people here is the low-density life style. In essence, taken to the extreme, the second person in town creates sprawl.

In the 1950's and 1960's, each of the satellite communities surrounding Phoenix retained an identity of its own. For example, Tempe was the location of Arizona State University (the name changed from Arizona state college in 1958). Mesa remained the Mormon capital of Arizona. Glendale continued as a farming community, and Scottsdale billed itself as "The West's Most Western Town". By the 1970's, however, it became increasingly difficult for the towns to maintain their individual identities. They were all undergoing population explosions and building booms as well. Each of them expanded into the surrounding desert as more and more land was used for construction of housing, shopping centers, industrial parks and office buildings.

Sprawl continued to be a major political issue in the 1980's. In his article on sprawl, Edward Abbey wrote, "Like the man and his wife who moved from Des Moines to Phoenix last night, each of us want to be the last to arrive. Each one wants to be the final immigrant."

Anti-growth attitudes seemed to accelerate in periods of rapid economic growth. People tended to ignore the inevitability of continued growth in the Valley caused by the same factors that made it attractive for the anti-growth people themselves to move here in the first place. The anti-growth attitude, however, seemed to dissipate during periods of economic recession and in the early stages of recovery. The economic benefits of jobs and the opportunities that growth creates became more apparent during those periods.

Whether it is "save the desert" posters from the 1980's or the "growth boundary" measures of 2002, these attitudes always seem to be just below the surface, manifesting themselves in the later stages of economic booms. Most people in the metropolitan area, however, seemed to understand the negative consequences of such anti-growth arguments.

Since Grady Gammage, who is more qualified than I on this topic, discussed development with you last week, I will defer to his take on it.

Corruption

Unfortunately, in the late 1970's, the open society that is the Valley showed that it had a dark side as well. During the 1970's, a master con man, Ned Warren, milked thousands

of investors out of millions of dollars. He finally went to jail in 1977 for land fraud, but not before he generated undesirable national exposure for Phoenix and Arizona.

Later, with the murder of Arizona Republic investigative reporter, Don Bolles, national publicity about the area became incredibly negative. By 1980, however, law enforcement agencies received more funding and a number of corrupt officials were replaced. New anti-crime codes became effective, and the court system was faster at responding to the problem.

Yet, just as with the Valley's first experience with problems that created a significant amount of negative publicity nationally in the late 1940's, no perceptible effect on the growth in the area occurred. The basic underlying factors that caused us to grow remained in place.

In tandem with the economic boom and population explosion came the usual problems. Good leadership has dealt with these problems. From Pulliam and Snell to Terry Goddard to Mark Demichael to Valerie Manning to Bill Post, the names changed, but the job got done. The formula of leadership that focused on real problems, pro-growth attitude, a reasonable tax rate, and affordable housing generally combined with a perceived good quality of life continued to work for the area.

The rapid expansion continued in the 1980's. According to a 1986 metropolitan Phoenix Chamber of Commerce report, "From the beginning of 1980 to the middle of 1985, over 12,000 new businesses were formed. That figure represents a growth rate of nearly 40%. That meant that almost 4 in 10 business operations in the greater Phoenix area were not in business 5½ years ago."

As the case with the national economy, manufacturing as a percent of the total continued to shrink. However, unlike the U.S. as a whole, in Phoenix manufacturing jobs in absolute terms continued to grow. Service jobs, as was the case with the national economy, continued to be the sector where growth was the strongest. The Phoenix area was generating more than 7 out of every 10 new jobs in the State and one out of every two manufacturing jobs was in high tech.

Aggressiveness extended throughout the Valley in the 1980's. In order to attract industry, in 1984 Glendale offered a \$20,000 bounty to the first person nationwide who was able to convince a company to locate a 100,000 square foot or larger plant in the City. A new Sperry Space System division plant soon appeared. In 1987, the City hired a full time marketing director to draw firms to the area.

Yet, during the 1980's, competition for footloose industry proved fierce. Phoenix lost a number of new enterprises to other ambitious cities, but increased effort brought some success. As in the past, observers agreed that the Valley had many of the factors usually cited as magnets for high-technology firms including quality of life, a favorable business

climate, a young well-educated work force and a high per capita defense spending. In addition, it had a major university, which, by 1980, had enrollment of almost 40,000.

Yet, when Phoenix lost Microelectronics and Computer Technology, a consortium of 15 high tech firms, to Austin, Texas in 1983, it became evident that in the words of Mayor Terry Goddard, “We must pursue a more aggressive strategy”.

Mayor Goddard, sensing the need for a more focused effort to continue to expand the economy, formed the Phoenix Economic Growth Corporation, a private entity designed to draw industry to the City. By 1988, with private sector as well as local government support (including Phoenix, Scottsdale, Glendale, Chandler, Tempe and others) PEGC became Greater Phoenix Economic Council (GPEC) and focused on bringing new enterprises, i.e., jobs, to the Valley as a whole. The Phoenix Chamber focused on both retention and expansion of existing enterprises.

In 1985, according to Fantus, a nationally known corporate relocation company, “Phoenix could no longer take effortless growth for granted”. Fantus called Phoenix a “branch town”. In February 1985, the Fantus Company submitted a report to Mesa’s Economic Development Commission on the City’s Potential. The report stated, “The city is a nice place to raise a family. Its reputation translates into conservative and boring to some.” The report declared, “Coupled with a strong presence of Mormons in the community, Mesa is perceived as offering little to the young fast paced engineer or electronics executive.” As the Mesa Chamber stated, “we never thought that a young upwardly mobile electronics executive might equate all these values as boring.”

I want to digress a minute. My first experience with Fantus was in the mid 1970’s, just a few years after I became Chief Economist at Valley National Bank. At the time, Fantus was telling people in Phoenix that the area was in trouble and that it would not grow very much, that it was not competitive and had a bad image. Because of the fact that the area had grown so rapidly and the prospects looked so good, I was more than somewhat taken back. Since that time, I have read literally hundreds of reports on what makes a place good or bad, studies about what makes for a healthy manufacturing climate, and the best business climate in general.

When looking at these studies, I realized that many conclusions had nothing to do with the facts, or were based on a set of information that has nothing to do with reality. The fact is there are dozens of reasons or factors that go into this decision for individuals and for corporations. What matters could be different for different companies or individuals.

Is Mesa boring? Beauty is in the eye of the beholder. But, people and employees vote with their feet. Based on these “votes”, most of the Fantus projections were just plain wrong.

“Cool”

Other experts, such as Richard Florida, a professor from Carnegie Mellon University, who has written a book on the matter called, *Rise of the Creative Class*, are still making the same mistakes today. He ranks Greater Phoenix 19th on his list of most creative metro areas. He claims that this will make it difficult to attract a talented workforce. In essence, Florida implies cities have to be “cool” and provide “cool” places for generation X & Y knowledge workers, in order to grow and flourish.

Again, people and companies vote with their feet. By that measure, Phoenix has been a big winner for a long time. So, Greater Phoenix must be a “cool” place. This is because not only are three out of the five fastest growing cities in the country in the Phoenix metropolitan area, but the area is fourth in attracting young, educated and single workers. Whether it was Fantus in the 1970’s and 1980’s or Richard Florida today, they are just plain wrong. Or, at the very least, their perceptions of what people want appears to be different than that of the general populous.

Back to the subject - housing affordability continued to be a major positive for Greater Phoenix in the 1980’s as it is today. Phoenix was, and still is, one of the most affordable major housing markets in the country. Home costs run the gamut, but the typical price of a 1,500 square foot home in Phoenix remained at \$75,000 in 1986. The same home sold for \$150,000 in San Francisco, \$130,000 in Los Angeles and \$90,000 in Dallas.

The 1988 through 1992 period was an unsettling one for the Valley. A national recession combined with the government induced real estate debacle, an impeached Governor, AZSCAM, Keating, The Keating 5, the Martin Luther King holiday fiasco, the forced closure of every Savings and Loan in the Valley, and the sale to out-of-state institutions of virtually every large home-grown bank in the state left Phoenix without the generation of leaders that followed Snell, Bimson and Pulliam.

Once again, there were people who stepped up to fill the void. There were more than three “big names”. Numerous individuals were able to guide the metropolitan Phoenix area over the decade.

1990's

Once again in the decade of the 1990's, the Phoenix metropolitan area boomed. The events of 1988-1992 again had no measurable effect on growth because none of the critical underlying factors that cause the Valley to grow were affected.

Looking forward

As we go into the 21st Century, the Valley economy is not without challenges. But, there have always been challenges. The major one at present has to do with the continued diversification of the economic base. Whether its biotech or something else, it will happen and Phoenix will continue to flourish because the basic underlying dynamics that caused the growth of the Valley remain in place.

The dynamics that have produced the growth have been in place for more than 100 years. In looking at history, certain basic things jump out at us.

There are dozen of factors that can be considered when looking at the business climate and livability of an area, and the relative importance of the factors can vary from person to person and company to company. Yet, in studying the history of Phoenix and the Phoenix economy for more than 35 years, what makes this place tick, (i.e. what makes Phoenix grow and what makes it great) I believe can, for the most part, be boiled down to ten factors. Some of these factors will not change over time because they are indigenous to the area. Others do change. When they do, the nature of the Valley will change as well.

What are these factors? It boils down to these:

1. The climate - The sunshine, the warm weather and the ability to deal with the hot summers through air-conditioning.
2. The life style - Not only the low density living but the social informality and the opportunity for somebody new to come into town and make an impact.
3. The geographic location - Close to the coast, Mexico and Texas.
4. A pro-growth attitude on the part of the government and the populous in general - Realizing that population flows will continue and it is necessary to promote the development of jobs, preferable high wage jobs, to make things work.
5. A competitive tax structure - A tax structure that does not overtax business or overtax individuals.
6. Focused incentives – Ensuring that incentives are focused on an individual company that is bringing jobs to the area and that the benefit of those jobs is greater than the cost of the incentives. We are in a competitive world and there

are, from time to time, going to be necessary incentives to either keep companies here or to bring new companies here. That has been true since the 1940's and it is true 60 years later.

7. Leadership with common sense - The ability to focus on what is truly important and not be distracted by what is politically correct or derived from urban legend.
8. A relatively low cost of living - This is especially true for housing. The fact that Phoenix is one of the most affordable major markets west of the Mississippi is a great plus for us, and without it we could lose a competitive edge.
9. A congressional delegation that can focus not only on the nation, but also on the state's needs.
10. Cooperation between business and government. This implies that business and government are heading in the same direction and understanding that it takes low taxes, a pro-growth government attitude and a desire to grow to attract jobs to the area.

Other things develop in response to these basics. Two such responses to the basics are the development of our university and junior college system, and the development of great air access to almost anywhere. The important thing is that it is here, and continues to provide what business needs. These things, however, develop as a part of, and in response to, the ten basics.

What does this leave us? People and companies vote with their feet. Arizona is one of only two states to be in the top 5 growth states every decade since World War II. Since Arizona has been the 2nd most rapidly growing state in the country for the last 12 years, and Phoenix has been a rising proportion of that State, people and companies continue to vote for greater Phoenix.

The statistics on the Phoenix metropolitan area are not just impressive. They are incredible.

Yet, we are not without problems. But, growth provides the tax revenues to deal with the problems. Leadership needs to remain focused and adapt to a changing world. However, it must also look at history. Someone once told me, "Great people should always remember what made them great". Great cities need to remember as well.

¹I would like to thank the family of Bradford Luckingham, the author of Phoenix – The History of a Southwestern Metropolis, for permission to use his book as a major source of information, especially in the early parts of this presentation.