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Arizona likely to outpace nation

ASU's Nobel winner makes 2007 forecast

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Arizona's economy will take a breather from red-hot growth this year but still will grow faster than the national economy, said Edward Prescott, 2004 Nobel Prize winner in economics and economics chair of the W.P. Carey School of Business at Arizona State University.

Prescott predicted on Tuesday that the U.S. economy will grow by 3 percent this year, with Arizona faring a little better. Prescott addressed business executives at the Arizona Bank & Trust 2007 Economic Summit.

"The Arizona economy has been doing well," Prescott said. "Arizona has its trend. There's also a national trend that's a nice, modest one. But the Arizona trend dominates.

"There's got to be another 20 years of rapid growth, and then health thereafter," he said.

Prescott, who is also senior monetary adviser at the Federal Reserve Bank of Minneapolis, said the housing market would hold back economic growth a bit.

"This year will not be quite as strong in Arizona because of the inventory of housing" that needs to be absorbed, Prescott said.

Prescott, 66, shared the 2004 Nobel Prize in economics with colleague Finn Kydland for their work on business cycles and macroeconomic policy.

Prescott, the first ASU professor to win a Nobel Prize, is teaching two economics courses this semester: one undergraduate course for honors students and one doctorate-level course.

Prescott's expectations for the national economy this year include:

- The dollar will not crash, and appreciation is as likely as depreciation.
- The Federal Reserve will maintain a stable, low inflation rate.
- Congress will not increase the tax rate, which would depress the economy.

Katie Pushor, president of the Greater Phoenix Chamber of Commerce, also weighed in on the Valley's economy during a panel discussion with Prescott.

The low employment rate is a plus to the Valley's economy, but the declining affordability of housing is working against employers who are trying to attract workers from out of state, Pushor said.

She added that the Valley's population growth has boosted the popularity of some types of businesses, including pet-sitting and boarding services, children's learning centers and limo and executive driver services.

Meanwhile, the state's exports of goods and services have dropped each year since 2003, she said.

"We're primarily growing within our state," Pushor said. "We're not really participating in that global economy yet."

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