

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD
SCHOOL OF BUSINESS AND PUBLIC ADMINISTRATION



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KERN ECONOMIC JOURNAL is a quarterly publication of California State University, Bakersfield. Its purpose is to track local trends and analyze regional, national, and global issues that affect the economic well-being of Kern County. The journal provides useful information and data that can help the community make informed economic decisions.

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Editorial and analytical articles on important local, regional, national, and international issues and trends are invited for *consideration* of publication in the journal. Articles (not exceeding 800 words in length) must be submitted to the Managing Editor in hard or electronic copy. Individual authors are responsible for the views and research results.

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Econ Brief!

Positive Job Market Expected for Bakersfield

According to the *Manpower Employment Outlook Survey*, Bakersfield area employers expect to hire at a steady pace during the first quarter of 2008. It reports that 13 percent of survey respondents said they plan to hire more employees, while none expect to reduce their payrolls. The remaining 87 percent of companies reported that they expect to maintain their current staff levels. Relative to one year ago, employers expected less hiring activity as 33 percent of companies surveyed planned to hire more and 13 percent expected to trim payrolls. In the first quarter of 2008, job prospects appear best in the industries of transportation/public utilities, and wholesale/retail trade. Hiring in mining, construction, durable and non-durable goods manufacturing, finance/insurance/real estate, education, services and public administration is expected to remain unchanged.

ECONOMY AT A GLANCE!

ABBAS P. GRAMMY

PROFESSOR OF ECONOMICS, CSUB

In the fourth quarter of 2007, the U.S. economy experienced stagnant growth with accelerating inflation. Advanced estimates released by the Bureau of Economic Analysis indicate that the real gross domestic product (GDP) grew at an annual rate of 0.6 percent. This increase reflected positive contributions from personal consumption expenditures, nonresidential structures, state and local government spending, exports, and equipment and software investment. However, these contributions were largely offset by negative effects from private inventory investment and residential fixed investment. For the year 2007, the growth rate of the real GDP slowed to 2.2 percent from 2.9 percent in 2006.

The Index of Leading Economic Indicators, a measure of future economic activity, fell 1.1 percent to reach 136.9, suggesting sluggish growth will continue in the near future. The rate of unemployment climbed one-tenth of one percent to attain 4.8 percent. In the meantime, the rate of inflation accelerated to 4.3 percent for the cost of living and to 9.0 percent for the cost of producing. The cost of employment increased at a fast pace of 3.4 percent.

In California, the unemployment rate increased three-tenth of one percent to reach 5.8 percent. The state's economy added 110,100 members to its workforce, of whom 43,200 were employed and 66,900 were jobless. The farm market added 29,500 jobs and non-farm industries created 8,800 paid positions. While services-providing industries (including professional and business services, health-care and social assistance, leisure and hospitality, and government) added jobs, goods-producing industries (like construction, manufacturing, retail trade, and financial activities) reduced employment.

In Kern County, labor market data showed mixed results. The county's labor force added 1,300 members. Total employment declined by 2,000, which was comprised of 5,900 *more* nonfarm jobs, 7,200 *less* farm jobs, and 700 *less* informal jobs (self-employed workers and those working outside the county). In the nonfarm labor market, government agencies added 4,900 jobs and private companies created 1,000 paid positions. Several industries such as wholesale trade, retail trade, health-care and social assistance, and government added jobs. In contrast, the industries of construction, manufacturing, financial activities, employment services, and leisure and hospitality reduced employment. In the meantime, the number of unemployed workers increased by 3,300 and the rate of unemployment climbed nine-tenth of one percent from 7.6 to 8.5 percent. Still below the county average, the rate of unemployment rose from 5.2 to 5.6 percent in Bakersfield, from 4.3 to 4.5 in California City, from 4.3 to 4.5 percent in Ridgecrest, and from 5.0 to 5.4 in Tehachapi.

Kern County's rate of economic growth slowed from 2.6 to 1.6 percent. The county's economy generated \$15.66 billion in personal income, \$60 million more than the previous quarter. Personal income per worker, a measure of labor productivity, increased \$200 to reach \$49,910. Kern County consumers expressed less confidence about their employment and financial conditions as the Index of Consumer Sentiment crumbled 4 percentage points to arrive at 111. Likewise, Kern County businesses became considerably less optimistic about their employment and financial conditions as the Index of Business Outlook dropped 10 percentage points to reach 106.

Kern County's housing market remained soft both on price and volume sides. The county's median sales price for all residential units depreciated \$9,400 (or 3.7 percent) from \$252,000 to \$242,600. In Bakersfield, the median housing price plummeted \$12,600 (or 4.7 percent) from \$268,700 to \$256,100. The number of homes sold in the county decreased from 2,210 to 1,910 in Kern County and from 1,522 to 1,406 in Bakersfield. Similarly, the number of building permits issued for the construction of new privately-owned dwelling units plunged from 893 to 669. The county's foreclosure activity accelerated from 2,196 to 2,631. As a result, 435 more homeowners received notices of loan default from their mortgage bankers.

In commodity markets, the average price of San Joaquin crude oil climbed \$13.70 to reach \$79.13 per barrel. Similarly, the average price of regular gasoline in the Bakersfield metropolitan area increased 29¢ to arrive at \$3.11 per gallon. The unit price of California's Class III milk edged down \$1.00 to attain \$19.51. The index of prices farmers received for their outputs climbed 5 percentage points to reach 146, and the index of prices farmers paid for their inputs rose 3 percentage points to arrive at 161. As a result, the parity between output prices farmers received and input prices farmers paid improved 2 percentage points to attain 91 percent.

In the fourth quarter of 2007, the composite price index of stocks for the top five *market-movers* in Kern County (2006.4 = 100) went down to 101.0 from 103.5. Relative to four quarters ago, the composite price index of stocks for these *market-movers* edged one percent higher. While stocks of Chevron Corporation U.S. and Occidental Petroleum Corporation gained value, the price per share declined for San Joaquin Bank, Granite Construction, and Tejon Ranch Company.

KERN COUNTY BUSINESS OUTLOOK SURVEY

ABBAS P. GRAMMY

PROFESSOR OF ECONOMICS, CSUB



Business confidence continues to crumble in Kern County. While still optimistic, business managers are less upbeat about local employment and financial conditions. In the fourth quarter of 2007, the *Business Outlook Index* fell 10 percentage points from 116 to 106. The index value was 18 percentage points lower than that of the fourth quarter of last year.

The *Business Outlook Index* is constructed from responses of managers to a randomized telephone survey. Index values greater than 100 indicate optimistic perceptions, whereas values less than 100 imply pessimism. The intent of the survey is to provide private-sector managers and public-sector administrators with primary data that can help them make more informed decisions. The other purpose of the survey is to identify factors that have helped brighten or darken the local business outlook. Valuable insight may be gained by comparing the index with the recent employment and financial trends of individual organizations.

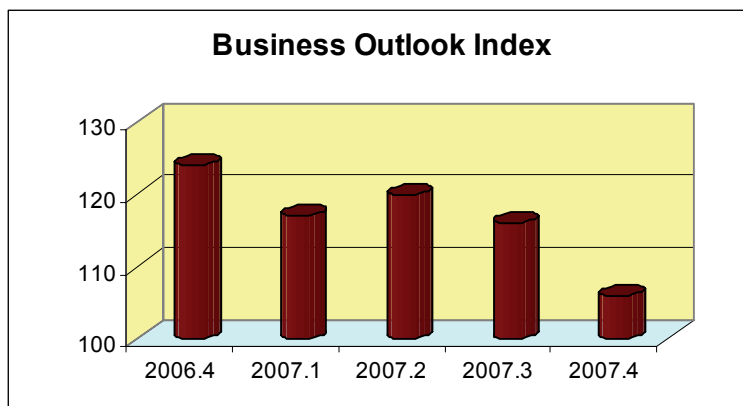
In addition to the overall index, we calculated two sub-index values. The *Index of Current Conditions* plunged 10 percentage points to arrive at 105. Likewise, the *Index of Future Conditions* declined 12 percentage points to reach 106. These results indicate that business managers are concerned about current and future economic conditions. Compared with four quarters ago, both index values have dropped considerably.

Employment Outlook – Sixty-six percent of interviewees reported that the number of jobs in their companies stayed constant this quarter, but 18 percent said more jobs were available in their companies and 16 percent reported reduced employment. Looking ahead, 65 percent perceived that the number of jobs would stay constant, whereas 12 percent expected their companies to hire more workers next quarter. The remaining 23 percent anticipated a smaller workforce next quarter.

Financial Outlook – Forty-five percent of survey respondents reported that the financial conditions (sales and profits) of their companies were constant this quarter, whereas 37 percent indicated increased profits and sales and 18 percent believed profits and sales would be lower. Predicting next quarter, 44 percent expected financial conditions of their companies to remain constant, but 31 percent anticipated increased sales and profits and 25 percent predicted lower sales and profits.

Industry Outlook – Fifty-five percent perceived that the employment and general business conditions of their industries remained the same as the previous quarter, but 27 percent felt these conditions improved and 18 percent felt crumbling business conditions. Thinking one quarter ahead, 56 percent anticipated that the employment and general business conditions of their industries would be unchanged. However, 27 percent expected progress and 17 percent felt otherwise.

(Continued on page 5)



	Current Quarter	Previous Quarter	Four Quarters Ago
Index of Business Outlook	106	116	124
Index of Current Conditions	105	115	116
Index of Future Conditions	106	118	131

BAKERSFIELD CONSUMER SENTIMENT SURVEY

MARK EVANS

INTERIM DEAN, SCHOOL OF BUSINESS AND PUBLIC ADMINISTRATION
PROFESSOR OF ECONOMICS, CSUB



Bakersfield's consumers were not as pessimistic as the nation's in fourth quarter of 2007. The Bakersfield Index of Consumer Sentiment declined slightly in the fourth quarter from 115 to 111. Nationally, the University of Michigan's Index of Consumer Sentiment retreated significantly from an already abysmal 86 in the third quarter to 78 in the fourth quarter.

The absolute levels of the national and local indexes cannot be directly compared, since they are constructed differently. However, we can compare the current reading of each index to its historic performance. When we do so, we find that Bakersfield households are not as pessimistic relative to past readings as the nation's average household. The local consumer sentiment index has attained a lower value than in the most recent quarter nearly 30 percent of the time since CSUB began measuring local consumer sentiment in 1999. Over this same eight-year period, the University of Michigan's national index has never attained a lower quarterly value.

We compile the Bakersfield Consumer Sentiment Index from telephone surveys administered to a random sample of households listed in the phone book. The index is constructed and reported to help local business leaders compare national and local trends in expectations. The index also may provide some insight into whether local sales trends reflect broad regional trends or shifts in market share.

The Bakersfield index is disaggregated into sub-indexes reflecting recent financial conditions and future expectations of households. The fourth quarter's modest decline

in the composite index reflects a slippage of both sub-indexes.

The sub-index measuring current financial conditions is constructed from questions relating to discretionary spending and financial well-being compared to one year ago. This sub-index decreased from 112 to 109. It did not decrease due to reductions in discretionary expenditures or downward revisions in the financial well-being of one's household. Rather, it declined primarily because the percent of respondents indicating their acquaintances were worse off than one year ago increased from 13 to 21 percent.

The sub-index reflecting expectations for the coming year also declined – from 119 to 113. The percent of households who expected their financial situation to improve over the coming year decreased from 58 to 32 percent, while the percent expecting their situation to worsen tripled from four to 12 percent. A smaller share of respondents than in the previous quarter reported that their acquaintances in Kern County view the coming year optimistically. Perhaps because of declining interest rates, the percent who thought this was a risky time to borrow or draw down assets declined significantly from roughly one-in-two to one-in-six, although those who thought it was a safe time also decreased (from 26 to 17 percent).

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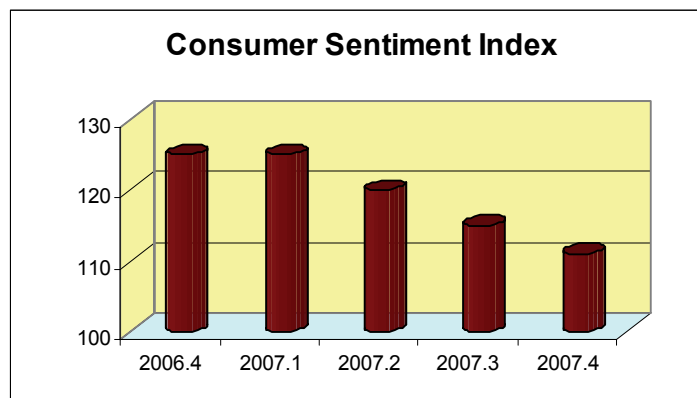


Table 1: Index Values			
	Most Recent Quarter	Previous Quarter	One Year Ago
Bakersfield Consumer Sentiment Index	111	115	125
Index of Current Conditions	109	112	142
Index of Future Expectations	113	119	107

Table 2: Recent Buying and Financial Trends			
	More than usual	Same as usual	Less than usual
Your recent spending on discretionary items (dining out, weekend outings, entertainment).	26 %	51 %	23 %
	Better off	Same	Worse off
How your family is doing financially compared to one year ago.	34 %	53 %	13 %
How your acquaintances in Kern County are doing financially compared to one year ago.	24 %	55 %	21 %

Table 3: Future Expectations			
	Better or more stable	About the same	Worse or more risky
The most likely financial situation of your family one year from now.	32 %	56 %	12 %
	Optimistic	Neutral	Fearful
How your acquaintances in Kern County view the coming year.	32 %	54 %	14 %
	Safe time to buy	Neutral response	Risky time to buy
Is now a safe or risky time for most people to use savings or incur debt to buy expensive goods?	17 %	66 %	17 %

Business Outlook (Continued from page 3)

Economic Outlook – When asked about Kern County’s economy, 51 percent of interviewees perceived no improvement this quarter, but 19 percent felt conditions improved and 30 percent said conditions worsened. Likewise, 58 percent felt that economic conditions would be unchanged next quarter. However, 31 percent anticipated that the economy would get better and 11 percent felt it will get worse.

Factors Affecting Business Outlook – We asked business managers to identify factors that have affected the employment and financial conditions of their companies.

They felt the following factors brightened the business outlook:

- Increased sales during the holiday season
- Greater sales and higher prices for fresh fruit and vegetables
- Growth of commercial real estate

However, survey respondents expressed the belief that several factors darkened the business outlook:

- Recession in the residential real estate market and rise of housing foreclosures
- Rising cost of fuel and transportation
- The minimum wage hike effective January 1, 2008

THE CEO PROFILE!



Background

Jay Rosenlieb has led the firm in the role of Managing Partner of Klein, DeNatale, Goldner, Cooper, Rosenlieb & Kimball, LLP (hereafter, KDG) law firm since 2000. He actively practices within the firm's Employment Counseling & Litigation for Management department. Mr. Rosenlieb has served in leadership and board positions throughout his professional career with organizations that include the Kern Economic Development Corporation; Kern County Bar Association; Greater Bakersfield Legal Assistance; Boy Scouts of America, Southern Sierra Council; Bakersfield Association for Retarded Citizens; Kern County Planning Commission; Society for Human Resource Management; and Associated Builders and Contractors, Central California Chapter. Mr. Rosenlieb, a Bakersfield native, received his Bachelor of Arts degree, cum laude, from Claremont McKenna College and his Juris Doctor from Hastings School of Law. He was admitted to the State Bar of California in 1983, and joined KDG as an associate attorney in 1985.

Interview

What is the mission of Klein, DeNatale, Goldner, Cooper, Rosenlieb & Kimball, LLP?

We have found three words that best describe KDG: *Integrity. Ingenuity. Invaluable.* The KDG law firm has served clients in the San Joaquin Valley for more than 55 years and has established itself as a premier business and transactional law firm. Our attorneys have developed an excellent reputation through decades of successful representation for all types of business clients. With sophisticated counsel, we handle complex business issues, providing comprehensive counsel to specialized industries. We are committed to being accessible and responsive to our clients' day-to-day needs, bringing quality service to our clients in a cost-effective and professional manner. KDG's vast experience allows us to provide multi-disciplinary legal services for all types of clients, from multi-national corporations to small businesses and individuals.

KDG provides competent and innovative answers to our clients' legal needs. KDG is a full-service, results-

oriented law firm that has effectively represented clients on local, state, national and international levels, offering a wide range of practice areas to a diverse client base. Our philosophy is simple; we are committed to be accessible and responsive to our clients' needs while providing creative yet practical and cost-effective solutions.

Our mission also includes the support of a variety of cultural and service organizations, both with service and with dollars. Every one of the organizations we support receives the same thing: our commitment to help them achieve their goals and make a difference in the community.

Through these commitments, we better the community by strengthening the quality of life, as well as the fiscal stability of our city. We feel business growth continues when the cultural and educational dynamics are strong. We are committed to the arts and education in support of our clients and the growth of the local business community.

What is the range of services Klein, DeNatale, Goldner, Cooper, Rosenlieb & Kimball, LLP provide for its clients?

Complex litigation, intellectual property, employment litigation and counseling on behalf of management, family law, construction litigation, real estate litigation, environmental, health, and safety counseling, real estate transactions, tax controversy, tax planning, estate planning, bankruptcy and creditor protection, entity formation and counseling, and transactions involving the purchase and sale of businesses.

How does Klein, DeNatale, Goldner, Cooper, Rosenlieb & Kimball, LLP contribute to the economy of Kern County?

In terms of objective measurement, KDG employs over 110 people and uses the services of many businesses that are located and based in Kern County. In addition to these tangible contributions, KDG encourages its employees to take active and purposeful roles in the development and advancement of the Kern County economy. Members of the firm serve on the boards of the Kern

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BUSINESS EDUCATION

WHO IS SWIMMING IN YOUR APPLICANT POOL?

DIANE L. DECKER

ASSISTANT PROFESSOR OF MANAGEMENT, CSUB



As an employer, you want to fill every opening in your organization with the best possible person for the job. But how do you go about finding the best individual for the job? You need to start with an applicant pool with qualified individuals.

It is a process which starts with a job analysis. A job analysis looks at the job and helps to determine (through observation, questionnaires, interview, etc.) what tasks, duties, and responsibilities (and the associated knowledge, skills, and abilities), are necessary for a person to possess in order to successfully handle the job. The second step is developing a job description from the job analysis. These first two steps are necessary because if you don't know what is required for the job, how will you know what to put into your advertisement, what to look for in a job applicant, and where to look for applicants. Once the job description has been determined, the manager or human resources personnel can take the third step--beginning the recruitment process.

Various venues can be used depending on the position you want to fill. Some commonly used recruitment sources include newspapers, word of mouth, job postings, industry newsletters and web pages, professional meetings, company web pages, and the internet (Monster, Careerbuilders, etc.).

So which recruitment sources should you use? In order to determine what recruitment source(s) seem to work best, several local human resources professionals were asked the following question, "What recruitment source is the most successful for your company?" Linda Ferra, a Certified Rehabilitation Counselor for Ferra and Associates has found Cal Jobs to be a good source for clerical level positions. For professional level positions, she has been successful in finding applicants making announcements at professional group luncheons/meetings. Karen Wilson, Personnel Officer for the Housing Authority of the County of Kern, prefers to make personal contact with potential applicants or to network to find individuals. She also places ads in the local newspaper. Terri Thompson, Assistant Vice President of Branch Administration, who hires a number of part-time individuals, has been successful working with California State Univer-

sity, Bakersfield, and hiring college students for these positions. She, too, has been successful with "word of mouth", and if necessary, she will place an ad in the newspaper. At State Farm Insurance, Mark Love, Human Resource Representative, utilizes all of the following sources: temporary vendors, job fairs, the State Farm Insurance web site, Monster.com, and word of mouth.

From these responses, you can see there is no single best source for recruitment. As a manager, you have to determine which recruitment source works best for your company. The following criteria can help you determine what recruiting source(s) is working for your company.

1. Are you receiving a sufficient quantity and quality of applicants?
2. Is the cost of the recruitment source commensurate with the quality of the applicants applying for the job?
3. Has your past experience with this source delivered good results?
4. What is the long term effectiveness of your recruiting source?

Conducting a job analysis, completing a job description, and using appropriate recruiting sources are all important in making sure you have qualified applicants "swimming" in your applicant pool. With qualified applicants, making the final selection of the right person for the job becomes a decision made on job related information.



Kern County Economic Summit
Wednesday March 26, 2008
Doubletree Hotel, Bakersfield

Economic Development Corporation, the Workforce Investment Board, and various other non-profit and public agency entities. Beyond these matters, the direction of KDG's representation of its clients has as its goal to foster and promote the development of entrepreneurial initiative and the promotion and protection of our local economy.

What are the main challenges facing California's judicial system?

California has a very strong judicial system with the Kern County Superior Court serving as an example of the efficient use of judicial resources and the timely administration of justice. Competition for sufficient funding will continue to be a concern as the populations of California and Kern County continue to grow.

What should Kern County do to accommodate its economic and demographic growth?

Kern County must be intentional in its planning efforts and in its efforts to promote fairness and predictability in its governmental systems. The leaders of Kern County must have a heightened awareness of demographic trends so that the broad policy determinations and the physical infrastructure will be in place before the needs arise. The leaders of Kern County must take the lead in innovative thinking so that solutions to the issues of economic and demographic growth are approached in ways that recognize the unique and different opportunities that come with economic and demographic growth.

Econ Brief!

Socio-economic Status of African-Americans in Kern County

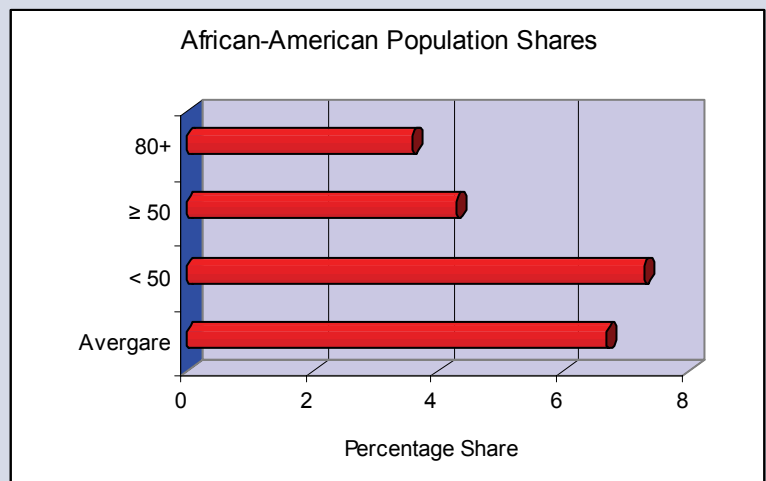
Kern County is well represented by a growing number of African-American leaders in government, business, and education, and the African-American community is making contributions to the socio-economic well-being of Kern County. However, data indicate that the African-American community needs to make greater investment in the enhancement of education, health, and economic status of its members.

In Kern County, African-Americans make up 6.7 percent of the population. Relative to this average population share, more African-Americans (7.3 percent) are younger than 50, but less African-Americans (4.3 percent) are 50 years and older. Only 3.6 percent of the county's African-American population lives beyond 80 years of age.

Relative to the average population share (6.7 percent), more African-Americans die from diabetes (7.7 percent), AIDS (9.5 percent), pneumonia/influenza (9.5 percent), and homicide (22.4 percent). However, the death rate for African-Americans from heart disease, cancer, stroke, suicide, and Alzheimer's falls short of the share of the African-American population.

Kern County's high school completion rate is 89.3 percent, which is 11.4 percent higher than that for African-Americans. Likewise, the percentage of high school residents meeting the course requirements for admission to the UC/CSU Systems is 22.6 percent, which is 6 percent higher than that for African-Americans. In contrast, the high school four-year dropout rate is 20.8 percent for all Kern County students, but 37.0 percent for African-American students. Among the 7th - 11th graders, the percentage of students are evaluated as *proficient* or *advanced* in English Language Arts is 34.4 percent for all students, but only 22 percent for African-American students. Similarly, 25.4 percent of all students are labeled as *proficient* or *advanced* in mathematics compared with 15 percent of African-American students.

A similar trend follows for economic data. Household income averages \$38,000 per year in Kern County. However, African-American households earn \$13,000 less than the county average. Conversely, the average rate of unemployment is 10.3 percent for African-Americans, which is 2.7 percent higher than the county average.



THE USE OF CHARETTES AS A PUBLIC INVOLVEMENT TOOL



CRAIG W. KELSEY

DEAN, EXTENDED UNIVERSITY DIVISION
PROFESSOR OF PUBLIC POLICY AND ADMINISTRATION, CSUB

Public input is both a necessary requirement and important ingredient of proper, well thought out and systematic business and government planning. The public participation process is necessary due to the many and varied government ordinances, codes and guidelines that require public involvement as an essential component of the planning program. It is also important based on what may be significant contributions that the valued, highly committed, deeply involved and well informed citizens bring to a better understanding of the proposed project.

There are, of course, many appropriate methods to securing resident, visitor and user thoughts, perceptions, ideas and values. Each of these public involvement models have differing emphasis and concerns. An interesting, enjoyable and also highly informative method of obtaining public involvement is the charette. Like other input models there are important attributes and values to this process but with some limitations. However, on the whole the charette generates rather deep and well thought out citizen reflection by providing the citizens with multiple ways of communicating their thoughts and concerns, while at the same time yielding a rather high level of citizen involvement.

What is a Charette?

A charette is a public involvement and interaction model that is time and place sensitive relying on verbal, written and graphic inputs; utilizing citizen and staff (or consultant) interactions; shifting through different stages of developing, improving and refining the citizen reflection, thought and decision making process. Perhaps the following breakdown of the key words of the definition of a charette will prove helpful.

Public Involvement and Interaction: One of the important facets of a charette is that it involves the residents, citizens, visitors, leaders or users of the community system in which these individuals are structured into interactive groups, teams or units. In many charettes the citizens are organized into specific work groups with an identifiable and well understood theme.

Time and Place Sensitive: Another necessary dimension of a charette is that the public interacts during a specific identified and usually rather intense time frame in which a predetermined location(s) for the charette is organized. Usually charettes are held on Friday evenings and part of Saturday or all day Saturday. It is common for a charette to have both a base of operation location as well as citizens bused to various sites to tour and better understand the existing and proposed elements of the planning concept.

Verbal, Written and Graphic Inputs: A unique feature of a charette is that it relies on three ways for the citizens to organize and communicate their thoughts. Typical of most input models is the verbal component. In a charette, besides citizens speaking about their ideas, they are given tools so they can write and have help in drawing or graphically displaying their thoughts. Provided at the meetings are tables with design paper and markers for graphic production as well as large tablets and easels for written work.

Citizen and Staff (or Consultant) Interactions: A basic component of a charette is for the citizens to have easy, comfortable and rather immediate interactions with other residents, citizen teams, professional staff and contracted consultants. An open and continuous interaction using questions and answers, clarification and dialogue, as well as acquiring new and additional information is a prominent part of this type of process.

Different Stages of Refinement: The dynamic element of the charette is hallmarked by citizens working in unison for long periods of time to identify questions, seek answers, develop thoughts, improve and design possibilities and then refine their reflections so the best possible decisions can be offered. Part of the reason that a charette is so time sensitive is that it is necessary for citizens to be in an environment where they have the time, understanding and disposition to engage in a process that will enhance their thoughts.

(Continued on page 10)

Steps to the Charette

To successfully use a charette, the business or government professional should have some experience with the charette method before attempting this public participation model. Typical ways to gain this important and necessary background experience include: (1) observing a charette conducted by a different agency than your own and becoming a student of the process watching closely how that agency performed, (2) taking a workshop or short course in charettes from an individual or group with charette experience, or (3) contracting with a consultant that conducts the charette on behalf of your agency in which you observe, participate and receive feedback.

Benefits of the Charette

As can be noted from the foregoing, a charette represents a serious commitment for all parties involved. It would seem that some rather substantial values or benefits should emerge from the process to justify the effort. The following are some benefits and values that are part of using the model:

- The process will solicit from citizens, professional staff and others their best thinking that is thoughtful, deep, relevant and well measured.
- After participation in the charette model, a common statement made by the involved citizen is one of commitment to the results of the process. These citizens serve as powerful voices to councils and commissions about the results of the work.
- The citizens, professional staff (and consultants) leave the charette with a shared vision of where the business or government effort should head, its priorities and specific nuances of the vision.
- Local knowledge and experience that can come only from long term, well informed and highly committed citizens has a place and a way to be captured. An agency will hear and see from citizens their special and critical knowledge that better informs the decision makers.
- Direct, measurable and priority based results emerge from the charette. What is achieved is more than rapid-fire opinion but is deliberated and worked over, knowledge based decisions that have been placed in order of importance context.

- One concern that agency personnel have is that the citizens will not understand the constraints of reality. Once informed of budgets, mission statements, existing ordinances and the like citizens provide a powerful reality check and help to settle rather difficult priority questions.
- The interactive process of citizens, professional staff, (consultants), work teams and the verbal, written and graphic inputs improve the overall thinking of the individual parties and a synergy elevates the quality output.
- The charette serves as a substantial community validation of the planning decisions that have been made. The business or government agency has a rather powerful sense of security in moving forward with the implementation components of the planning process.

A charette is an interesting, enjoyable and informative method of public participation that yields well founded results. This venue requires front end planning, but the quality of the citizen and professional staff output justifies the time and labor effort.

The host of the charette should be committed to this type of public participation process and have had some experience with this venue before engaging in this method. Involving the citizens is at the heart of the charette and their commitment is critical.

With all of its values and cautions, a charette is certainly a vital and meaningful option for public participation.



ECONOMICS AND ETHICS: A TALE OF MUTUAL DEPENDENCE

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In “Virtues, Ethics, and the Introductory Economics Course,” Mark Evans examined the role of ethics education in the economics and business curriculum. Dr. Evans cites a growing body of research to support the hypothesis that economic well-being depends on a widely shared commitment to ethical constraints. In this companion article, I want to examine a complementary thesis: that the emergence of economic exchange is a necessary condition for the genesis of an important class of ethical judgments. Few topics have generated as much speculation as the genealogy of ethical norms. Explanations range from the digestive (Adam and Eve acquire the capacity for moral judgment by eating an apple) to the conspiratorial (Nietzsche saw morality as a trick by the weak to enslave the strong). The problem is not that we lack good explanatory hypotheses, but rather that we have too many origin stories, and not enough historical evidence to decide between them. In this short space, there’s little I can offer to address that problem, but I hope this genealogical tale is plausible enough to merit consideration.

The moral sense tradition of David Hume and Adam Smith drew a distinction between “natural” and “artificial” virtues. This division is not intended to separate the genuine from the fake, but instead speaks to the origins of our moral judgments. The natural virtues are grounded in our basic natural endowment and include such traits as benevolence, pity, and self-love. In contrast, the artificial virtues are acquired by education and enculturation. Included among the artificial virtues are temperance, prudence, honesty, and justice. It is important to see that to call justice an ‘artificial’ virtue is not to debunk it or assign it the status of a mere social convention (like the rules of table etiquette). Instead, justice is an ‘artificial’ virtue because of the way it arises—the emergence of our moral sense of justice depends not only on our natural endowments, but also on conditions in our social environment. From this perspective, the obligation we feel to honor an agreement and to respect the person and property of others (even when doing so is not in our self-interest) is itself a trait in need of explanation—one that relies on social scaffolding in addition to our native moral endowments.

But what sort of scaffolding will do the job? It doesn’t help to say that binding norms of justice and promise-keeping emerge as a result of a collective legislative process, since any agreement reached via collective bargaining presupposes the very norms that it is meant to explain (viz., what binds the contractors to the terms of their agreement?). Consider two ways a property or trait can emerge. An emergent property is **direct** when it relies on properties of the individual or system itself, with environmental conditions playing only a background role. An emergent property is **indirect** when it requires that the individual or system behavior be scaffolded by active and often quite complex environmental structures.

With this distinction in mind, recall Aristotle’s observation in *Politics* that for creatures who trade there is nothing that has only one function: a shoe provides protection for the foot but may also be exchanged for other goods; a vase can carry water but it can also be swapped. The advantages of doubling the functionality of one’s resources are considerable. The cognitive ethologist J.J. Gibson wrote of objects in our ambient environment offering different “affordances” to organisms depending on their life-ways. In a life-world that includes economic exchange, resources offer novel affordances; without these socio-economic structures, these affordances would not be there for us—they are indirect emergent properties. Can our commitment to binding ethical norms of justice, property, rights, obligations, and promise-keeping be explained in a similar manner (i.e., as indirect emergent properties)? And if so, what conditions count as necessary for the emergence of these commitments?

In outline, the account begins by positing the payoffs of trade, i.e. the fitness gains that accrue to organisms able to exploit the double functionality of objects in the context of exchange. In his great work *The Wealth of Nations*, Adam Smith showed why trade and exchange is beneficial for beings like us. The reasons he adduces include the availability of natural resources somewhere between extreme abundance and extreme necessity, of non-zero sum exchanges that provide relative advantage to all parties, of increased efficiencies via the division of

(Continued on page 12)

*The author thanks the Kegley Institute of Ethics for supporting this inquiry and his co-investigator Mark Evans.

labor and specialization (e.g., Smith's famous example of the pin factory), etc. These benefits exist on the fitness landscape, but access to these rewards requires cooperation. Yet cooperators are vulnerable to cheaters and exploiters, as the prisoner's dilemma shows. Without some way of avoiding interactions with bullies and cheats, cooperators will be overrun and the incipient economic cooperation will collapse. If cooperation is to stand a chance, cooperators must recognize each other and detect, shun, and punish cheaters and bullies. Reputation (for honesty or its opposite) is one important signal cooperators can use to find other cooperators, but reputations can be manipulated to deceive. Cooperators can be stymied by a Machiavellian strategy that inflates the appearance of virtue, but acts selfishly whenever possible.

In such a competitive environment, strategies for exploiting the naïve and counter-strategies to avoid cheater-exploitation vie for dominance, with each stage fueling

further escalation. Eventually, the easiest way to appear honest and trust-worthy is to be honest and trust-worthy. Intense scrutiny of potential exchange partners offers an advantage to the agent who is truly committed to the norms of justice and promise-keeping over those who merely seem so but will defect or cheat when they can get away with it. This advantage, understood as increased opportunities to accrue the benefits of exchange, explains how genuine moral commitments to justice, honesty, and rights can evolve. Lastly, education becomes an essential tool for instilling a commitment to universal norms of justice and promise-keeping in the next generation.

While undoubtedly sketchy, if the tale told here is anywhere near the mark, the laws of economic exchange play an essential role in the emergence of our commitments to universal justice, rights, and promise-keeping.

Econ Brief!

Is Bakersfield a Healthy City for Women to Live?

Each year, the *SELF* magazine surveys 100 of the largest U.S. metropolitan areas to reveal the fittest, healthiest and happiest women in the country. Portland, Oregon-based Sperling's BestPlaces collected and analyzed 6,000 bits of data in 50-plus categories to find the happiest and healthiest women around. According to the most recent survey, the top ranking cities for women's health are:

1. San Francisco, CA
2. Nassau-Suffolk counties, NY
3. San Jose, CA
4. Honolulu, HI
5. Burlington, VT

In contrast, the cities at the bottom of the list included:

96. Columbus, OH
97. Oklahoma City, OK
98. Cincinnati, OH
99. Detroit, MI
100. Gary, IN

The ranking of Bakersfield dropped from 60 in 2006 to 71 in 2007. Factors that help improve the quality of life for women are:

- Bakersfield is among the top 10 areas for the rate of exercise
- Bakersfield has the highest rate of seat belt use among cities on the list
- Bakersfield has 67 more days of sunshine than the average city on the list

However, the following reasons caused Bakersfield to do poorly in the survey:

- Bakersfield has the second-highest rate of depression on the list
- Bakersfield has among the lowest scores on the list for air quality
- Bakersfield has the highest rate of diabetes in women on the list

TRACKING KERN'S ECONOMY

FOURTH QUARTER OF 2007

ABBAS P. GRAMMY

PROFESSOR OF ECONOMICS, CSUB

Economy

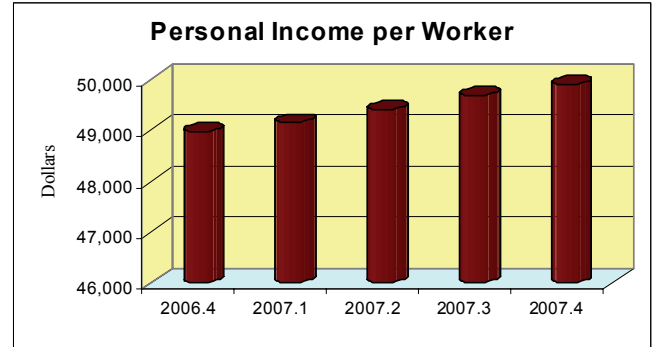
Personal Income - Kern County's personal income (in constant 1996 dollars) increased from \$15.60 billion in the third quarter to \$15.66 billion in the fourth quarter of 2007. The county's economy expanded \$60 million this quarter. Over the previous four quarters, Kern County's economy has added \$400 million of personal income.



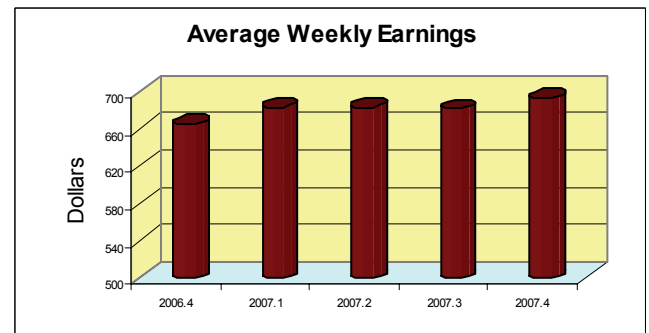
Growth of Personal Income - In the fourth quarter of 2007, Kern's economy grew at a sluggish annual rate of 1.6 percent, one percent slower than that of the third quarter. Compared with the fourth quarter of 2006, the rate of economic growth has slowed 2 percent.



Personal Income Per Worker - Labor productivity is measured by personal income per worker. In the fourth quarter of 2007, personal income rose faster than the labor force. As a result, personal income per worker climbed \$200 from \$49,710 to \$49,910. Labor productivity has increased \$930 since the fourth quarter of 2006.



Manufacturing Wages - In the fourth quarter of 2007, weekly wages paid to local manufacturing workers increased from \$681.33 to \$692.57. On average, they worked 41 hours per week at \$16.68 per hour. Relative to the fourth quarter of last year, local manufacturing workers earned \$27.90 more per week.



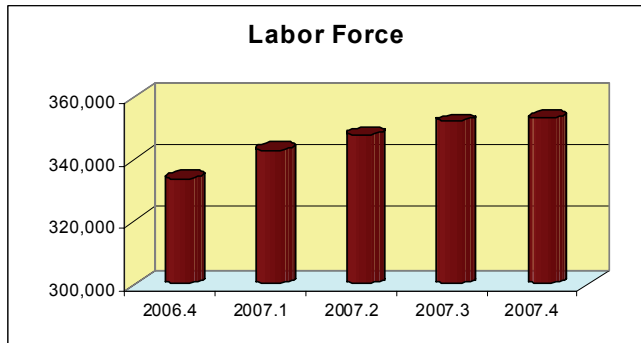
Labor Market

To analyze labor market conditions in Kern County, a time-series dataset was established (January 2000 – December 2007). Monthly employment data were adjusted in three ways: (1) to calculate informal employment (i.e., the difference between total employment and industry employment), accounting for members of the labor force who are self-employed or work outside their county of residence; (2) to adjust the dataset for the effects of seasonal variations; and (3) to take three-month averages for the analysis of quarterly changes. Changes in major market indicators are shown below:

Labor Force	Total Employment	Total Unemployment	Farm Employment	Nonfarm Employment	Private-sector Employment	Public-sector Employment
1,300	-2,000	3,300	-7,200	5,900	1,000	4,900

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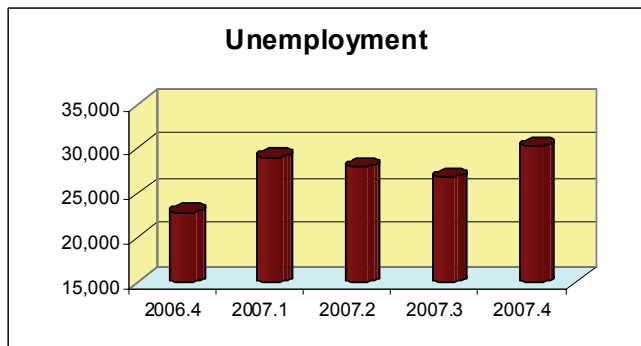
Labor Force - The civilian labor force increased by 1,300 workers from 352,100 in the third quarter to 353,400 in the fourth quarter of 2007. Compared with four quarters ago, the labor force has increased by 19,500 workers.



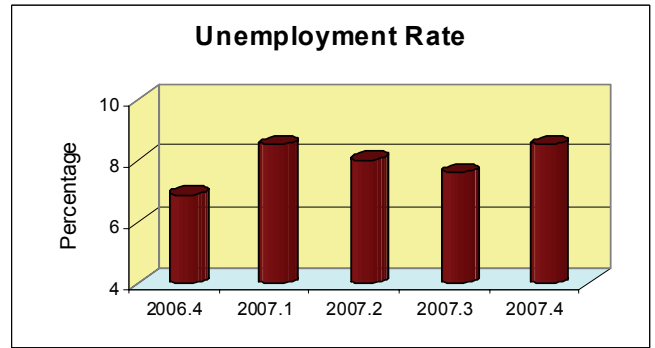
Employment - In the fourth quarter of 2007, Kern County's economy lost 2,000 jobs as total employment declined from 325,300 to 323,300. However, the county employed 12,400 more workers since the fourth quarter of last year.



Unemployment - In the meantime, the number of jobless workers increased by 3,300 as unemployment rose from 26,800 in the third quarter to 30,100 the fourth quarter of 2007. Relative to four quarters ago, 7,180 more workers were unemployed this quarter.



Unemployment Rate - The rate of unemployment jumped nine-tenths of one percent from 7.6 percent in the third quarter to 8.5 percent in the fourth quarter of 2007. This quarter's unemployment rate was 1.6 percent higher than that of four quarters ago.

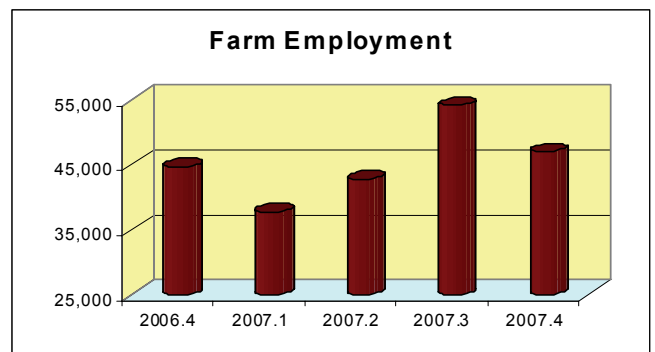


The rate of unemployment varied considerably across the county. It ranged from 3.2 percent in Kernville to 22.7 percent in Arvin. The rate of unemployment was below the county's average in Kernville, Lebec, Ridgecrest, Tehachapi, Inyokern, Bakersfield, California City, Rosamond, Frazier Park, and Taft. In contrast, the rate of unemployment was above the county average in Oildale, Lake Isabella, Mojave, Shafter, Lamont, Wasco, McFarland, Delano, and Arvin.

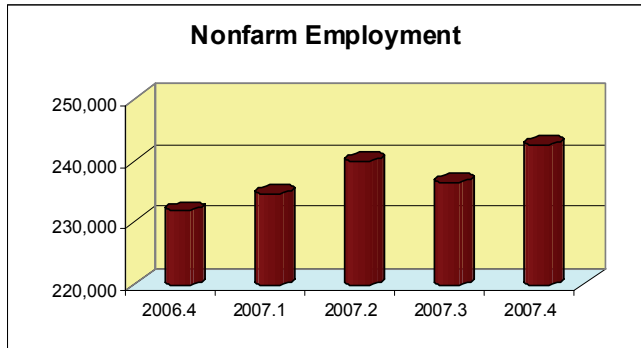
Unemployment Rate of Cities			
Location	Unemployment Rate (%)	Location	Unemployment Rate (%)
Kernville	3.2	Oildale	8.6
Lebec	3.5	Lake Isabella	9.8
Ridgecrest	4.5	Mojave	10.2
Tehachapi	5.4	Shafter	14.7
Inyokern	5.4	Lamont	14.8
Bakersfield	5.6	Wasco	15.4
California City	6.3	McFarland	17.4
Rosamond	6.5	Delano	22.1
Frazier Park	7.0	Arvin	22.7
Taft	7.9		

Note: City-level data are not adjusted for seasonality.

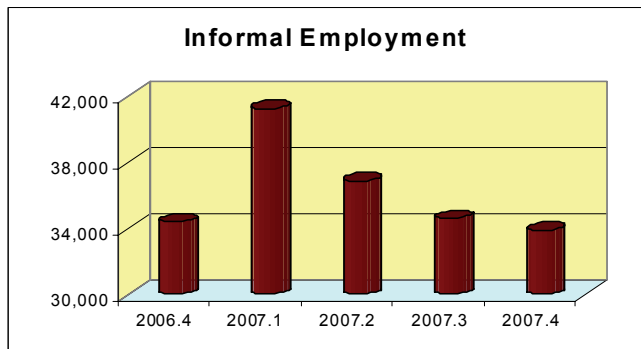
Farm Employment - In the fourth quarter of 2007, Kern County lost 7,200 farm jobs as employment decreased from 54,100 to 46,900. However, farm employment this quarter was 2,200 greater than that of four quarters ago.



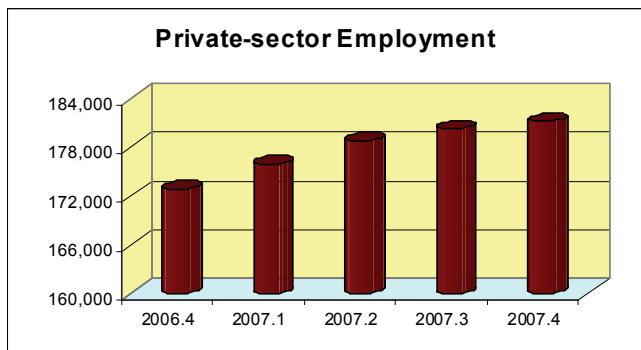
Nonfarm Employment - Kern County added 5,900 jobs in the market for nonfarm labor. The number of jobs in this market increased from 236,600 in the third quarter to 242,500 in the fourth quarter of 2007. Likewise, nonfarm industries have added 10,700 jobs since the fourth quarter of 2006.



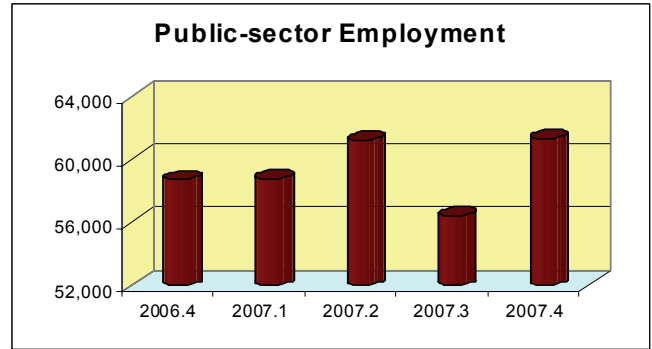
Informal Employment - Informal employment is the difference between total employment and industry employment. It accounts for self-employed workers and those who work outside their county of residence. In the fourth quarter of 2007, the number of workers engaged in this market decreased by 700 from 34,600 to 33,900. Likewise, the informal labor market has lost 500 jobs since the fourth quarter of last year.



Private-sector Employment - Nonfarm employment is comprised of private-sector employment and public-sector employment. In the fourth quarter of 2007, private companies added 1,000 jobs as their employment rose from 180,200 to 181,200. The private sector has added 8,200 jobs since the fourth quarter of last year.

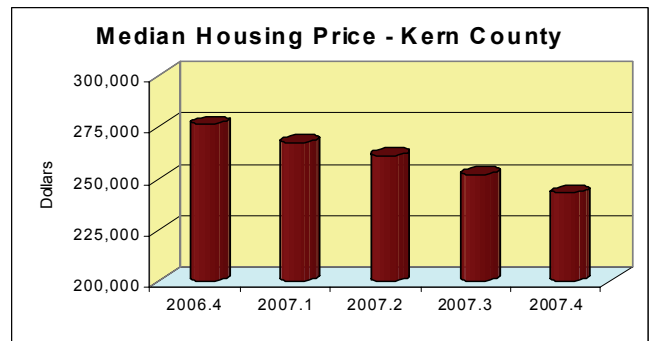


Public-sector Employment - The public sector consists of federal, state, and local government agencies. The local government labor market includes county and city agencies and public education. In the fourth quarter of 2007, government agencies added 4,900 jobs as their employment rose from 56,400 to 61,300. Since the fourth of last year, the public-sector employed 2,500 more workers.



Housing Market

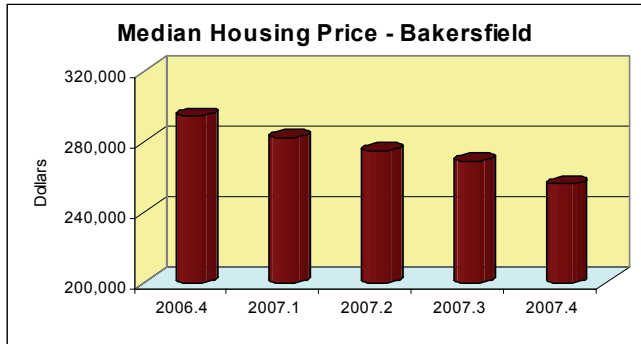
Housing Price - In the fourth quarter of 2007, Kern County's housing market continued to soften. The median sales price for all residential units depreciated \$9,400 (or 3.7 percent) from \$252,000 to \$242,600. The county's housing price averaged \$33,600 (or 12.2 percent) lower than that of four quarters ago.



In Bakersfield, the median housing price depreciated \$12,600 (or 4.7 percent) from \$268,700 in the third quarter to \$256,100 in the fourth quarter of 2007. The city's median housing price has depreciated \$38,100 (or 13.0 percent) since the fourth quarter of 2006.

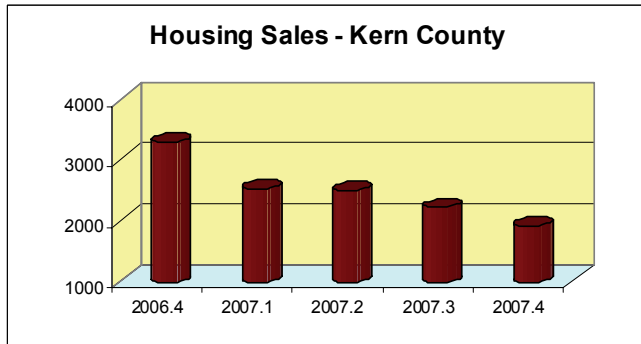
Housing price changes varied across the county. Among selected locations shown below, the median housing price appreciated in Rosamond and Taft. However, the median housing price depreciated in all other cities. In particular, Delano, Tehachapi, and Bakersfield recorded large depreciation rates.

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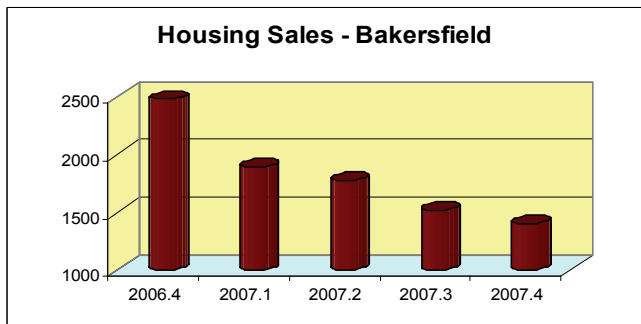


Location	Median Price 2007.4	Median Price 2007.3	Median Price Change	Median Price Change
Kern County	\$242,600	\$252,000	\$-9,400	-3.7%
Bakersfield	\$256,100	\$268,700	\$-12,600	-4.7%
California City	\$199,750	\$201,200	\$-1,450	-0.7%
Delano	\$207,300	\$234,800	\$-27,500	-11.7%
Ridgecrest	\$177,600	\$181,500	\$-3,900	-2.1%
Rosamond	\$260,000	\$257,800	\$2,200	0.9%
Taft	\$148,900	\$144,300	\$4,600	3.2%
Tehachapi	\$253,300	\$275,600	\$-22,300	-8.1%

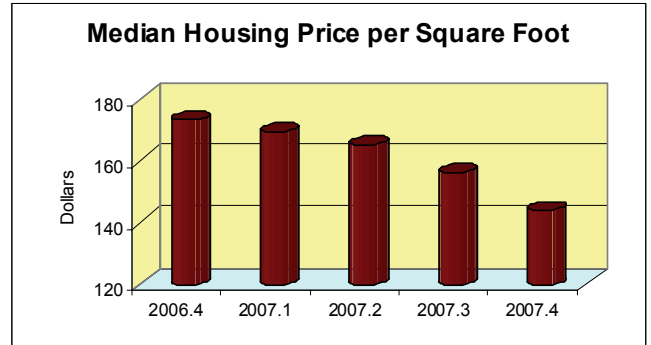
Housing Sales - Housing sales have continued to plunge as 300 less homes were sold. The number of residential units sold fell from 2,210 in the third quarter to 1,910 in the fourth quarter of 2007. The number of units sold this quarter was 1,377 less than that of four quarters ago.



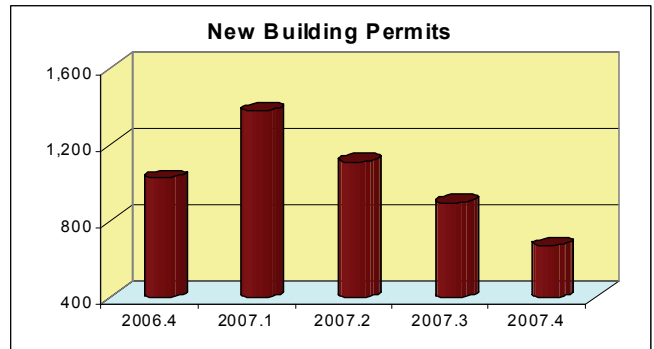
In Bakersfield, 116 less homes were sold. The number of all residential units sold fell from 1,522 in the third quarter to 1,406 in the fourth quarter of 2007. Since the fourth quarter of last year, 1,072 less home have been sold.



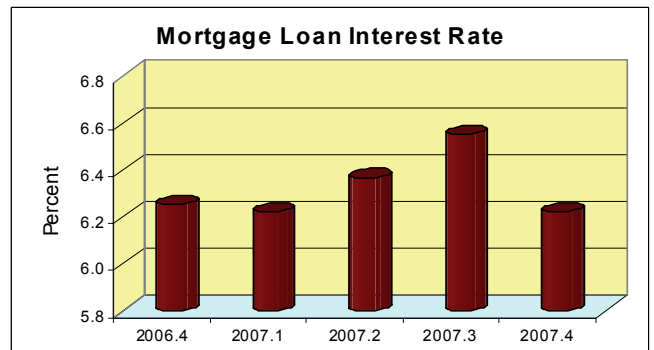
Median Housing Price per Square Foot - The median sales price per square foot of housing area declined \$12 from \$156 in the third quarter to \$144 in the fourth quarter of 2007. Since the fourth quarter of last year, the housing price per square foot has plunged \$29 from \$173 to \$144.



New Building Permits - In the fourth quarter of 2007, the number of building permits issued for the construction of new privately-owned dwelling units plummeted by 224 from 893 to 669. Relative to four quarters ago, 353 less building permits were issued this quarter.

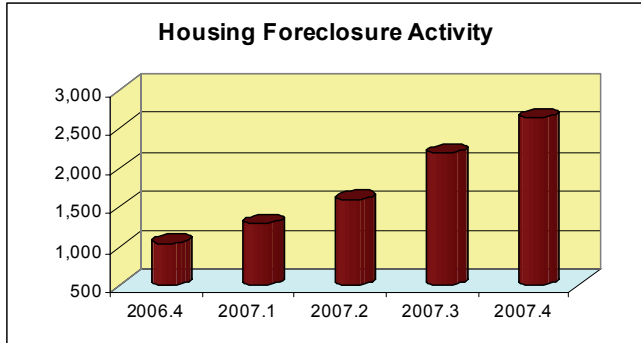


Mortgage Interest Rate - In the fourth quarter of 2007, the interest rate of thirty-year conventional mortgage loans decreased from 6.55 to 6.22 percent. Since the fourth quarter of last year, the mortgage loan interest rate has fallen one-third of one percent.

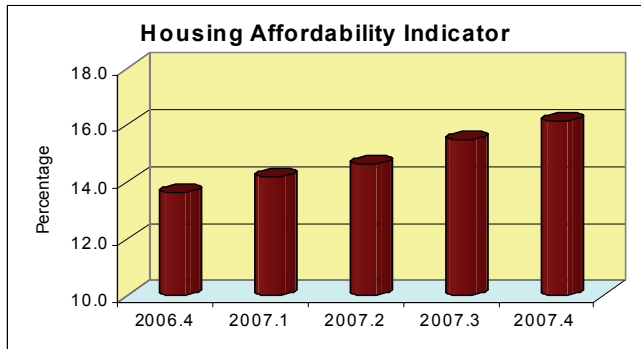


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Housing Foreclosure Activity - In the fourth quarter of 2007, the county's foreclosure activity accelerated from 2,196 to 2,631. As a result, 435 more homeowners received notices of loan default from their mortgage bankers. Since the fourth quarter of 2006, 1,587 local homeowners received notices of loan default.

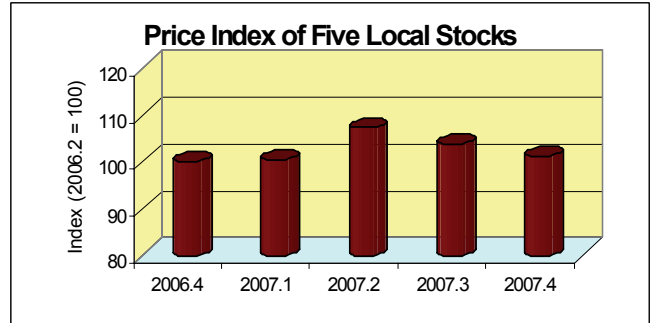


Affordability - Here, we define housing affordability as the median household income divided by the median housing price. With a slow rise in household income, but a sharp decline in the housing price, the housing affordability indicator improved from 15.5 percent in the third quarter to 16.1 percent in the fourth quarter of 2007. Compared with four quarters ago, the affordability index gained 2.5 percent.

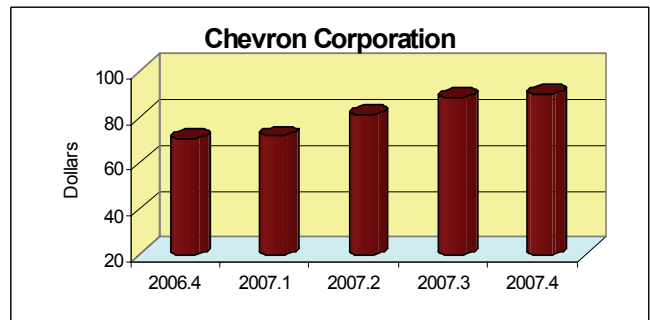


Stock Market

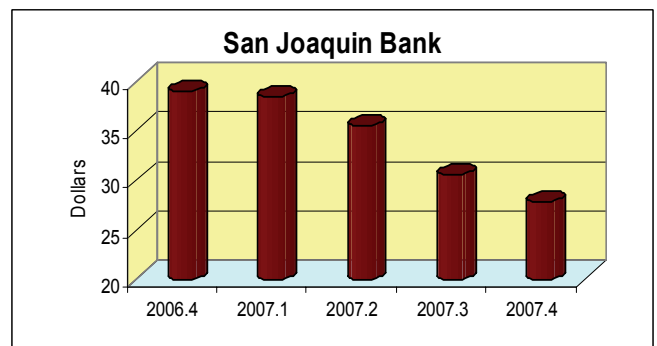
In the fourth quarter of 2007, the composite price index (2006.4 = 100) of the top five locally traded stocks declined 2.5 percentage points from 103.5 to 101.0. The index was one percentage point higher than that of the fourth quarter of 2006. These top five local *market-movers* are Chevron Corporation, San Joaquin Bank, Granite Construction, Occidental Petroleum Corporation, and Tejon Ranch Company.



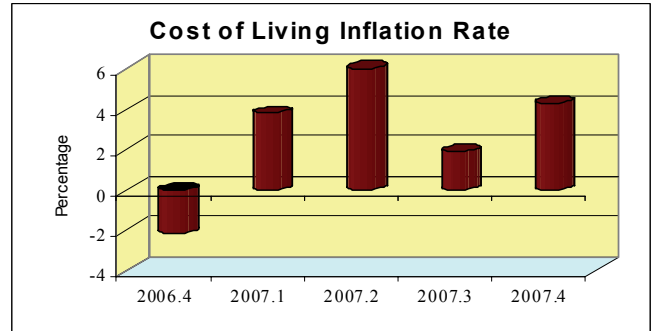
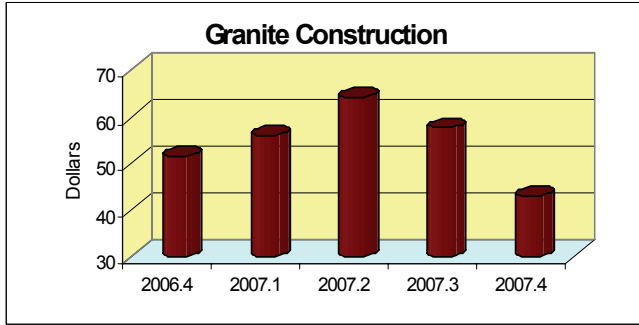
Chevron Corporation US: CVX gained \$1.20 (or 1.4 percent) per share as its price climbed from \$88.87 in the third quarter to \$90.07 in the fourth quarter of 2007. CVX has gained \$20.07 (or 28.7 percent) since the fourth quarter of 2006.



San Joaquin Bank: SJQU lost \$2.74 (or 9.0 percent) per share as its price fell from \$30.50 in the third quarter to \$27.76 in the fourth quarter of 2007. Likewise, SJQU has lost \$11.24 (or 28.8 percent) since the fourth quarter of 2006.

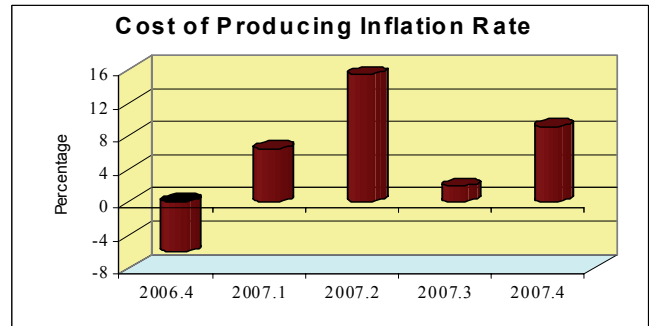
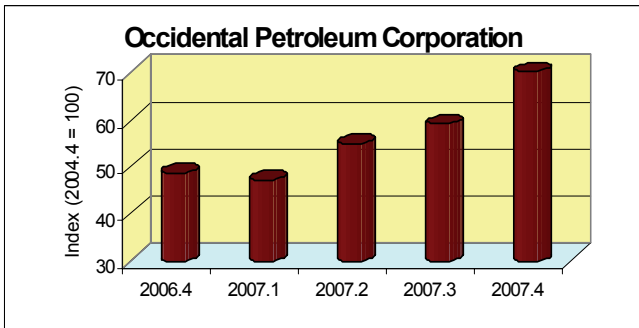


Granite Construction: GVA lost \$14.49 (or 25.2 percent) per share in the fourth quarter of 2007 as its stock price plunged from \$57.48 to \$42.99 per share. Likewise, GVA has lost \$8.35 (or 16.3 percent) since the fourth quarter of 2006.



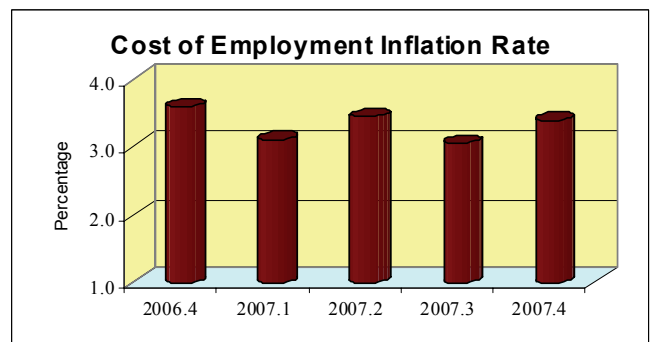
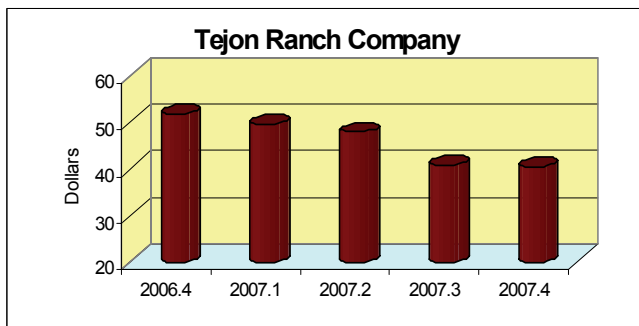
Occidental Petroleum Corporation: OXY gained \$10.81 (or 18.3 percent) per share as its stock price climbed from \$59.16 in the third quarter to \$69.97 in the fourth quarter of 2007. OXY has gone up \$21.27 (or 43.7 percent) since the fourth quarter of 2006.

Cost of Production - The Producer Price Index for all commodities (1996 = 100) climbed from 173.6 in the third quarter to 177.5 in the fourth quarter of 2007. In annual rates, the inflation rate for cost of producing accelerated sharply from 1.9 to 9.0 percent. The cost of producing inflation rate was 15 percent higher than that of the fourth quarter of 2006.



Tejon Ranch Company: TRC lost \$0.55 (or 1.3 percent) per share as its stock value dropped from \$40.82 in the third quarter to \$40.27 in the fourth of 2007. Similarly, TRC was down \$11.53 (or 22.3 percent) relative to the fourth quarter of 2006.

Cost of Employment - In the fourth quarter of 2007, the Employment Cost Index (ECI; December 2005 = 100) increased at an annual rate of 3.4 percent as the index value rose from 105.9 to 106.8. The ECI was two-tenths of one percent higher than that of four quarters ago.

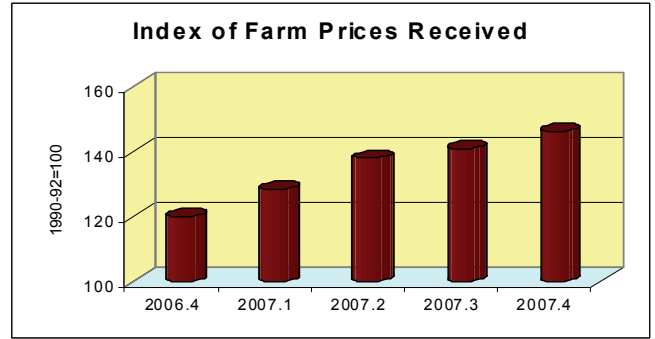
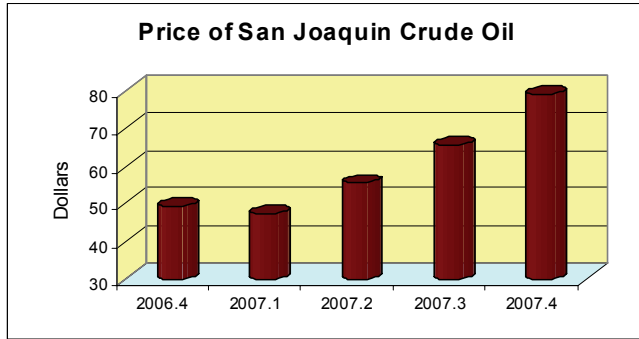


Commodity Prices

Cost of Living - The Consumer Price Index for all urban areas (1982-84 = 100) inclined from 208.0 in the third quarter to 210.2 in the fourth quarter of 2007. In annual rates, the rate of inflation for cost of living accelerated from 1.9 to 4.3 percent. Since the fourth quarter of last year, the cost of living inflation rate has risen 6.4 percent.

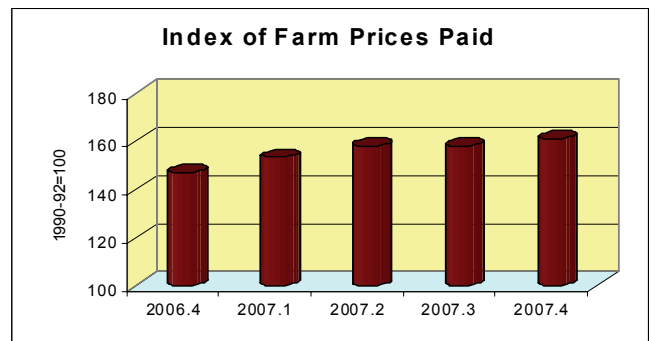
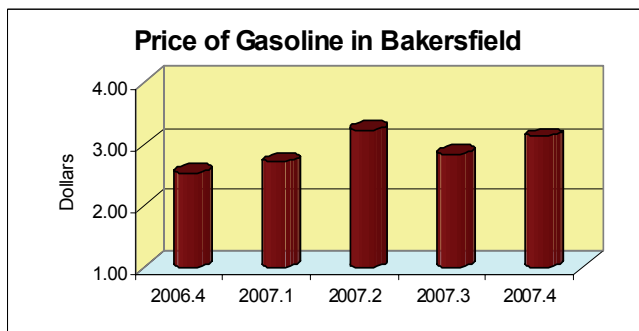
Price of Oil - The average price of San Joaquin Valley heavy crude was up \$13.70 per barrel from \$65.43 in the third quarter to \$79.13 in the fourth quarter of 2007. Likewise, the average price of crude oil was down \$29.87 per barrel relative to the fourth quarter of 2006.

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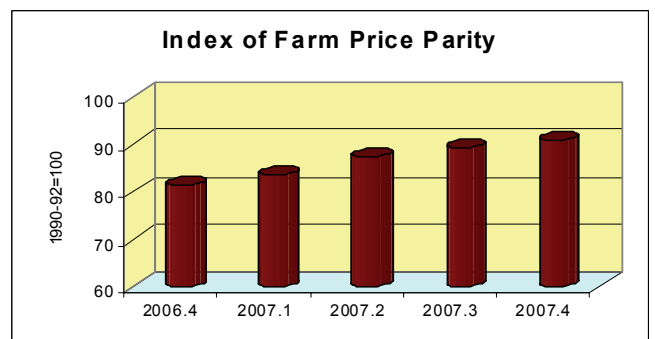
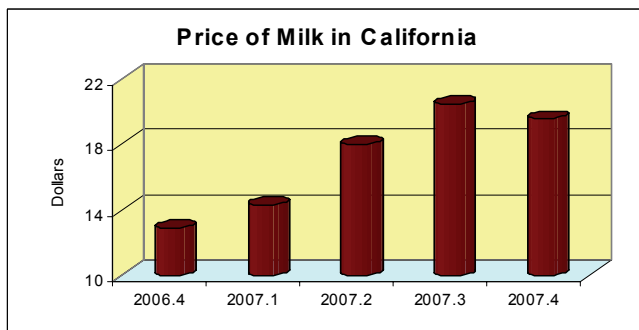
Price of Gasoline - In the Bakersfield metropolitan area, the average retail price of regular gasoline per gallon rose 29¢ per gallon from \$2.82 in the third quarter to \$3.11 in the fourth quarter of 2007. Likewise, the average gasoline price was up 59¢ relative to the fourth quarter of 2006.

The national Index of Prices Paid by Farmers for commodities, services, interest, taxes, wages, and rents rose 3 percentage points to reach 161. Similarly, the index has gained 14 percentage points since the fourth quarter of last year.



Price of Milk - The average price of California's Class III milk decreased \$1.00 per cwt from \$20.51 in the third quarter to \$19.51 in the fourth quarter of 2007. Since the fourth quarter of 2006, the price of milk has gone up \$6.63.

The Index of Farm Price Parity is measured by the ratio of the Index of Prices Received to the Index of Prices Paid. In the fourth quarter of 2007, the Index of Farm Price Parity improved 2 percentage points to reach 91. The gap between prices paid and prices received by farmers has narrowed 9 percentage points since the fourth quarter of last year.



Farm Prices - In the fourth quarter of 2007, the national Index of Prices Received by Farmers for all farm products (1990-92 = 100) rose 5 percentage points to arrive at 146. This index was 26 percentage points higher than that of four quarters ago.

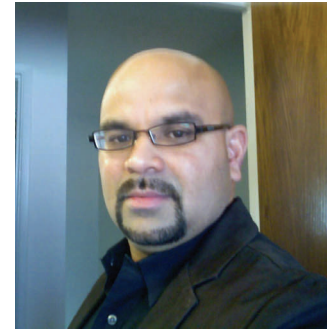
BOOK REVIEW

THE END OF POVERTY: ECONOMIC POSSIBILITIES FOR OUR TIME

BY JEFFREY SACHS; PENGUIN PRESS, 2005

REVIEWED BY: S. AARON HEGDE

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In the year 2002, there were about a billion extremely poor¹ people, roughly sixteen percent of the world's population at the time. Majority of those considered extremely poor live in Africa, specifically sub-Saharan Africa. Since 1990, extreme poverty has fallen in most parts of the world, except for sub-Saharan Africa. By 2004, nineteen percent² of the developing world was living in extreme poverty. Reducing extreme poverty is seen as being so important that it is one of eight goals adopted by the United Nations in 2000 as part of a program called 'Millennium Development Goals'. The objective of the goal of poverty reduction is, by 2015, to cut in half the 1990 world levels of extreme poverty. The UN Millennium Development Project, which is responsible for achieving these goals, was headed by Jeffrey Sachs between 2002 and 2005. He is a professor of economics and the director of the Earth Institute at Columbia University. During the 1980s, as a consultant he was instrumental in eliminating Bolivia's hyperinflation. The experience in Bolivia, and later in Poland and Russia, are discussed in his book "The End of Poverty".

In this book, Sachs also describes his plan of action to eliminate extreme poverty from this world by 2025. His basic prescription is for wealthy governments to increase their foreign aid to about \$15 billion to \$20 billion per year for the next decade. He calls it a prescription because he believes that 'clinical economics', a phrase coined by Sachs, is economics that is not unlike medicine in diagnosing a country's 'illness' and then treating the complex system. He believes this is what is needed in order to help the poor countries escape the poverty trap. Sachs proposes that the prescription take the form of interventions of various kinds of capital such as human, business, natural, public institutional, and knowledge, and the building of infrastructure. Toward this end he proposes aid in the form of fertilizers, cell phones, anti-retroviral AIDS drugs and anti-malarial bed nets to name a few. William Easterly, a professor of economics at New York University and author of "The White Man's Burden" refers to this kind of social planning as being utopian. He has also spent over 30 years working with developing countries.

¹The world bank defines extreme poverty as those living on less than a \$1 a day (<http://www.worldbank.org>)

²In 1990, approximately 32% of the developing world was extremely poor; by 2004 this number had reduced to 19.2% . The Millennium Development Goals call for this statistic to be reduced to 16% by 2015 (*Economist*, "The Eight Commandments" [Electronic Version]. Jul 5, 2007.) .

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BOOK REVIEW

THE WHITE MAN'S BURDEN: WHY THE WEST'S EFFORTS TO AID THE REST HAVE DONE SO MUCH ILL AND SO LITTLE GOOD

BY WILLIAMN EASTERLY; PENGUIN PRESS, 2006

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In his book, Easterly says that this type of large-scale planning¹ was tried in the past by many aid agencies, countries and even the UN and resulted in a lot of waste without doing much to impact the poor. Instead, he proposes what he calls 'piecemeal' ideas. These are small steps of aid, which are then evaluated for their effectiveness. His argument is that if these small steps fail, waste is limited. He points to the success of China and India in using gradual market reforms in developing their economies. He also believes that unless the aid agencies are held accountable for their actions, they will tend to give the poor what the donors want to give rather than what the poor actually need. Easterly argues that making aid recipients pay a nominal fee for services received will result in them holding the aid agencies accountable. He cites the example of a Bangladeshi village paying a nominal fee for its water filtration system and as a result maintaining its upkeep. This is presented as a contrast to

past programs that donated anti-malarial bed nets to some villages in Africa, only to see them eventually sold by the very people who needed it most. Easterly also cites the success of the *Grameen Bank* in Bangladesh which is a program designed to give small loans known as microcredit lending to extremely poor people as a way of helping them develop. Microcredit loans are loans of less than \$100. It is estimated that as a result of this program, approximately one million Bangladeshis lift themselves out of poverty every year².

While they may propose different ways to solve the problems of the world especially that of extreme poverty, these two opposing economists agree on one thing: there are far too many extremely poor people in this world and we need to do something, anything, to help alleviate the situation. How we go about it is another question.

¹Easterly believes that at least \$2.3 trillion has been spent over the last 50 years in development aid.

²Mainsah, E et al. 2004. "Grameen Bank: Taking Capitalism to the Poor", *Chazen Web Journal of International Business*, Spring 2004: 1 – 28.



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