CALIFORNIA STATE UNIVERSITY, BAKERSFIELD
SCHOOL OF BUSINESS AND PUBLIC ADMINISTRATION

KERN ECONOMIC JOURNAL

Volume 11 Issue 2

2009 Second Quarter

Award of Merit from the California Association for Local Economic Development

Enterprise College 2009

California State University, Bakersfield

www .csub.edu/kej/

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.

We wish to gratefully acknowledge the Journal sponsors:

KERN ECONOMIC JOURNAL is a quarterly publication (February, May, August, November) 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. Sources of funding for the journal include university contributions and sponsorship and subscription fees.

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.

Publisher and Managing Editor: Abbas Grammy, CSUB (661/654-2466)
Design & Production: Sylvia O'Brien, O'Brien Images (775/473-4169)
Content Editor: Emerson Case, CSUB

To become a sponsor, please visit www.csub.edu/kej for the sponsorship form and benefits or contact the Journal's Publisher and Managing Editor.

INSIDE THIS ISSUE:

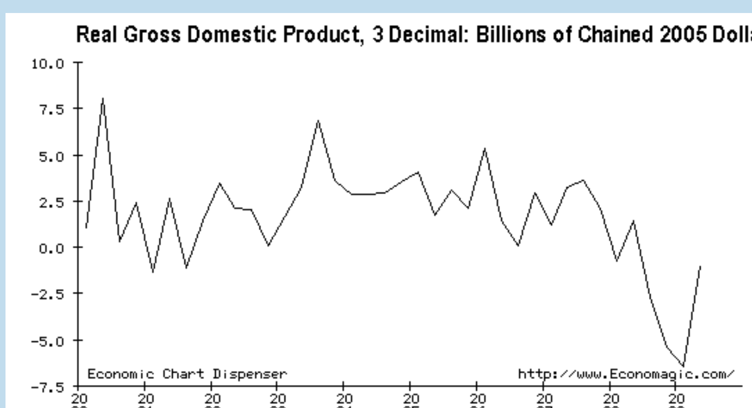
Cover Page: *Enterprise College: Economics for Future Leaders, The Class of 2009*
Photo by: *Gary Bunk*

Econ Brief

U.S. Economic Growth

The U.S. economy has been in recession since December 2007. The current recession is the deepest and longest post-war recession. It has already lasted longer than the previous two recessions in 1990-91 and 2001, each lasting 8 months. Since the fourth quarter of 2007, the economy contracted nearly $500 billion.

After a sluggish growth of 2.1 percent in the fourth quarter of 2007, the real GDP fell 0.7 percent in the first quarter of 2008, but grew 1.5 percent in the second quarter of that year. Since then, the economy contracted in four consecutive quarters. The largest contractions were 5.4 percent in the fourth quarter of 2008 and 6.4 percent in the first quarter of 2009. The pace of contraction slowed in the second quarter of 2009 with a negative one percent annualized growth rate.



The recent surge in housing sales and vehicle production is likely to pace a much stronger rebound from recession. It is expected that the GDP rise 3 to 4 percent next quarter. But, it is unlikely that the third quarter surge to spill over into a stronger overall recovery. It is projected that the economy will contract at a rate of 1.4 percent in 2009. However, massive fiscal and monetary stimuli will lead to a recovery of growth of 2 to 3 percent in 2010.

Sources: Economist.com; U.S. Congressional Budget Office; Global Economic Forum; U.S. Energy Information Administration

Economy at a Glance!

Abbas P. Grammy
Professor of Economics, CSUB

The Gross Domestic Product - the output of goods and services produced in the United States – declined for the fourth consecutive quarter. After falling 6.4 percent in the first quarter of 2009, the GDP declined 1.0 percent in the second quarter, according to advance estimates released by the Bureau of Economic Analysis. This decline reflected negative contributions from non-residential fixed investment, personal consumption expenditures, residential fixed investment, private inventory investment, and exports. These negative effects were partly offset by positive contributions from federal government spending, state and local governments spending, and imports.

In California, the unemployment rate climbed from 10.6 to 11.4 percent. The state lost 170,100 jobs and had to support 147,000 more unemployed workers. The farm labor market lost 8,500 jobs and non-farm industries cut 204,500 paid positions. A wide-range of industries cut jobs; they were construction, manufacturing, wholesale and retail trade, transportation and warehousing, information, finance and insurance, real estate and rental services, professional, scientific and technical services, educational services, administrative support and waste management, and leisure and hospitality. In contrast, healthcare and social assistance and government agencies added jobs.

In Kern County, households became slightly less pessimistic about employment and financial conditions of their families and relatives as the *Consumer Sentiment Index* gained 3 points to reach 76. Kern County businesses have turned optimistic about their employment and financial conditions as the *Business Outlook Index* rose 16 percentage points to reach 108.

In the meantime, the county's economy declined at an annual rate of 2.0 percent. Kern's economy generated $15.35 billion in personal income, $75 million less than the previous quarter. Economic decline aggravated by labor force growth caused personal income per worker to fall $800, reaching $40,500.

Kern County's labor market conditions continued to deteriorate. The county's workforce inclined by 5,500 members. In the meantime, 5,000 more workers lost jobs and 10,500 more workers collected unemployment benefits. The gain of 2,200 farm jobs was offset by the loss of 2,200 nonfarm jobs and 4,000 informal jobs (self-employed workers and those working outside the county). A wide range of industries cut jobs this quarter including construction, manufacturing, wholesale trade, finance, real estate, professional and business services, and county government. In the meantime, employment increased in leisure and hospitality, retail trade, transportation, warehousing and utilities, and health care and social assistance.

The rate of unemployment climbed to 14.2 from 11.6 percent. Still below the county average, the rate of unemployment averaged 10.2 percent in Bakersfield, 11.4 percent in California City, 8.4 percent in Ridgecrest, and 9.8 percent in Tehachapi.

Kern County's housing market slump continued. The median sales price for all residential units appreciated $100 (or 0.2 percent) from $127,000 to $127,100. In Bakersfield, the median housing price fell $700 (or 0.5 percent) to $128,800 from $129,500. Depreciation in prices caused housing affordability to fall from 29.1 to 28.3 percent. The number of all housing units sold increased from 2,900 to 3,394 in Kern County and from 2,239 to 2,478 in Bakersfield. The number of building permits issued for the construction of new privately-owned dwelling units climbed from 297 to 407. The county's foreclosure activity slowed from 4,238 to 3,628. As a result, 610 less homeowners received notices of loan default from their mortgage bankers. Of these 3,628 homeowners receiving loan default notices 1,913 (or 52.7 percent) lost their homes to foreclosure.

In commodity markets, the average price of San Joaquin crude oil jumped $17.62 to reach $52.70 per barrel. In the Bakersfield metropolitan area, the average retail price of regular gasoline per gallon rose 47¢ (or 19.4 percent) per

(Continued on page 10)

Businesses Confident About Economic Conditions

Abbas P. Grammy
Professor of Economics, CSUB

Data from our recent survey indicate that Kern County businesses have turned optimistic about local economic conditions. In the second quarter (April through June) of 2009, the *Business Outlook Index* improved 16 points. The index stood at 108 compared to 92 in the previous quarter and 82 four quarters ago. The survey data are encouraging because the index value has moved into the optimistic range after 5 consecutive quarters of pessimistic perceptions.

Kern County's *Business Outlook Index* is compiled from telephone surveys administered to a random sample of local business managers listed in various telephone directories. Index values above 100 indicate optimism, while values below 100 suggest pessimism. The intent of the survey is to help business managers make more informed decisions given local economic trends. Survey results also enable investors to assess the potential for local economic growth based on the degree of business confidence.

To make an in-depth analysis of business confidence, we disaggregated the *Business Outlook Index* into two subindexes relating to recent and future business perceptions. The *Current Conditions Index* climbed 14 points to arrive at 105. Likewise, the *Future Conditions Index* gained 16 percentage points to reach 109. These data show that business managers have become confident about both current and future economic conditions.

Employment Outlook:
Eighty-four percent of interviewees reported that the number of jobs in their companies stayed constant this quarter, but 10 percent said more jobs were available in their companies and 6 percent reported reduced employment.

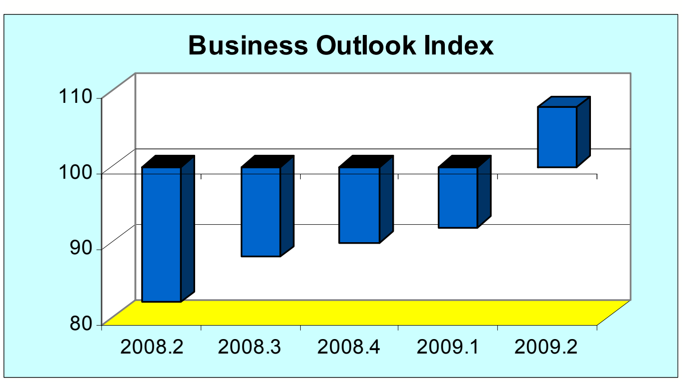
Likewise, 79 percent perceived that the number of jobs would stay constant next quarter, whereas 15 percent expected their companies to hire more workers. The remaining 6 percent anticipated a smaller workforce.

Financial Outlook:
Sixty-nine percent of survey respondents reported that the financial conditions (sales and profits) of their companies were constant this quarter, whereas 19 percent indicated increased profits and sales and 12 percent stated lower profits and sales.

Similarly, 62 percent expect financial conditions of their companies to remain constant next quarter. However, 23 percent anticipate increased sales and profits and 15 percent predict lower sales and profits.

Industry Outlook:
Seventy-three percent perceived that the employment and general business conditions of their industries remained the same as the previous quarter, but 25 percent felt these conditions improved and 12 percent felt crumbling business conditions.

Eighty percent anticipate that the employment and general business conditions of their industries will be unchanged next quarter. However, 12 percent expect progress and 8 percent feel otherwise.



	Current Quarter	Previous Quarter	Four Quarters Ago
Index of Business Outlook	**108**	**92**	**82**
Index of Current Conditions	105	91	81
Index of Future Conditions	109	93	83

(Continued on page 5)

Consumer Sentiment Increases for First Time in More Than Two Years

Mark Evans
Associate Dean, School of Business and Public Administration
Professor of Economics, CSUB

Bakersfield's Index of Consumer Sentiment finally turned the corner in the second quarter of 2009, increasing slightly from 73 to 76. This was the first increase in nine quarters. Nationally, the University of Michigan's consumer sentiment index increased from 58 to 68, its first nontrivial increase in two years. The magnitudes of the two indexes cannot be directly compared, since they have different base years, are constructed from different survey questions, and are computed using different formulas. Yet, movements of the two indexes have been remarkably similar over the course of the recession. Given the severity of the contraction, it is not surprising that each index remains within the lowest decile of its readings since 1999 when CSUB began compiling the Bakersfield index.

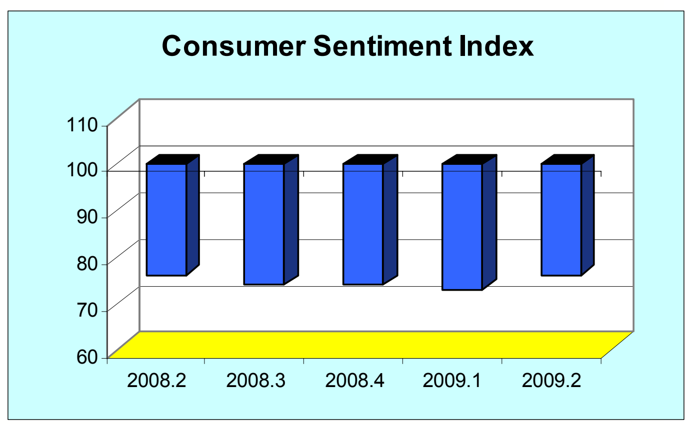
CSUB compiles the Bakersfield index to help local businesses compare national and local trends and provide timely insight into whether a company's sales trajectory reflects broad economic trends or shifts in market share. The local index is constructed from telephone interviews of a random sample of households.

The Bakersfield index is disaggregated into sub-indexes reflecting financial outcomes over the previous 12 months and expectations for the coming year. The modest gain in the composite index resulted from a somewhat large decline in the sub-index measuring recent financial trends being offset by a larger increase in the sub-index reflecting future expectations.

The sub-index measuring recent financial trends had previously increased from a historically low 62 in the fourth quarter of 2008 to 75 in the first quarter of 2009. Most of this gain was short-lived, as the sub-index fell back to 66 in the second quarter. Although the households reporting they spent "more then usual" on discretionary items nearly doubled from 7 to 14 percent, the percent reporting they spent "less than usual" increased significantly from 26 to 40 percent. The percent of households reporting they were financially better off than one year ago inched forward from five to 14 percent, but the fraction reporting they were worse off increased from one-in-four to nearly one out of every two households.

The sub-index reflecting expectations for the coming year increased from 72 to 85. The expectations sub-index increased largely because the percent of households expecting financial improvement over the coming year increased from 18 percent in the previous quarter to 28 percent. There also was nearly a 20 percent increase (from 23 to 41 percent) in the percent of household who thought their acquaintances in Kern County were optimistic about their personal financial situation in the coming year. When households were asked if this is a safe or risky time to use savings or incur debt to buy expensive goods, 16 percent indicated this is a safe time, compared to just ten percent in the previous quarter. However, the percent of bearish responses to this question increased from about one-in-three in the previous quarter to nearly one-in-two.

Is that a light at the end of the tunnel?



(Continued on page 5)

Consumer Sentiment (Continued from page 4)

Table 1: Index Values			
	Most Recent Quarter	Previous Quarter	One Year Ago
Bakersfield Consumer Sentiment Index	**76**	**73**	**88**
Sub-index: Current Conditions	66	75	79
Sub-index: Future Expectations	85	72	96

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).	13 %	47 %	40 %
	Better off	**Same**	**Worse off**
How your family is doing financially compared to one year ago.	14 %	39 %	47 %
How your acquaintances in Kern County are doing financially compared to one year ago.	8 %	42 %	50 %

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	28 %	30 %	42 %
	Optimistic	**Neutral**	**Fearful**
How your acquaintances in Kern County view the coming year.	41 %	18 %	41 %
	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?	16 %	38 %	46 %

Businesses Confident (Continued from page 3)

Economic Outlook:

When asked about Kern County's economy, 78 percent of interviewees perceived no improvement this quarter. Nevertheless, 15 percent felt conditions improved and 7 percent said conditions worsened.

Likewise, 73 percent feel that economic conditions will be unchanged next quarter. However, 21 percent anticipate for the economy to get better and 6 percent feel conditions are likely to get worse.

Factors Affecting Business Outlook:

We asked business managers to identify factors that have affected employment and financial conditions of their companies. They felt several factors brightened the business outlook:

- Increased seasonal demand for farm products
- Commercial real estate development
- Federal government's stimulus and recovery spending

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

- Rising labor unemployment and housing foreclosures
- Media scaring people about worsening economic conditions
- State's massive budgetary shortfalls and deep spending cuts in educational and social services

THE CEO PROFILE!

Introduction

Gaurdie E. Banister, Jr. is President and CEO of Aera Energy LLC. Aera is one of California's largest producers of oil and gas, accounting for approximately 30 percent of the state's production. The company was formed in 1997 following the merger of the California exploration and production (E&P) operations of Shell and Mobil. Today, Aera is jointly owned by Shell and ExxonMobil.

Banister joined Aera in December 2007. Previously, he was Vice President – Technical, Shell EP Asia Pacific, which is part of the Royal Dutch/Shell Group's global E&P business. Based in Singapore, he was responsible for drilling and development activities in Southeast Asia, Australia and New Zealand.

Banister began his career with Shell in 1980 in New Orleans as an offshore facilities engineer. He progressed rapidly through E&P assignments in California, Texas and Louisiana, including a stint in Bakersfield from 1985 -92. He has experience in global E&P and information technology operations, mergers and acquisitions, strategy, and technology.

A 1980 graduate of the South Dakota School of Mines and Technology where he is currently a member of its Board of Trustees, Banister holds a bachelor's degree in metallurgical engineering. In 2007 the university awarded Banister an honorary doctorate degree. In addition, in 2002 Banister received an honorary doctorate degree from Fort Valley State University in Georgia.

Banister is a Director of the California Chamber of Commerce and the Western States Petroleum Association. He also serves on the Board of Directors of the Cal State Bakersfield Foundation and United Way of Kern County. Before moving overseas he was a member of several non profit boards including the National Science Resources Center in Washington, DC; the Houston Area Chapter of the American Red Cross; Career and Advisory Services in Houston; and the Fort Bend County Education Foundation. Banister is a native of Casper, Wyoming. He is married and has two children.

Interview

Who is Aera Energy?

Aera Energy LLC is one of California's largest oil and gas producers. We account for approximately 30 percent of the state's production. Our headquarters are in Bakersfield and most of Aera's production is centered here in the San Joaquin Valley. We also have oilfield operations in the L.A. Basin and in Ventura and Monterey Counties.

In 2007, Aera celebrated its 10th anniversary. The company consists of the California onshore and offshore exploration and production (E&P) assets previously operated by Shell, Mobil, and ARCO. Today Aera is jointly owned by Shell and ExxonMobil and is operated as a stand-alone company through its own board of managers.

Historically a heavy oil company, with the development of the Diatomite reservoir at Belridge, light oil now makes up almost half of Aera's total production of approximately 165,000 barrels of oil equivalent per day. Aera has proven oil and gas reserves equivalent to approximately 800 million barrels of oil. Our workforce consists of about 1200 employees, with hundreds of contractor and vendor companies supplying goods and services.

The safety of all Aera people – employees and contractors alike – is of paramount importance. It is our expectation that "every day, everybody goes home alive and well." In addition to our excellent safety and environmental performance, we are known for our innovative business practices, application of cutting-edge technology, dynamic company culture, and active community involvement.

Aera is a process-based organization and in that context turns to the manufacturing industry for best practices – picture the Belridge oil field, for example, as a 20-mile long manufacturing shop floor. In 2002, the company earned national recognition when the Belridge Producing Complex won the prestigious North American Maintenance Excellence Award –or "NAME" Award -- for its maintenance and reliability program and results. Two years later Aera's North Midway Sunset Unit earned a NAME Award. Aera is the first E&P company to win the award previously given only to manufacturing organizations. In the manufacturing industry, the NAME Award has been compared to the Malcolm Baldridge National Quality Award.

What is the impact of the oil industry to Kern County?

The importance of Kern County's oil and gas industry to the state's energy supply and the positive impact of the industry on the county are well documented. The oilfields of Kern County, which include four of the largest oil fields in the world and produce more oil than the state of Oklahoma,

(Continued on page 7)

CEO Profile *(Continued from page 6)*

account for approximately two-thirds of the crude produced in California. Locally, that translates into thousands of high paying oil company jobs plus thousands of other jobs generated by the oil service companies and by the overall economy. Six of the 10 largest property tax payers in the county are petroleum companies, with minerals making up 28 percent of the county's total property tax base.

We were reminded what the industry means to the county during the recent state budget negotiations when a 9.9 percent severance tax on crude oil was proposed. The Kern County Assessor estimated that such a tax could result in a loss of up to 7,000 local jobs and negatively affect the county's property tax rolls, leading to a $45 million decrease in property taxes available to schools, special districts, and the County in the first year alone. Such a tax would impose a burden on Kern County citizens felt by no other county in the state.

Beyond the economic impact of the petroleum industry is the vital role the industry and its people play in the community. The industry annually invests in literally hundreds of local schools and non-profit organizations, and its employees and family members serve in leadership roles and donate thousands of hours of volunteer service every year. While it is possible to assign a dollar value to the thousands of hours of donated time, in the language of a long-running advertising jingle, the true value of that time is priceless.

What is the contribution of Aera to Kern County?

In 2008, Aera's annual operating and capital expenditures in Kern County totaled almost $1.5 billion. When you factor in the indirect expenditures of Aera's contractors and vendors and the induced expenditures of the all the households supported by these jobs, the combined impact is almost $2.2 billion. And that's just Aera. It doesn't include all the other oil and gas companies – large and small – operating in Kern County.

Every year, Aera provides financial support to over 100 community-based organizations in the California communities where we operate. Highlights this year have included the opening of the Bakersfield Southwest Baseball Complex at the new Aera Park as well as the ribbon cutting of The Aera Clinic at the Grossman Burn Center at San Joaquin Community Hospital. Aera has also been instrumental in developing the *Ready to Start* pre-kindergarten program, now offered in four Kern County school districts.

In 2008, more than 1,100 employees, family members, retirees and friends volunteered approximately 4,500 hours to about 45 community organizations. Approximately 275 employees donated 1,350 hours to local schools.

How has Aera responded to the deep, structural recession of the U.S. economy?

Aera takes a long term, "steady" approach to how we operate our business – avoiding the temptation to ramp up too much when times are good and likewise resisting the urge to over react and cut back too much when conditions are less favorable. This approach has served us well for many years, including during the recent downturn. As a result, we did not need to undertake a dramatic shift in activity to manage successfully the downturn. We have done some belt tightening, but what we have done has been appropriate and thoughtful. The net result has been some slight changes in what we are doing, but nothing major. Our workforce and activity levels are stable – our 2009 drilling program is on track and other major projects are moving forward.

What is the outlook of the oil industry in Kern County?

The men and women of the petroleum industry have been producing oil in Kern County for over 100 years. There are still vast reserves but the "easy" barrels have been produced. The remaining reserves are technically complex and will require sophisticated technology and favorable economics to develop.

There is growing concern in California, the nation, and the world about climate change and the need to reduce the emission of greenhouse gases. This will affect all industries, and will have a significant impact on the petroleum industry. Reducing the emission of greenhouse gases will affect both how energy is produced as well as how it is consumed by industry and individuals.

Here in California, the state – with the active participation of the industry -- is engaged in implementing AB 32, which directs the California Air Resources Board to develop regulations to reduce statewide greenhouse gas emissions to 1990 levels by 2020 -- approximately a 30% reduction. At this stage, there is much uncertainty associated with how the implementation of AB32 will ultimately evolve and the costs associated with implementation.

Hydrocarbons will be part of the global energy mix for the foreseeable future. All sources of energy will be needed to meet future demand and to do so in a cost-effective, environmentally friendly way. We in the Kern County petroleum industry, along with other Kern County energy producers such as the wind and solar energy industries are uniquely positioned to help meet the future energy needs of California and the nation.

MARKETING PLANS IN PUBLIC SERVICE AGENCIES

CRAIG W. KELSEY
DEAN, EXTENDED UNIVERSITY DIVISION
PROFESSOR OF PUBLIC POLICY AND ADMINISTRATION, CSUB

A well focused public service department would have a thoughtfully prepared, current and active agency marketing plan designed to inform the agency on strategic actions important to better identify, connect with and serve its resident base. The intent of most public service departments is to be a citizen service agency and hence, some professionals do not approach the concept of a marketing plan concluding that it is a tool that better serves the business sector that is busy selling products. However, much advantage can be gained from the development, use and updating of a service agency based marketing plan.

Components

There are a variety of ways that an agency may approach the development and design of their marketing plan. At the minimum, the marketing plan would center on the following: (1) a thorough study of the agency noting its strengths and weaknesses, (2) a deep look at their customer base and what services seem most needed, (3) a determination of the competition or other providers of similar services, (4) development of meaningful marketing strategies that speak to those points most aligned with the agency mission, and (5) preparation of an action plan paying special attention to the unique features of the agency budget and other controlling elements. Within each of these components will be additional factors that help to enrich the depth of the marketing plan.

Agency Analysis: The first component of a department marketing plan is to prepare a thorough study of the agency. The types of items to consider should include: the vision, mission and goals of the agency; any unique features that might serve as the hallmark of the agency; and a detailed self study of the strengths, weaknesses, opportunities and threats that impact the organization. The length of this material need not be extensive but the depth should speak to the key elements of the department.

Customer Analysis: Of course to effectively reach and serve the agency's catchment area, the department must be clear on their customer base. For many public service departments, all citizens represent the client group and so a close look at the number of citizens, their age, gender breakdowns, as well as geographic residency within the community will be important to know. Also of interest will be if there are any specific factors that the agency should understand about the customer base such as income levels, number of children living at home or other factors. All of this information is attainable from the US Census. The purpose of this data is to better understand the market segments of the population, their needs, and what services the agency provides that match that need.

Competitor Analysis: This section of the marketing plan consists of a close look at the competition to the agency. The agency would be in the best place to decide what groups, organizations, and vendors represent others that provide similar services or programs. In this analysis the agency should be thorough and compare any features that are important such as competitor location, services, prices, advertising methods, reputation, and important connections within the community, resources and facilities. Not only should this study compare the agencies, but any and all similar and even different program offerings to determine competitor advantages.

Market Analysis: This analysis represents a focus on the different strategies that the agency may take regarding several key areas. Generally the six "p"s are considered: position, product, price, place, promotion and publicity. Position is a study of where the agency feels their position is in relation to the competition. For example the agency might feel that the agency has the best name recognition, and staff skill set. Product (or in this case service) is considering what services the agency provides and the differences from the competition. For example, the competition might have a lower program cost and greater variety of programs because of the use of part time staff. Price, of course is the cost charged the user for the program or service. What does the competition charge for a similar program?

It is important to make sure that the length of a program, number of events, staff to user ratios and other features be assessed so that cost comparison is accurate. The intent is to determine what price is acceptable, attractive,

(Continued on page 10)

Tradable Permits as a Way to Lessen Global Warming

Olena Dudar[1]
Economics Exchange Student, CSUB

Many scientists and artists show through their work the connection between people and nature. They emphasize that humans and the environment are interconnected and interdependent parts of the same planet, the Earth. That is why we have to preserve nature. Over the past centuries, our actions have damaged the environment. Most scientists agree that climate change and global warming, in particular, are major challenges we face today.

This research not only presents the importance of environmental problems, but also searches for economically efficient methods of solving them. This paper argues that issuance of tradable permits is an efficient market arrangement, which would help decrease greenhouse-gas emissions and reduce fossil-fuel pollution.

Greenhouse gases - such as carbon dioxide, methane, nitrous oxide, and hydro fluorocarbons - released anywhere on earth act to trap heat in the atmosphere, causing climate changes like global warming. Greenhouse-gas emissions have been increasing very rapidly in the past several decades. Total carbon dioxide emission reached its peak all over the world in 2004-05. North America was the leader, emitting about 16.2 metric tons of carbon dioxide in 2004. Increased greenhouse-gas emissions cause global temperatures to rise. Most countries, especially the more developed nations, are taking immediate actions to prevent this catastrophe.

There are a few methods the governments can use to reduce pollution. The first one is the *command-and-control system*. This system requires uniform reductions or specific technology applications for all sources. For example, the government could require all factories to use only one specific type of device to reduce pollution. The government would charge violators pollution taxes.

The second method, called the *cap-and-trade system*, works by the government setting a cap on the amount of a particular gas that may be emitted in a certain year. Each company then receives a tradable quota of how much they can emit. David Anderson[2] argues that "the beauty of emissions trading programs is that they allow room for flexibility and creativity." Indeed, with the *cap-and-trade system*, firms have a few options in dealing with their emission problems. They can either use new environment-friendly technology to reduce pollution or buy the tradable permits from other companies, should they not meet their quotas.

The *cap-and-trade system* provides incentives for factories to pollute less and then make money by selling their unused pollution permits to other firms, which are unable to meet their quotas. The result from imposing tradable permits is obvious. Basically, permit buyers agree to pay fees for pollution emissions. In comparison, permit sellers receive rewards for polluting less. Firms realize that buying permits is similar to paying taxes. It is only a short-term solution. Using new environmentally clean technology provides a long-term solution. Tradable permits make firms think about creative and efficient ways to reduce greenhouse-gas emissions.

Tradable permits are active and work efficiently in several programs. The biggest and most widespread is the European Union Emission Trading Scheme. This is the largest multi-national, greenhouse gas emissions trading scheme in the world. It was created and approved under the Kyoto Protocol in 1997. The most important aspect of the EU emission trading was the idea of trading pollution permits not only between individual factories but also between nations.

International cooperation is crucial for the success of the *cap-and-trade system* since pollution knows no borders. However, due to economic instability, political crises, and other reasons it is very difficult for less developed countries to achieve significant reduction in pollution. That is why with the E.U. Emission Trading Scheme countries such as Russia and Ukraine are allowed to keep their emissions at the same level. It was suggested that industrial nations, such as the U.S., E.U. members, and

(Continued on page 12)

[1]This is a summary of a paper that won the CSUB Student Research Competition and was presented at the system-wide competition.
[2]Anderson, David A. *Environmental Economics and Natural Resource Management*. New York: Pensive P, 2006.

At a Glance (Continued from page 2)

gallon from $2.21 to $2.68. The unit price of California's Class III milk edged up 44¢ to attain $10.20. The index of prices farmers received for their outputs rose 1 point to reach 131, while the index of prices farmers paid for their inputs jumped 4 points to arrive at 178. As a result, the parity between output prices farmers received and input prices farmers paid narrowed 1 point to reach 74.

The composite price index (2008.2 = 100) of the top five locally traded stocks inclined 11.4 points from 53.6 to 65.0. Relative to four quarters ago, the composite price index of stocks for these *market-movers* edged 35 points lower. Average stock prices fell for Chevron Corporation U.S. and San Joaquin Bank, but increased for Granite Construction, Occidental Petroleum Corporation, and Tejon Ranch Company.

Marketing Plans (Continued from page 8)

necessary or possible within the market. Place speaks to not only where the service is provided but the placement of the agency within the competition. Many public service departments represent the primary provider of community services and hence have a favored place within the market.

Promotion has to do with the advertising methods that are used to penetrate the market. It may consist of flyers and brochures to web sites and newspaper ads. The agency logo and slogan become critical ways that the department establishes market identity. Publicity is the last of the six "p"s and concerns itself with the new ways that the agency seeks to make connections with current and future customers. Promotion is more about how an agency describes itself and publicity is more about how the department presents that description.

Action Analysis: This element becomes most essential. It is here that the previously gathered information is put into play and represents those actions that seem most ap propriate to move the agency forward in connecting with current and new customers. Any gaps that have been discovered from the earlier studies become part of the action plan as well as insights that have been gained from a look at the customers, the competition and the current market approach. It is necessary to consult constraining variables such as the agency budget, mission and existing resources so that the actions stay within the realm of possibility.

Conclusion

The marketing plan process is an effective planning tool that is a help not only to the business sector but has application to government based service agencies. Many approaches are available but an analysis of the agency, customers, competition, market and an action plan underline the minimum effort. Some special skills may be necessary such as preparing a SWOT analysis or a GAP analysis. Nevertheless, market plans have many benefits in the agencies efforts to identify, connect with and create new customers.

Econ Brief

Global Economic Growth

According to the International Monetary Fund (IMF), the global economy is still in recession, but a slow recovery is ahead. It has revised its forecast of the global economy from 1.9 to 2.5 percent in 2010.

This revised forecast reflects differing stages of recovery across the globe, with continued growth in emerging economies including China and India and slow recovery in the United States and Japan. Advanced economies will continue to lead the slump this year by shrinking 3.8 percent. They are projected to grow 0.6 percent in 2010. U.S. gross domestic product will shrink 2.6 percent this year before expanding 0.8 percent in 2010. Aggressive fiscal policies and increased demand from other Asian partners will help Japan to recover from a 6 percent decline in 2009 to 1.7 percent growth in 2010. Emerging and developing economies will grow 4.7 percent next year. China's growth would accelerate to 8.5 percent next year. India's economy will expand by 6.5 percent in 2010, after a 5.4 increase percent this year.

The key to the recovery from global recession depends on restoring household confidence and repairing the international banking system. The IMF said that while financial markets and confidence in an economic recovery have improved, policy makers must remain vigilant until a sustained recovery is under way. Credit risks are high, bank lending to the private sector is sluggish and the recovery so far has been dependent primarily on public funds.

Source: Sandrine Rastello and Timothy R. Homan, Global Financial Stability Report, International Monetary Fund, July 8, 2009.

Closing California's Massive Budgetary Gap

Abbas Grammy
Professor of Economics, CSUB

California

The budget deal struck by Governor Schwarzenegger and statehouse leaders is expected to hurt state residents and delay the state's recovery from the current, deep, structural recession.

To close the state's nearly $27 billion budget gap, the agreement would cut $15.6 billion from public spending including $6 billion from kindergartens and community colleges, $2.8 billion from other public institutions of higher education, $1.3 billion from state-employee wages and salaries through furloughs, $1.3 billion from public health care and social services, and $1.2 billion from prisons. Additionally, the state would take $4.7 billion from its cities and counties and save $1.7 billion from accelerated income-tax withholding and $1.2 billion from paycheck deferral. The deal also calls for raising $1 billion in revenue by selling an insurance fund and $100 million by drilling for oil off the Santa Barbara coast. The remaining $2 billion to fully cover the budget deficit would come from a $921 million reduction in reserves and the closure of 20 percent of state parks. Signing a revised budget of $85 billion, the Governor used his line-item veto authority to cut an additional $656 million from programs for child welfare, health care for the poor, AIDS prevention, in-home supportive services, child developmental disabilities, assistance to the elderly.

The budgetary gap of $27 billion accounts for nearly 32 percent of $85 billion of California's budget and 1.5 percent of its Gross State Product (GSP). Using the national spending multiplier of 1.4, this budget cut would result in a $38 billion (or 2 percent) reduction in the GSP from $1.85 to $1.81 trillion. As a result, California's economic decline will last longer than downturns in other states. This massive budget cut would compound the continuing impact from other recessionary blows including a rising unemployment rate, widespread home foreclosures, and depressed real estate prices.

California State University

Because of the $2.8 billion reduction in the state's funding for public institutions of higher education, the California State University is facing a $584 million budget deficit in the academic year of 2009-2010. To close this unprecedented budgetary gap, the CSU Board of Trustees has taken the following steps.

Tuition Increase: Effective fall 2009, the full-time undergraduate state fee will go up 20 percent from $3,354 to $4,026 per year. This increase is in addition to a 10 percent fee increase adopted in May. Adding the average mandatory campus-based fees of $801, fulltime undergraduate students will pay approximately $4,827 per year. This increase would create $237 million in tuition fee revenues of which one-third will be set aside for financial aid. The CSU will also increase non-resident tuition from $10,170 to $11,160 per year. Adding campus fees, the total fees for full-time nonresident undergraduates will increase to $15,987. The increase is expected to generate $11.5 million in revenue to help close the budget gap.

Employee Furloughs: Effective August 1, 2009, the CSU has asked all of its 47,000 employees (except public safety personnel) to furlough two days a month as a way to protect jobs while generating essential salary savings. This 10 percent cut in wages and salaries would generate $275 million in cost reduction.

Enrollment Cuts: The CSU plans to reduce enrollment by 40,000 students over the next two years, and has closed spring 2010 admissions completely. The enrollment cuts are expected to be implemented through a combination of enrollment management tools used last fall such as increased admissions criteria for out-of-area students. Furthermore, CSU campuses will keep students from enrolling in additional state-supported courses and instead confer their degree when students have met all the necessary degree requirements.

Further Cost Cutting: Even after accounting for expenditure reductions from employee furloughs enrollment cuts and revenues from fee increases, CSU campuses and the Chancellor's Office will be asked to cut an additional $183 million from their 2009-2010 budgets. The CSU has already taken a number of cost cutting measures including a salary freeze for executives, a hiring freeze on non-essential positions, cancellation of all non-critical equipment and supply purchases, deferred maintenance, and travel restrictions.

(Continued on page 13)

Tradable Permits *(Continued from page 9)*

Canada, must take the burden and reduce pollution significantly.

Most countries agreed to such a plan; the U.S. signed the protocol but rejected to ratify it. Since more nations were joining such emission trading schemes, the program became more global and more powerful. For example, in 2006 the global market of carbon dioxide reached the volume of $30 billion. Asia was the main selling region. Asian countries were able to reduce great amounts of carbon emissions for a relatively cheap cost. Before the program they refused to do so because profit-making dictated them to keep their costs low. With the *cap-and-trade system*, they received an opportunity to decrease pollution at low costs and sell their permits to make profit. At the same time, industrialized nations, such as the U.K., other members of the E.U., and Japan are the biggest buyers of tradable permits. As a result of this program, many countries have decreased the levels of pollution; other regions took various important actions which will lead to this goal in the future.

The efforts of Europe and many other nations all over the world prove that the *cap-and-trade system* can work efficiently on a global scale. These countries showed that tradable permits not only reduce fossil-fuel pollution, they also help achieve that by reallocating resources from industrial nations to less developed countries. It is hard to understand the policy of American authorities who denied ratifying the Kyoto Protocol for such a long time. The U.S. was responsible for more than 30 percent of carbon emission among industrial countries in 1990. It is extremely important for this country to join the global program on pollution reduction.

In the short run, such policy may seem inefficient because it takes costs for either using new technology or buying permits from other countries. However, in the long run, such changes are essential to provide a better environment and nature for future generations. All individuals and especially policymakers should think globally and take a long-term approach. The *cap-and-trade system* and other environment-friendly programs are aimed to save our planet on the most economically-efficient cost. We need to preserve the earth for our own survival.

Econ Brief

Best and Worst States for Job Growth and Business

Chief Executive magazine asked 543 CEOs to evaluate each state based on taxation and regulation, workforce quality, and living environment. According to this survey the top five states in the nation are: Texas - North Carolina - Florida - Georgia - Tennessee.

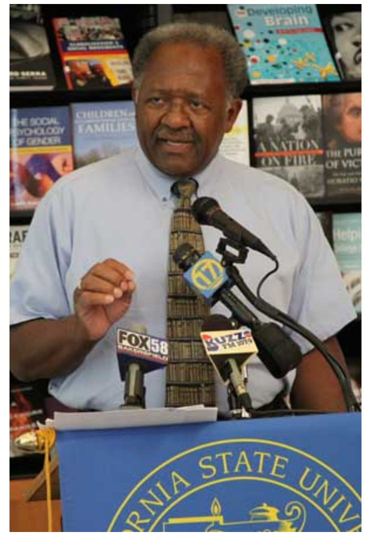
Texas maintained its top spot in the ranking for the fourth year in a row and North Carolina's ranking improved from 3rd to 2nd. The CEOs agreed that Texas and the Carolinas are most friendly to business in terms of creating new economic growth, low taxes, and a skilled workforce. Relative to the previous year, the ranking of Florida improved from 10th to 3rd, Georgia from 7th to 4th and Tennessee from 6th to 5th.

The bottom ranking states according to the survey are: Massachusetts - New Jersey - Michigan - New York - California.

For the fourth year in a row, California and New York are ranked the worst and second worst states to do business in, respectively. Michigan, New Jersey, and Massachusetts remained in the bottom five over the previous four years.
According to the CEOs, high taxes and a strong unionized labor force hinder opportunities for business growth. California, New York, and Michigan have some of the nation's highest unemployment rates. In particular, California has huge advantages in business and job growth with its large size, fair climate, skilled work force, especially in high tech, and fine quality of life. However, opportunities for business and job growth are limited because of stringent regulations, high taxes, rising unemployment, and poorly managed public finance.

Source: *Chief Executive*, Issue Date: January/February 2009, Posted On: 3/25/2009

Housing Market *(Continued from page 11)*



According to CSUB President, Dr. Horace Mitchell, the university is facing a "staggering" budget reduction of $13.5 million. He noted that "This is a difficult time for our campus community, but I am confident the university will emerge with more streamlined operations and more innovative programs. We will continue to focus on our vision of excellence and take actions that advance our goals. A high quality education opens doors to a prosperous future. Our students deserve nothing less."

Sources:
Stu Woo and Ryan Knutson, *Wall Street Journal.com*, July 22, 2009
www.csub.edu, July 22, 2009
The Associated Press, July 29, 2009,

Book Review

Malcolm Gladwell, *Outliers: The Story of Success,* Little, Brown and Company, 2008

Reviewed by: Kent Price
Lecturer in Political Science, CSUB

In his latest book *Outliers: The Story of Success*, Malcolm Gladwell, the bestselling author of the *Tipping Point* and *Blink*, again has demonstrated that he is one of the most interesting and provocative nonfiction writers of his generation. By challenging the reader to think about success in nontraditional ways, Gladwell introduces new perspectives and pathways for understanding and achieving success. His provocative writing style challenges our conventional thinking and forces us to rethink the common explanations associated with the mythology of success. From the onset, Gladwell suggests that we are not asking the right questions when it comes to success, and we are definitely looking at success from the wrong perspective. According to Gladwell, "It is not the brightest who succeed but those who have been given opportunities and have the strength and presence of mind to seize them." In short, the story of success is very complex and perhaps a lot more interesting than we had previously been led to believe.

Gladwell views success in context and introduces us to often overlooked variables that seem to matter. If we truly want to understand what makes people extraordinarily successful, then perhaps we should spend more time looking at the ordinary things around them. Gladwell urges us to explore how successful people were socialized. He suggests if we really want to understand the lives of outliers (people whose achievements fall outside normal experience), then we should consider several often unexplored variables including-family, date of birth, birthplace, culture, luck, hard work, class, and "hidden advantages".

Early in the book, Gladwell dispels the myth that natural talent (good news for many of us) is more important than hard work. He does not completely dismiss innate talent; instead he makes a cogent argument that much of what we mistakenly view as innate talent is really talent plus preparation. Gladwell maintains that the extraordinarily successful (outliers) in their chosen field are people who have put in at least 10,000 hours of practice time -the equivalent of 10 years of experience. It turns out, that it is more than just coincidence that the highly successful make the most of their human potential after they have clocked 10,000 hours of hard work and preparation. To illustrate his point, Gladwell explores one of the greatest success stories in modern history-the Beatles. Any baby boomer can recite the "public story" of the Beatles, but the back story is far more interesting and elucidating. Before the Beatles became international superstars and changed rock 'n roll and popular culture, they had a never ending "practice session" in a Hamburg, Germany strip club. Thanks to the Hamburg strip club, long before the boys from Liverpool had a taste of success in 1964, they had already performed live 1200 times. During the Hamburg days, the Beatles performed live for 270 nights in just over two years. Before their "success", the Beatles spent more time practicing and playing live on stage than any other band in the history of rock 'n roll. According to Gladwell, it's little wonder that the Beatles were outliers; before they were "successful" they managed to cram 10,000 hours, or about 10 years of practice and experience, into just a couple of years.

Throughout *Outliers*, Gladwell provides an overview of an eclectic array of academic literature and case studies to illustrate the complexities associated with success. He reminds us that the most successful are presented with unique opportunities, and unlike many, are somehow able to take full advantage of these opportunities. Gladwell argues that successful people are those who are given special opportunities, which in turn lead to further success. For example, it is the best students who get the best teaching and most attention. The biggest 10-year-olds get the most coaching and practice. It is the rich, not the poor, who get the biggest tax breaks. In short, success is the steady accumulation of advantages.

For Gladwell, the complete story of success is beyond extraordinary talent; success is about the extraordinary opportunities that outliers have in common and benefit from. After reading *Outliers*, you realize that success is more about an unexplained convergence of events and circumstances than you originally thought. Malcolm Gladwell is a gifted and compelling writer. *Outliers: The Story of Success* is a provocative read which will challenge and in many ways transform your understanding of success. It is definitely worth reading. reading.

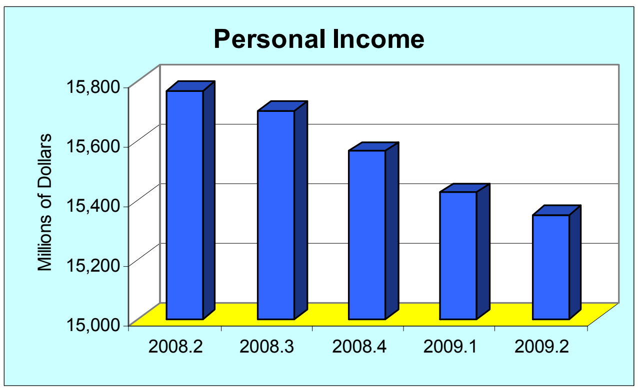
TRACKING KERN'S ECONOMY

2009 SECOND QUARTER

ABBAS P. GRAMMY
PROFESSOR OF ECONOMICS, CSUB

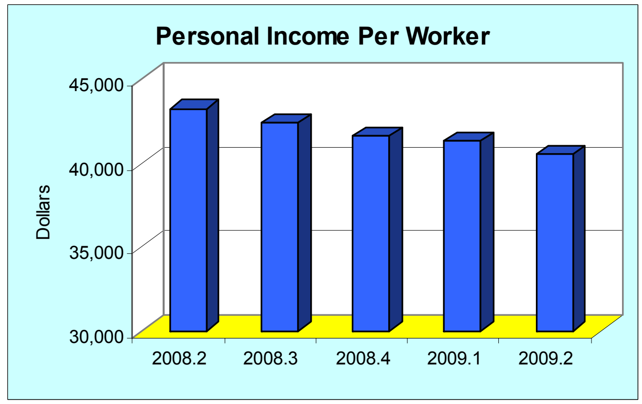
Economy

Personal Income - Kern County's personal income (in constant 1996 dollars) decreased from $15.43 billion in the first quarter to $15.35 billion in the second quarter of 2009. The county's economy lost $75 million of income this quarter. Likewise, the county's personal income was $255 million less than that of the first quarter of 2008.



Growth of Personal Income - After falling 3.6 percent in the previous quarter, Kern's economy declined at an annual rate of 2.0 percent this quarter. Compared with four quarters ago, the rate of economic growth was 4.3 percent slower.

Personal Income Per Worker - Economic decline and labor force growth caused personal income per worker to fall $800 from $41,300 in the first quarter to $40,500 in the second quarter of 2009. Personal income per worker was $2,700 less than that of four quarters ago.

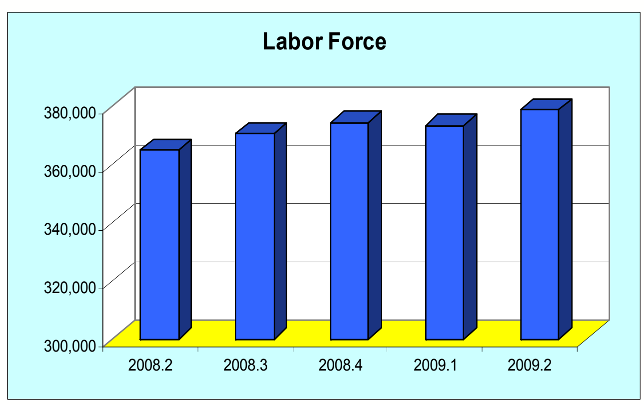


Labor Market

We have adjusted labor market data for seasonal variations and report the quarterly changes in major labor market indicators below:

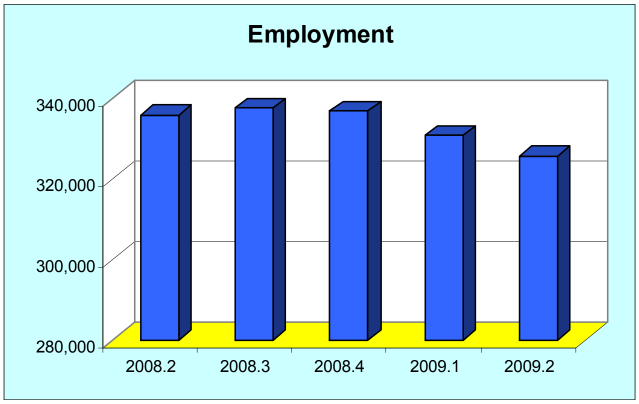
Labor Force	Total Employment	Total Unemployment	Farm Employment	Nonfarm Employment	Private-sector Employment	Public-sector Employment
5,500	-5,000	10,500	2,200	-2,200	-2,000	-200

Labor Force - The civilian labor force decreased by 5,500 workers from 373,400 in the first quarter to 378,900 in the second quarter of 2009. Likewise, the labor force has increased by 13,810 workers since the second quarter of 2008.

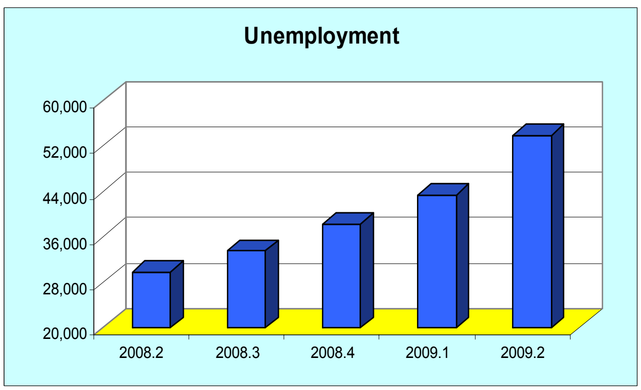


Employment - In the second quarter of 2009, Kern County's economy lost 5,000 jobs as total employment declined from 330,700 to 325,700. Similarly, the county employed 10,210 less workers since the second quarter of last year.

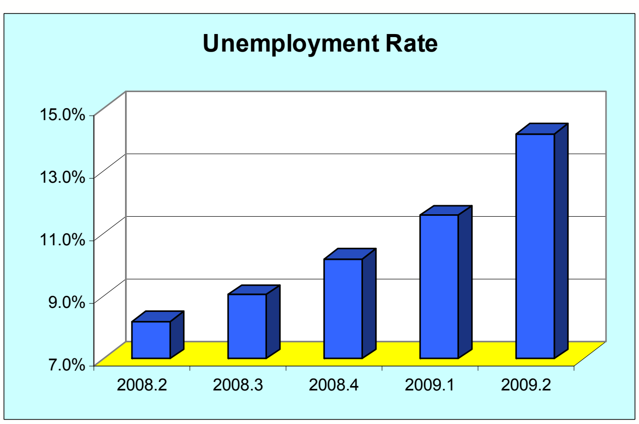
(Continued on page 16)



Unemployment - The number of jobless workers increased by 10,500 as unemployment rose from 43,300 in the first quarter to 53,800 the second quarter of 2009. Similarly, 24,020 more workers were unemployed this quarter than four quarters ago.



Unemployment Rate - The rate of unemployment climbed 2.6 percent from 11.6 percent in the first quarter to 14.2 percent in the second quarter of 2009. Likewise, this quarter's unemployment rate was 6.0 percent higher than that of four quarters ago.



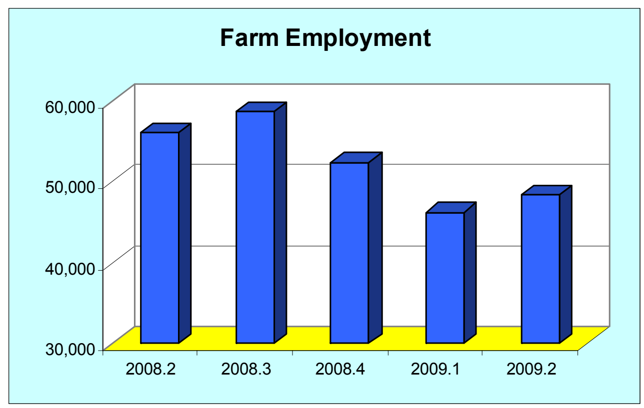
Using non-seasonally-adjusted data, the rate of unemployment varied considerably across cities. It ranged from 6 percent in Kernville to 36.2 percent in Arvin. In Bakersfield, the rate of unemployment was 10.2 percent.

Unemployment Rate of Cities

Location	Unemployment Rate (%)	Location	Unemployment Rate (%)
Kernville	6.0	Oildale	15.2
Lebec	6.5	Lake Isabella	17.3
Ridgecrest	8.4	Mojave	17.9
Tehachapi	9.8	Shafter	25.0
Inyokern	9.8	Lamont	25.2
Bakersfield	10.2	Wasco	25.9
California City	11.4	McFarland	29.0
Rosamond	11.8	Delano	35.4
Frazier Park	12.8	Arvin	36.2
Taft	14.1		

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

Farm Employment - In the second quarter of 2009, Kern County gained 2,200 farm jobs as employment increased from 46,200 to 48,400. However, the county's farm employment this quarter was 7,640 less than that of four quarters ago.

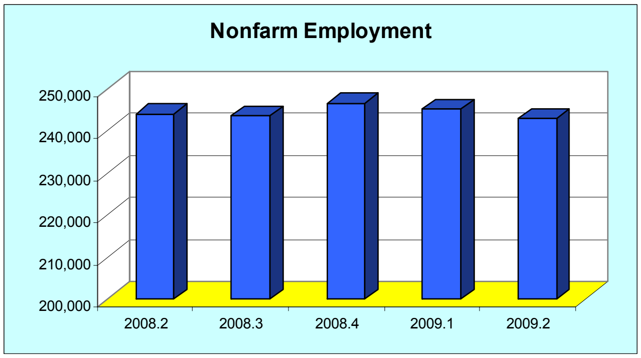


Nonfarm Employment - Kern County lost 2,200 jobs in the market for nonfarm labor. The number of jobs in this market decreased from 245,100 in the first quarter to 242,900 in the second quarter of 2009. Likewise, nonfarm industries have cut 1,100 jobs since the second quarter of 2008.

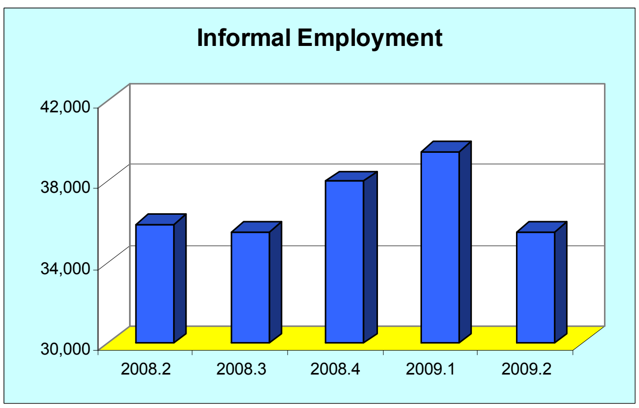
A wide range of industries cut jobs this quarter including construction, manufacturing, wholesale trade, finance, real estate, professional and business services, and county government. In the meantime, employment increased in leisure and hospitality, retail trade, transportation, warehousing and utilities, and health care and social assistance.

(Continued on page 17)

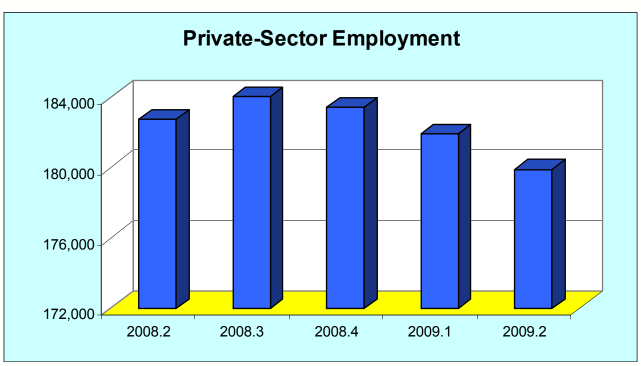
Tracking (Continued from page 16)



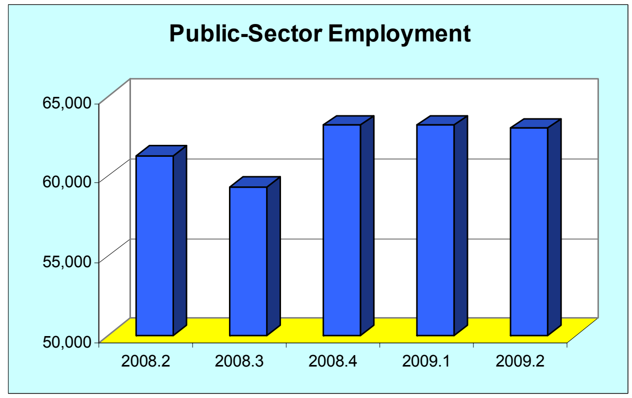
Informal Employment - Informal employment is the difference between total employment and industry employment. It accounts for self-employed workers and those who work outside their county of residence. In the second quarter of 2009, the number of workers engaged in this market decreased by 4,000 from 39,510 to 35,510. Similarly, the informal labor market had 370 less jobs relative to the second quarter of last year.



Private-sector Employment - Nonfarm employment is comprised of private-sector employment and public-sector employment. In the second quarter of 2009, private companies lost 2,000 jobs as their employment fell from 181,900 to 179,900. Similarly, the private sector offered 2,830 less jobs than that of four quarters ago.

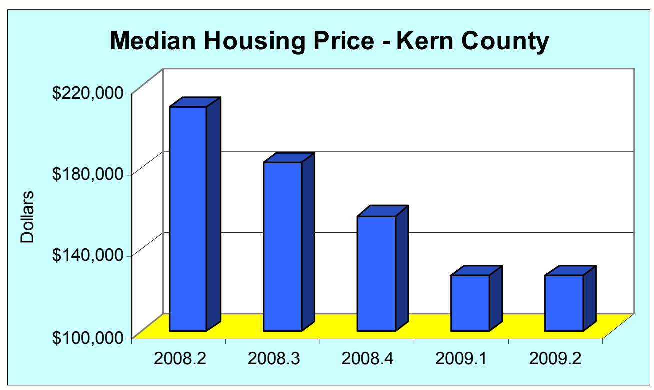


Public-sector Employment - The public sector consists of federal, state, and local government agencies. The local government labor market includes county and city agencies and public education. In the second quarter of 2009, public-sector employment declined from 63,200 to 63,000. However, the public sector employed 1,730 more workers relative to four quarters ago.



Housing Market

Housing Price - In the second quarter of 2009, Kern County's housing prices increased ever so slightly. The median sales price for all residential units appreciated $100 (or 0.2 percent) from $127,000 to $127,100. However, the county's median housing price has plunged $83,150 (or 39.5 percent) since the second quarter of last year.

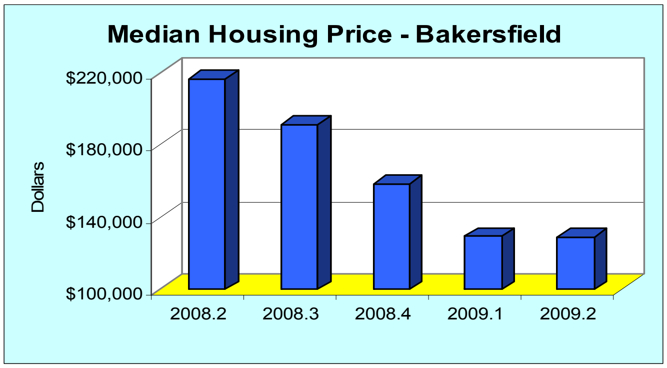


In Bakersfield, the median housing price depreciated $700 (or 0.5 percent) from $129,500 to $128,800. The city's median housing price has plunged $87,700 (or 40.5 percent) since the second quarter of 2008.

Housing price changes varied across the county. Among selected locations shown below, Delano and Taft recorded sizable appreciation rates. However, the median housing price depreciated in Bakersfield, California City, Ridgecrest, Rosamond, and Tehachapi.

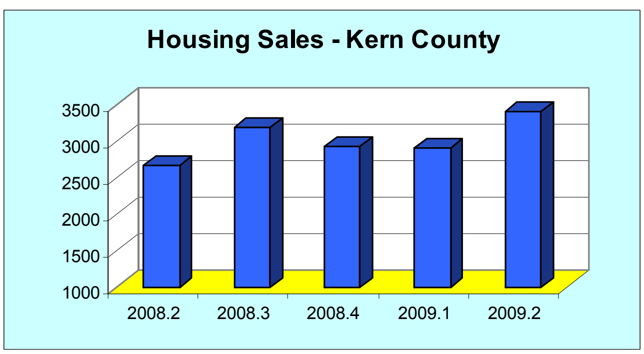
(Continued on page 18)

Tracking (Continued from page 17)



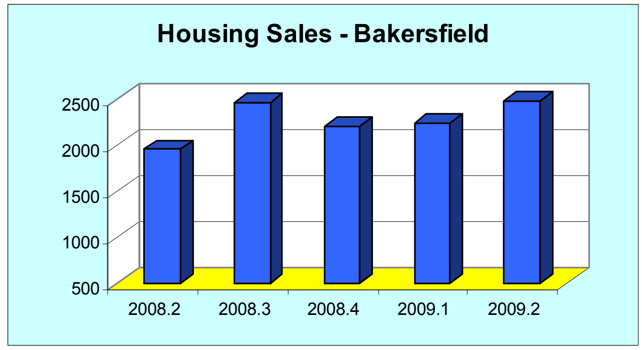
Location	Median Price 2009.1	Median Price 2009.2	Median Price Change	Median Price Change
Kern County	$127,000	$127,100	$100	0.1%
Bakersfield	$129,500	$128,800	-$700	-0.5%
California City	$69,000	$56,750	-$12,250	-17.8%
Delano	$118,500	$127,300	$8,800	7.4%
Ridgecrest	$174,300	$164,750	-$9,550	-5.5%
Rosamond	$118,700	$117,600	-$1,100	-0.9%
Taft	$69,100	$111,000	$41,900	60.6%
Tehachapi	$185,200	$184,300	-$900	-0.5%

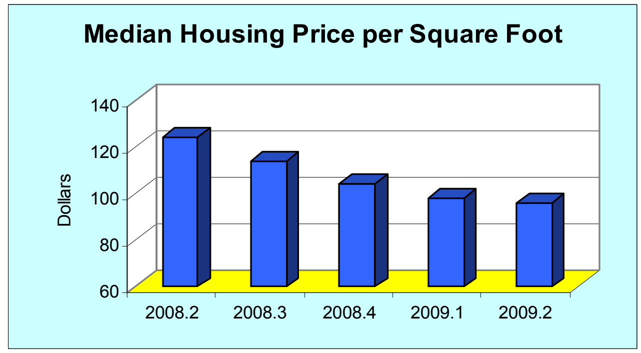
Housing Sales - In Kern County, 494 more homes were sold as the number of residential units sold inclined from 2,900 in the first quarter to 3,394 in the second quarter of 2009. Likewise, the number of units sold this quarter was 727 more than that of four quarters ago.



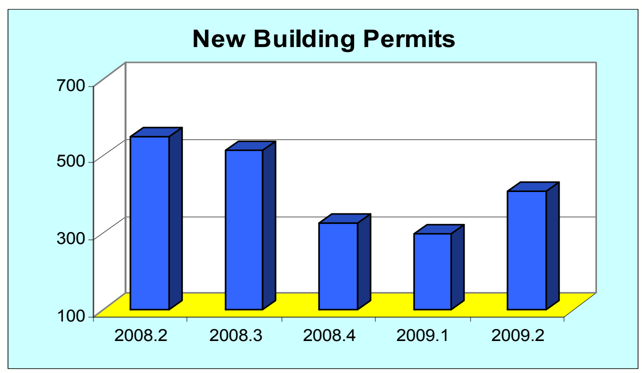
In Bakersfield, 239 more homes were sold as sales of all residential units rose from 2,239 in the first quarter to 2,478 in the second quarter of 2009. Since the second quarter of last year, sales have risen by 523 units.

Median Housing Price per Square Foot - The median sales price per square foot of housing area declined $2 from $98 in the first quarter to $96 in the second quarter of 2009. Since the second quarter of last year, the median housing price per square foot has dropped $28.





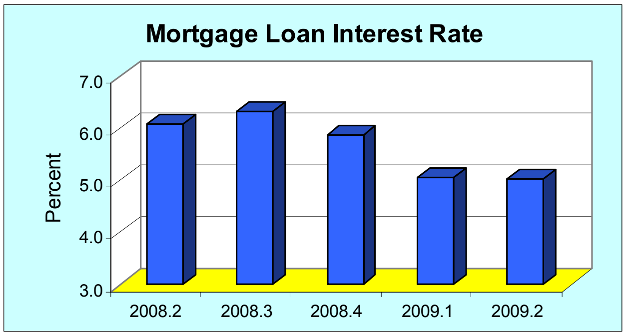
New Building Permits - In the second quarter of 2009, the number of building permits issued for the construction of new privately-owned dwelling units rose by 110 from 297 to 407. However, 143 less building permits were issued this quarter relative to four quarters ago.

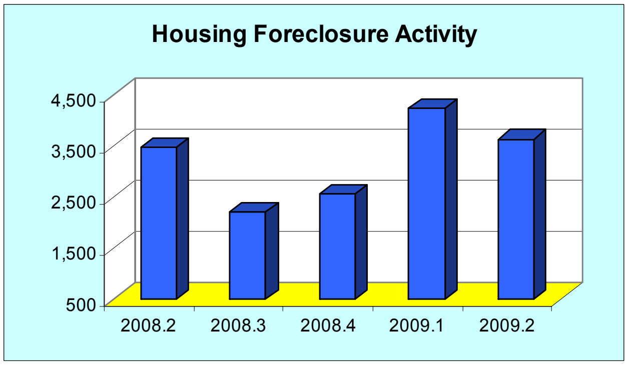


Mortgage Interest Rate - In the second quarter of 2009, the interest rate of thirty-year conventional mortgage loans decreased from 5.06 to 5.03 percent. Since the second quarter of last year, the mortgage loan interest rate has fallen 1.06 percent.

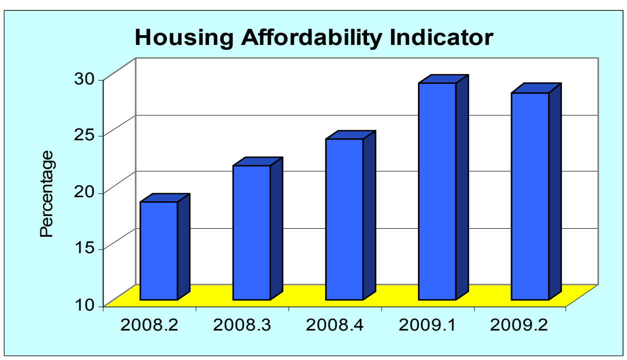
Housing Foreclosure Activity - In the second quarter of 2009, the county's foreclosure activity slowed from 4,238 to 3,628. As a result, 610 (or 14.4 percent) less homeowners received notices of loan default from their mortgage bankers. Of these 3,628 homeowners receiving loan default notices 1,913 (or 52.7 percent) lost their homes to foreclosure. Compared with four quarters ago, the number of default notices increased by 169 (or 4.9 percent).

(Continued on page 19)



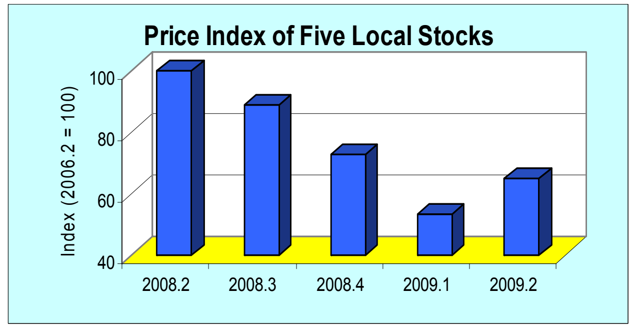


Housing Affordability - The housing affordability indicator deteriorated from 29.1 percent in the first quarter to 28.3 percent in the second quarter of 2009. However, the affordability indicator gained 9.7 percent relative to four quarters ago.

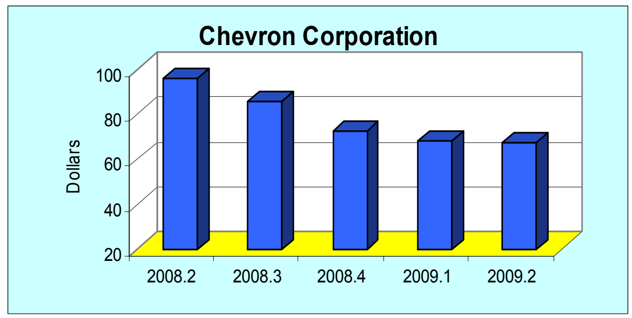


Stock Market

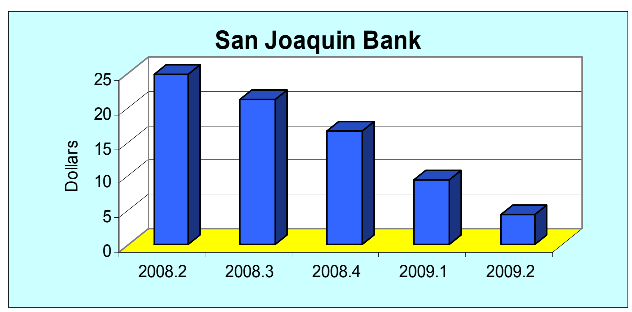
In the second quarter of 2009, the composite price index (2008.2 = 100) of the top five locally traded stocks inclined 11.4 points from 53.6 to 65.0. The index was 35 points lower than that of four quarters ago. These top five local *market-movers* are Chevron Corporation, San Joaquin Bank, Granite Construction, Occidental Petroleum Corporation, and Tejon Ranch Company.



Chevron Corporation US: CVX lost 51¢ (or 0.8 percent) per share as its price dropped from $67.99 in the first quarter to $67.48 in the second quarter of 2009. Likewise, CVX has lost $28.60 (or 29.8 percent) since the second quarter of 2008.



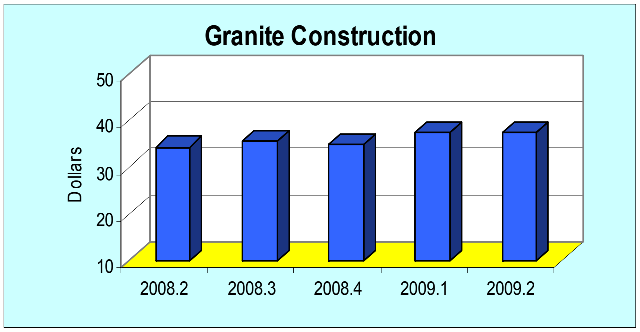
San Joaquin Bank: SJQU lost $5.10 (or 53.1 percent) per share as its price fell from $9.60 in the first quarter to $4.50 in the second quarter of 2009. Similarly, SJQU has lost $21.95 (or 83.0 percent) since the second quarter of 2008.

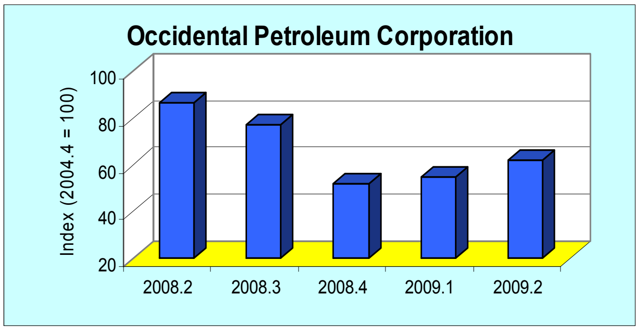


Granite Construction: GVA gained 9¢ (or 0.2 percent) per share in the second quarter of 2009 as its stock price jumped from $37.23 to $37.32 per share. Likewise, GVA has gone up $3.13 (or 9.2 percent) since the second quarter of 2008.

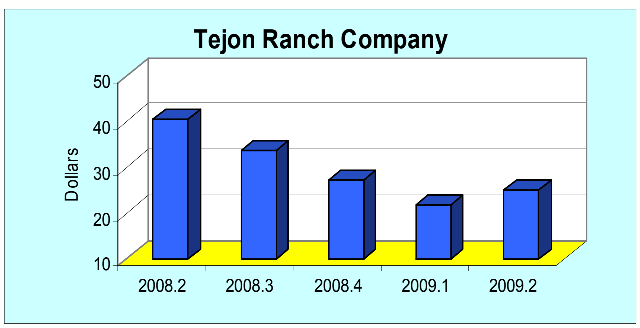
Occidental Petroleum Corporation: OXY gained $7.11 (or 12.9 percent) per share as its stock price rose from $55.05 in the first quarter to $62.16 in the second quarter of 2009. However, OXY has gone down $24.51 (or 28.3 percent) since the second quarter of 2008.

(Continued on page 20)





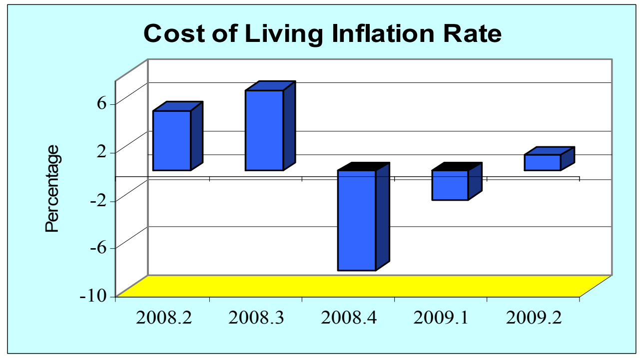
Tejon Ranch Company: TRC made $3.18 (or 14.6 percent) per share as its stock value increased from $21.85 in the first quarter to $25.03 in the second quarter of 2009. However, TRC was down $15.32 (or 38.0 percent) relative to the second quarter of 2008.

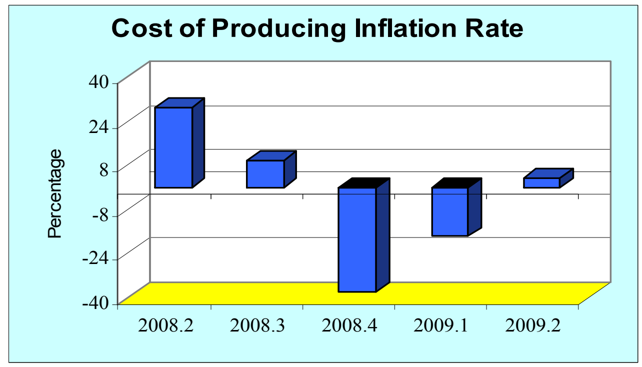


Commodity Prices

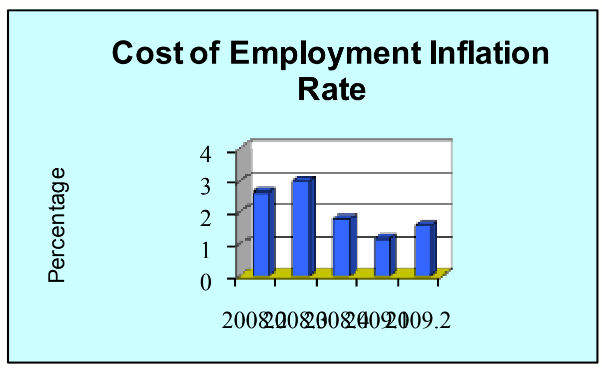
Cost of Living - The Consumer Price Index for all urban areas (1982-84 = 100) inclined from 212.6 in the first quarter to 213.3 in the second quarter of 2009. Inflation for cost of living accelerated at an annual rate of 1.3 percent. Over the previous four quarters, the cost of living inflation rate has fallen from 5.0 to 1.3 percent.

Cost of Producing - The Producer Price Index for all commodities (1996 =100) climbed from 169.5 in the first quarter to 171.0 in the second quarter of 2009. The inflation rate for cost of producing accelerated at an annual rate of 3.5 percent. Over the previous four quarters, the cost of producing inflation rate has fallen from 28.9 to 3.5 percent.





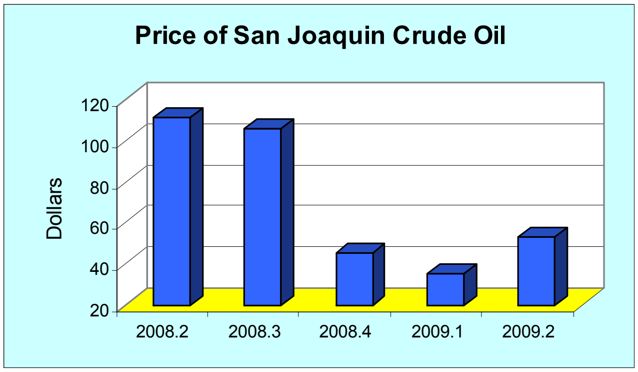
Cost of Employment - In the second quarter of 2009, the Cost of Employment Index (December 2005 = 100) increased at an annual rate of 1.6 percent as the index value rose from 109.9 to 110.3. However, the Cost of Employment inflation rate was 0.8 percent lower than that of four quarters ago.



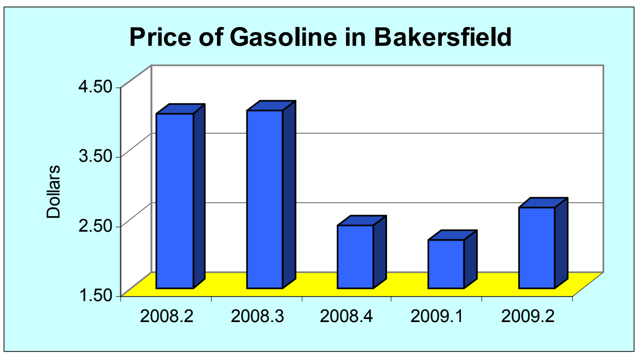
Price of Oil - The average price of San Joaquin Valley heavy crude was up $17.62 (or 39.1 percent) per barrel from $35.08 in the first quarter to $52.70 in the second quarter of 2009. However, the average price of crude oil was down $58.55 (or 68.5 percent) per barrel relative to the second quarter of 2008.

(Continued on page 21)

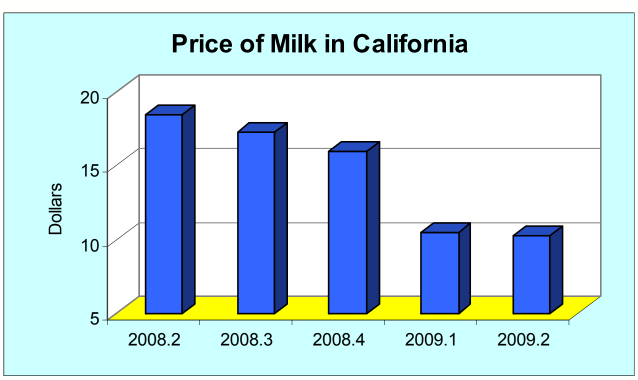
Tracking *(Continued from page 20)*



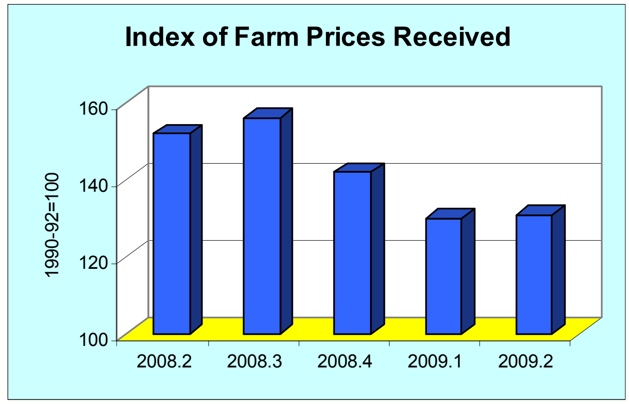
Price of Gasoline - In the Bakersfield metropolitan area, the average retail price of regular gasoline per gallon rose 47¢ (or 19.4 percent) per gallon from $2.21 in the first quarter to $2.68 in the second quarter of 2009. Compared with the first quarter of last year, the average gasoline price was down $1.35 (or 41.8 percent).



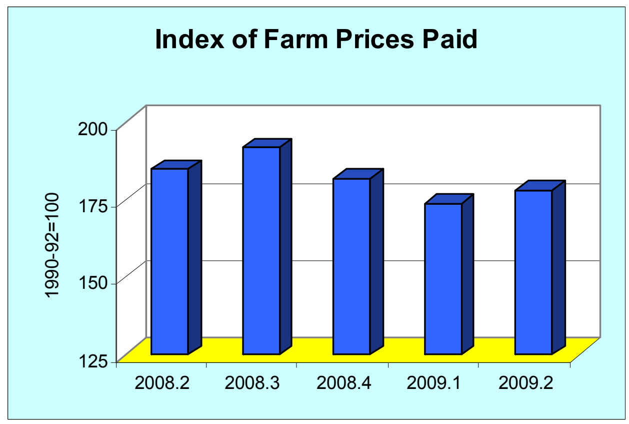
Price of Milk - The average price of California's Class III milk plunged 24¢ per cwt (or 1.5 percent) from $10.44 in the first quarter to $10.20 in the second quarter of 2009. Likewise, the unit price of milk has gone down $8.20 (or 45.3 percent) since the second quarter of 2008.



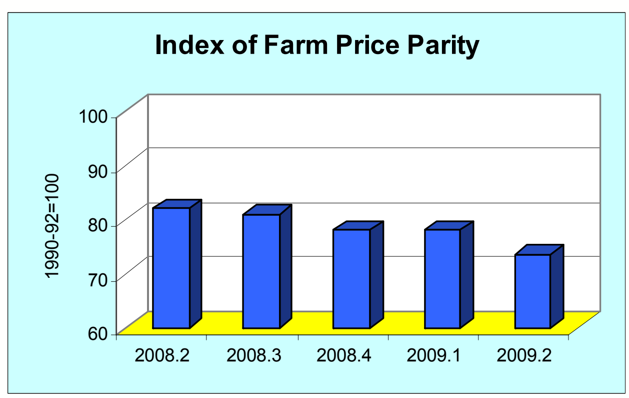
Farm Prices - In the second quarter of 2009, the national Index of Prices Received by Farmers for all farm products (1990-92 = 100) dropped 1 point to arrive at 131. This index was 21 points lower than that of four quarters ago. This index was 17 points lower than that of four quarters ago.



The national Index of Prices Paid by Farmers for commodities, services, interest, taxes, wages, and rents inclined 4 points to reach 178. However, the index has lost 7 points since the second quarter of last year.



The Index of Farm Price Parity is the Index of Prices Received by Farmers as a percentage of the Index of Prices Paid by Farmers. In the second quarter of 2009, the Index of Farm Price Parity fell 4 points from 78 to 74. However, the gap between prices paid and prices received by farmers widened 6 points since the second quarter of 2008.



Kern Economic Journal 4045
Abbas Grammy
School of Business and Public Admin.
California State University, Bakersfield
20 BDC
9001 Stockdale Highway
Bakersfield, CA 93311-1022