Questions abound regarding the current economic crisis. This edition of the Albemarle Business Report focuses on a variety of local economic well-being measures, and offers varied viewpoints from Davis School experts on what to expect, and how to confront these difficult times.

The report begins with the Albemarle Indexes appearing at the bottom of this page. These tables include county-by-county comparisons on ten indicators of economic well-being, and ten important non-economic, but critical quality-of-life attributes.

Inside, Hilton Barrett follows-up last year's article on the importance of diversity in the management team with a discussion on the role of creativity in a changing marketplace.

George Jackson sometimes deviates from merely gathering data, and does so in his article regarding the changing role of agriculture in the Albemarle regional economy.

Making the point that town and gown are interconnected, Jeanne Marquitz comments on the importance of the Davis School’s AACSB accreditation effort.

Five other faculty members weigh-in on the current economic morass. As to the root of the problem, Confidence Amadi points a finger at the inherent shortcomings of a service-based economy, while Geoffrey Mills voices concern about the practice of borrowing against assets vs. borrowing against income. Michael Worthington singles out mortgage lenders as the culprits whose practices initiated the downturn.

Knowing how we got here is important, but developing strategies for dealing with the crisis is the greater concern. Joy Smith believes that despite financial pressures, we must remember it is our customers who determine whether we succeed or fail. Jan Jasper’s eye is on cash flow, and he offers several suggestions for developing a “personal economic survival plan.”

The report includes several tables that detail activity levels and price trends in Albemarle real estate, as well as a county-by-county analysis of jobs. To wrap things up, the Executive Perspective column addresses the shortcomings of summarizing data in indexes, such as the Economic Index and Quality of Life Index. Hopefully, you’ll take a moment to read it before reaching conclusions about the relative standing between counties.
Creativity: A Competitive
Advantage

by Hilton Barrett

Every business in the United States is threatened by change: change in competition, in the market, in technology, and in government regulations. How can your business respond successfully to this environmental turbulence and the hyper-competition? I can’t give you specifics for your firm in your market in this article, but I can give you the secret tool for success in these fast-changing times – creativity. What’s that you say, creativity… how is that a secret weapon?

It’s simple. We solve business problems based on past experience. Here’s the problem (or marketing opportunity) and here’s what it’s similar to and here’s how we handled it before. Unfortunately, we have few or no past experiences to help us figure out these new problems.

Creativity is still somewhat mysterious to most of us. Yes, business people can be creative, and not just those in advertising or product development. And we can be more creative to develop better responses to the new challenges we face everyday.

OK, so what is creativity? How is it related to innovation, competitive advantage, and, of course, profits for my business? Do just a few people have this ability (and if so, how much do they cost)? Can we learn how to be more creative? All good questions and for now, let’s discuss just what is creativity.

Creativity uses divergent thinking. The goal of this type of thinking is to visualize a large number of alternative solutions to a particular problem or opportunity. We are accustomed to thinking analytically. This uses convergent thinking, and in this, we work, from many alternatives, toward the best answer, the ONE best answer. Unfortunately, in our thinking and solving of problems, we jump right into the ONE answer mentality and forget to look for the many possibilities for that ONE answer. Brainstorming is the best known of the many creative thinking tools. We need to think creatively first, to get plenty of alternatives, then think analytically to find the best answer for our business… the answer that will delight our customers and frustrate our competition.

Creativity is our production of novel, appropriate ideas. It’s the first step in innovation which is the implementation of these novel, appropriate ideas. Creativity is nothing without implementation and creating value for the customer.

Creativity starts with our knowledge and our imagination which is used to pull from our knowledge, and then transform this knowledge into a novel and appropriate way to solve the problem at hand. Don’t underestimate the power of imagination in developing creative responses. Albert Einstein stated, “Imagination is more important than knowledge.” It’s not just what you know; it’s how you use it!

Each of us has our own unique creative capabilities simply because each of us draws from our different experiences, knowledge, and personalities. There are different creative skills and some of us are better at some and worse at others. You’ll notice I used the word skills. Skills can be learned, skills can be directed, and the more we use these skills, the greater our capabilities… and the results.

Accelerating Change

Business people have observed, for some time, that the business environment is undergoing continuing change, and we have adjusted. But, in the last decade we have seen the rate of change dramatically accelerate.
Change occurs to better serve customers by improving the value provided, or to cut costs, or to have greater control of channels of distribution (certainly not an inclusive list). For example, cell technology enabled the mobile phone market revenues to take-off. Then, digital phones made cell phones obsolete, and now web-enabled phones are the standard.

Remember the old supply and demand curves at equilibrium in economics? Not applicable today. Points of equilibrium are for only brief moments of time. Change occurs and the demand is for a different product as one competitor leapfrogs another to delight and capture the customer.

People are continually developing new ways to fulfill customers’ needs. The credit card was born when Frank McNamara ran out of cash at a restaurant and his wife had to drive two hours to pay the bill (Wow, was that embarrassing!). He could have simply remembered to take more cash next time; but instead, he developed the Diner’s Club card. Evolution occurs and we now have platinum and titanium Visa and Master cards.

Merrill Lynch has been THE name in brokerage for buying stocks and bonds. Charles Schwab changed the business model for buying and selling stocks and competed as a discount broker. Today on-line buying and selling by individuals through discount brokerage firms is more the norm than the exception. Merrill Lynch is still trying to play catch-up.

The business environment is like an airplane ride through the worst of a thunderstorm – fasten your seat belts and prepare for turbulence. You’re not just competing with the firm down the street or across town, but against the firm in California which can ship goods to your customer by next day air. And against the firm in Poland which communicates over the web and has a lower cost of labor than you do. If your competition is looking to do manufacturing in Central America, you better have one great way to compete other than price, or you better be looking into assembly operations in the Dominican Republic.

2008’s headlines have included oil pricing jolts and $4 plus gallons of gas, the subprime fiasco and the financial services meltdown. The stock markets of the world are in disarray. People are continually developing new ways to fulfill customers’ needs. Merrill Lynch ran out of cash at a restaurant and his wife had to change the business model for buying and selling stocks and bonds. Charles Schwab changed the business model for buying and selling stocks and competed as a discount broker. Today on-line buying and selling by individuals through discount brokerage firms is more the norm than the exception. Merrill Lynch is still trying to play catch-up.

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As aptly put in the “Noted & Quoted” article below, North Carolina has been a leader in the southeastern United States’ economic development. Finally, as evidenced by the emerging aviation park in Elizabeth City, hi-tech industries are beginning to discover the Albemarle region.

With the close of the Elizabeth City Cotton Mills in 2008, the last remnants of textile manufacturing disappeared from northeastern North Carolina. What about agriculture? Just how important is it to our area, and how has it fared in the recent economic downturn?

Certainly, mechanization has dramatically reduced the need for laborers. That aside, agriculture remains a critical component in the economic well-being of the Albemarle area.

The tables appearing below, using the most recent USDA numbers, reveal that in every county the number of farms is decreasing dramatically. However, in every county, the average farm size is growing, with a resulting total farm acreage that is slightly larger, but not markedly different from that of fifty years ago.

For every county, except Dare, agriculture is big business, with annual revenues per county ranging from approximately $20 million to over $60 million. Moreover, several counties are statewide leaders in crop production. Pasquotank County, for example, is ranked No. 1 in production of both potatoes and sorghum. Similarly, Tyrrell County is ranked 2, 3, and 4, in production of soybeans, wheat, and corn, respectively.

Unfortunately, the leading agricultural counties do not have the highest wage levels. A look at the Labor Force Structure table, appearing on page 11, reveals that in six of the eight Albemarle area counties, wages in the “agricultural, forestry, fishing” sector are below the average county wage level. Only Dare County reports higher than average earnings in that sector, and it may well be attributed to the “fishing” component. (No data is available for Washington County).

What about stability? How has agriculture fared in these difficult times? The short answer is, a lot better than many other sectors of the economy.

The tables at the top of page 5, summarize average prices and yields for several leading Albemarle area crops. Using rough estimates based on preliminary data, it appears that prices for small grains – wheat, corn, and soybeans – have increased, while the price of cotton has decreased slightly.

A comparison of changes in volume and price levels in the agriculture sector, versus the changes in real estate volume and prices reported in real estate, suggests the Albemarle region is fortunate to have a vibrant agricultural economy.
The Walter R. Davis School of Business and Economics is in the midst of a five-year effort to obtain accreditation from the Association to Advance Collegiate Schools of Business (AACSB) International. Founded in 1916, AACSB established the first uniform standards for management education in 1919. Today, AACSB International is the largest accreditation association in the world for business schools, with members from over 70 countries.

AACSB formulates and administers standards that continuously challenge business schools to operate at the highest commitment level through quality assurance, and continuous improvement processes. The AACSB mission quite simply is excellence in management education. In order to accomplish this mission, AACSB promotes development of diversity, increasing the effectiveness of educators, and expanding the concept of value in management education.

AACSB accreditation is an extensive process that is time-consuming and difficult to achieve. It involves a comprehensive self-study, and numerous external reviews of our program. Less than seven percent of business schools worldwide meet the AACSB standards and receive professional accreditation in management education. Why is the Davis School attempting this challenging course of action?

The first question that should be answered is who are the stakeholders? In this case, the stakeholders include, but are not limited to the students, Elizabeth City State University (ECSU), the Davis School, employers in northeastern North Carolina, and the public. Many benefits impact more than one stakeholder area. Benefits to the students and future graduates cover a number of factors. Most importantly, they will get a better education. Virtually all instructors will have to meet rigorous academic and/or professional qualification standards. These individuals will be experts in their applicable areas, and they will be utilizing superior state-of-the-art teaching methods. Thus, students will be better prepared for the global business world.

Graduates will have more employment opportunities. Receiving a degree from an AACSB accredited program assures employers that graduates are high-caliber individuals with the knowledge and skills necessary to succeed in today’s complex business environment. More companies will recruit from ECSU, and it is likely that some of them will open or expand operating facilities near the university. Opportunities for regional development of northeastern North Carolina will expand due to the diversified businesses coming to the area in order to hire Davis School graduates.

Graduates will also have increased opportunities for admission into graduate schools since AACSB accreditation assures graduate admission officers that they have received a rigorous and relevant undergraduate business education. The same is true for individuals seeking professional certifications. For example, a research study revealed that AACSB graduates performed better on the Uniform Certified Public Accountant examination than non-AACSB graduates.

Assuming accreditation is achieved, ECSU and the Davis School will experience an increase in student applications for admission. This new student population will be more motivated, better qualified, and more diversified than in the past.

The benefits for the students, businesses, and the university will ripple throughout northeastern North Carolina and beyond. Achieving AACSB International business accreditation requires hard work, persistence, and resources. However, the Davis School is committed to providing our students with the best education possible for success in today’s global community and global economy. AACSB International accreditation is a big step in that direction.

“Mixing at the Biz”

Members of the local business community are invited to meet Davis School students and faculty members in the Williams Hall lobby on:

TUESDAY, FEBRUARY 17TH
5 p.m. to 6 p.m.
The current economic crisis is not a product of recent events. It was decades in the making. It is the manifestation of the transformation of the American economy from a manufacturing and farm economy to a service-based economy. The Oakridge Boys, a well-known country music group, alluded to it in their hit record “My Baby Is American Made.” Today’s recession is a product of the inherent risks associated with a highly-leveraged, service-based economy.

I often ask my students if they can identify something that they own that was completely made in the United States. They are usually hard-pressed to find one. The United States abandoned manufacturing when it accepted Enron’s vision that information was king — the view that he who holds the information holds the winning hand. Correction: he who can make use of the information, holds the winning hand, especially if the seller of the information will turn around and purchase products made with that information. Various “Free Trade Agreements” insure that these goods will flow unimpeded into the United States.

A service-based economy is like a house of cards, collapsing when exposed to the slightest of adverse conditions. Hurricane Katrina was such a catalyst, triggering a downward spiral that was exacerbated by heavy debt burdens. One of the problems with a service-based economy is that it is based almost entirely on one item in the income statement: Selling, General & Administrative Expenses. It is an overhead. The largest component of the income statement in a manufacturing economy is the cost of goods sold. It is the most difficult to reduce. It increases directly with an increase in sales. Whether you have a manufacturing or service-based economy, you must still buy the physical goods, which someone has to make.

For years the American society has down-played the role of engineering and engineers. I once was told engineers are a dime a dozen, but good managers are hard to find. So our colleges and universities answered the call, producing MBAs like they would be the magic wand that will transform society. Hefty salaries and generous compensation packages were doled out to these graduates, while the people who actually create and make the products were largely ignored. International students became the engineering students and future engineers. Unfortunately, upon graduation many of these international students went back home and carried with them their skills and knowledge.

How does this relate to the current economic crisis? Service jobs are inherently low paying. High paying service jobs (Information Peddlers) are usually out of reach of the average person. A former president of MIT in his graduation address challenged the engineering graduates to shun lucrative careers as financial engineers in Wall Street and return to the practice of engineering and product innovation. Our high paying jobs became centered around people who can repackage claims on the earnings of a physical asset (so-called “financial engineering”). Unfortunately, there is no engineering in finance.

So how have we maintained our high standard of living? You guessed it, CHARGE IT! — credit cards first, then home equity loans. Thanks to securitization of these loans, one could get a loan of up to 120%, or more, of home value with little regard to the borrower’s credit score. Securitization of loans also fed the housing boom, by providing homebuyers with a ready source of financing. People started buying homes beyond their means, and leasing luxury cars with no money down. The list goes on.

Then comes Katrina and the bottom fell out. Katrina would not have been so bad but for the speculators in the commodities market. Within a short period of time the price of oil almost quadrupled. This became the proverbial last straw that broke the camel’s back. The consumer liquidity problem heightened, exacerbating the already declining housing market. The rest, as they say, is history.

What about Wall Street? That is another story — greed and the mark-to-market rule. The spread between mortgage-backed securities’ yield and the cost of funds was so tempting that financial institutions, like Lehman Brothers, abandoned their financial intermediation role for a stake in the burgeoning market. They kept a significant portion of the securities they were underwriting, with little or no regard for the riskiness of the expected cash flow, a fatal capital budgeting mistake. Wall Street hailed the higher earnings by rewarding the firms with higher PE multiples without paying attention to the quality and risk of these earnings. The leverage ratios of these firms rose to obscene levels, with debt-to-equity ratios of more the forty times. The prevailing Wall Street view was that debt and equity were both forms of capital, and one source of capital is as good as the other.

As Waylon Jennings, the country music legend, aptly put it: WRONG, and WRONG. Equity is a cushion that absorbs losses. With such high Debt-to- Equity ratios, and the newly-implemented mark-to-market rule, these firms could not absorb the mounting losses on their huge portfolio of mortgage-backed securities. No equity translates to insolvency, hence the dire need for a cash infusion from the US Treasury.

What next you may ask? Is the government bailout going to work? How long will it take for the economy to recover? Here is my take on it: The income resulting from the proposed public works project will mostly be used to acquire more foreign-made goods. The huge deficit will be funded by borrowing more from foreign economic units, and with time, we will be right back to where we started. A permanent solution will take decades. We need to return to a manufacturing-based economy. This will take an attitude adjustment, and it will take time.
HOW DID THIS COME TO BE? continued…..

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... Davis School Faculty Members Provide Insight.

IS “CRISIS” THE BEST TERM?

—by Geoffrey Mills—

It will come as no secret to readers of this Report that the US economy is in a serious state of disarray. Economic and financial conditions are not only very bad they are also unprecedented in scope and magnitude. In this article I am going to provide three reasons why I believe we now find ourselves in such a poor position, and then a short comment on what might be the way forward.

Before I begin in earnest, I need to comment on the use of the word “crisis” as applied to the financial meltdown of autumn 2008. Crisis is a word that means something serious, sharp, even unexpected, and an event that will be over soon. A heart attack or car accident would fall into this category. What we find ourselves in now is not a true crisis in this sense. I tend to see it more as a long term illness – serious to be sure, but not an event that was unanticipated, nor one with a quick resolution.

There are three primary causes to the “Crisis of 2008.” Asset-based borrowing on the part of firms and households, stupid loan practices by the entire financial industry, and even stupider (if I can use this word) history. I will deal with these causes in turn.

Asset-Based Borrowing/Lending: For the past two decades, and certainly in the last 8 years, firms and households have borrowed and spent based in large measure on the value of the assets which served as collateral for the loans. Real estate, automobiles, vacations; everyday consumption items, were purchased based on the value of the assets which allegedly stood behind them. However, as every banker should know, somewhere, someplace, there has to be an income stream generating actual cash to service the debt. In general as assets increased in value and unemployment was low, ‘things’ were OK. But what happens when things turn from OK to not so good?

Stupid Loan Practices: Bankers and other lending officers went on a spree of collective amnesia (I am being generous here) in forgetting the five “C’s” of credit (a topic we teach to college freshmen) two of which are credit worthiness and collateral. The invention and then near universal use of subprime loans violates at least these two “C’s.” One has to reflect “what were they thinking would happen” when making 100% no down payment home and car loans to households with marginal or poor credit ratings? In some cases credit scores weren’t even checked. In many instances loans were made to those individuals on the margins of the economy who are the lowest paid and first to be laid off when the economy goes south.

Really Stupid History: As bad as it was for lenders to get heavily into asset-based lending and stupid loan practices, these were compounded enormously by bad history. No one in a position of responsibility seems to have asked, “Will the good times ever end?” And if so, what will we do then. Wall Street has a notoriously poor and short memory, seeming able to forget even something as recent as the Dot.Com bubble, let alone the Mexican financial crisis, the Asian meltdown, and the “rational exuberance” speech of Alan Greenspan.

What Comes Next: Now that this is off my chest let’s turn to what I think will be a good resolution for the economy. First, this will be a long and painful recession; our problems are serious and will take a good while to solve. But solve them we will! We are, after all, a county of problem-solving practical people. Asset-based lending and poor loan practices will be replaced by more prudent “traditional” financing by lending institutions. Good old-fashioned financial regulation will be back in vogue. Having a bunch of 28-year-old MBAs with calculators in charge of the financial system will be a thing of the past, as adult supervision will again be present on Wall Street. New industries – greener, more innovative, less energy intense – will emerge. Existing industries, such as automotive, will be forced to rethink their basic business models, rettool and innovate in ways they have not – to date – contemplated.

Bottom Line: Near future not so good … long-term outlook – excellent.

THE REAL PROBLEM: MORTGAGE LOAN PRACTICES

—by Michael Worthington—

Trust makes the world go around – or at least the economic world. Firms have to trust each other because most business is transacted on credit; so when people lose confidence in the financial system, the entire economy grinds to a halt.

Subprime mortgages triggered the financial meltdown, although they are not the only reason, or even the major reason, for the economic recession. They are adjustable rate mortgages (ARM) with low introductory interest rates set below the prime rate, which is the interest rate charged to a bank’s very best customers. But after a couple of years, the interest rates “reset” to a much higher level, increasing the payments as much as 40%.

Home values rose rapidly between 2001 and 2006, so subprime borrowers hoped that they could refinance before their rate reset, because the equity in their homes was increasing with the prices. But housing values began to decline in 2006, and many homeowners slipped “under water” when their home values sank below their loan balances. Then subprime borrowers were unable to refinance, and lenders had to foreclose when the owners could not make the sharply higher payments.

First to fail were companies that originated subprime mortgages, such as Countrywide Financial. Then financial firms that invested in mortgage-backed securities felt the squeeze, such as Bear Stearns and Lehman Brothers. The federal government even had to take over Fannie Mae (Federal National Mortgage Association) and Freddie Mac (Federal Home Loan Mortgage Corporation).

(See LOAN PRACTICES, continued on Page 8)
We’re In A Recession... Now What?

**OPTION ONE:** Become a Golden Business!

by Joy Turnheim Smith

Consumer spending is down, small businesses are closing and it seems that every day brings a new story of businesses – often even well-established businesses – closing in the wake of the economic upheaval. Consumers are concerned that businesses will go under and warranties will not be honored; returns will not be possible; or future orders will not be delivered. But all is not lost! There are several things that small business can do in order to decrease the likelihood of becoming a statistic. In their book, **Credibility**, James Kouzes and Barry Posner identify several behaviors that give individuals credibility as leaders. Businesses who lead their categories also exhibit these behaviors. The key behavior by these businesses is that they shift from the focus on “self” to the focus on others. In other words, they do unto others as they would have them do unto them. This article provides some specific ways in which you can show your customers that you subscribe to the “Golden Rule.”

**Listen to your customers.** When you’re the customer, you want the vendor to listen to what it is you want and serve your needs. Return the favor! Get to know your customers and what they need and want. Provide a buying experience that reflects the interests of the customer. Nordstrom’s has made a name for itself in providing this type of service.

**Get their feedback.** It’s no surprise that a number of companies are using surveys to determine the success of their customer experiences. You can do this as well with follow-ups on purchases – in ways that show that you were listening to the customer. At the point of purchase let them know that you’ll be following up with them, and ask them how they would like the contact to be made – mail, phone or e-mail. Then do it – the way they said they wanted to be contacted, in a respectful and timely way. And don’t make that call a sales call.

**Be trustworthy.** Trust is a fragile commodity – easily broken, not easily repaired. If you make a mistake, be accountable – don’t try to shift the blame. It may salvage the customer relationship, or at least ensure that the break in the relationship doesn’t result in further negative discussion of your business. As the old adage goes, if someone likes your service they’ll tell five people; if they don’t, they’ll tell everyone who will listen.

**Appreciate your customers.** As a small business owner in particular, you need to be accessible to your customers. The better you know your customers, the better you are able to serve them. This may mean being accessible beyond the standard nine-to-five business day. Business owners who accommodate customers get customers; business owners who ignore customer interests wind up with former customers who now ignore their business.

**Find the right employees.** Making sure that your customers have a positive experience starts with the employees. Your employees need to be motivated and follow the expectations for excellent customer service that you have established for your company. Hiring employees whose values are aligned with those of your company is the first step to having the right workforce. Interviewing candidates using role plays can help you find out whether your candidates are likely to behave as you expect your employees to behave in various situations. For existing employees, one way of making sure that this happens is to educate your employees on what behaviors are expected and why. Role play training can be helpful here as well.

The downturn in the economy is not permanent, although at times it may feel that way. By providing excellent customer service, you are improving the likelihood that your business will survive and thrive in a rough economy. Your reputation as a company is shaped by every employee in every interaction with every potential customer. Having credibility is a strong way to improve the likelihood that your business will survive.

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**The Customer is Always Right!**

**LOAN PRACTICES (continued from Page 7)**

Next to fall were companies that wrote mortgage insurance, such as AIG. Then the FDIC began to take over some major banks. Finally whole nations, such as Iceland, became insolvent.

The financial crisis flows through the entire economy. The credit freeze first affected companies that sell high-ticket items that customers typically finance, such as cars and appliances. Not only did manufacturers suffer, but so did related small businesses such as dealerships. Economic problems tend to snowball because when businesses layoff workers, the unemployed spend less money, causing other businesses to fail and layoff still more workers.

During the economic downturn, small businesses should concentrate on improving service to customers. Businesses that build strong relationships with customers, suppliers and employees during the recession, will be poised for rapid growth when the economy recovers. They should hold on to good employees, and even look for new motivated employees among those who are laid-off from other businesses.

Laid-off employees can treat the experience as an opportunity to improve their skills or to start a business. Income tax credits and federal financial aid can help cover the cost of college needed to learn new skills. Prospective entrepreneurs should focus on service businesses to avoid the cost of renting space or investing in inventory.

This recession will not end quickly, but due to aggressive government intervention, hopefully it will not turn into a depression. Businesses can expect the economy to stabilize in 2009, and then to slowly improve over the next few years – if there are no more major economic disruptions.
Today’s economic uncertainty has demonstrated in stark terms why we all need financial plans; unfortunately, sometimes it takes a soaking to get people to buy umbrellas. Now that people are considering how best to ensure their economic futures, I would like to offer a few suggestions for those interested in developing a Personal Economic Survival Plan, or PESP, to cope with the changed conditions.

Consciously or otherwise, and often on an ad hoc basis, people are already developing these: they are reducing or eliminating vacations and trips, eating out and entertaining less frequently, deferring large purchases where possible, revamping retirement plans, and – believe it or not – reducing their credit card debt. It would not be surprising if some PESPs in especially hard-pressed households included the old Richard Pryor joke, where a financially-strapped parent descended from the attic having fired a handgun and, teary-eyed, declared that “Santa Claus just committed suicide.”

Except for the small minority of Americans who somehow resisted the mass hypnosis of messages urging everyone to “spend, don’t save” and “buy now, pay later,” most people are in dire need of a PESP. Even that minority who actually lived within their means, saved and invested for retirement, and kept their hands off of their retirement money and home equity might still need a PESP, especially if they planned to retire soon and had not repositioned their portfolios accordingly five years earlier.

Unfortunately, there are no quick fixes; the suggestions that follow are simply common sense:

**Suggestion #1: Revisit Your Core Values Concerning Consumption and Debt.** I will start here because this is most “out of whack”. We knew better. We knew needs should come first, and that wants should wait until they made sense. We knew we were supposed to save for a “rainy day.” We knew the fact that we had credit card debt meant we were living beyond our means. We knew all of this…but we allowed ourselves to be conned because it felt so good at the time!

Now that reality has once again reminded us how harsh it can be when we don’t use common sense, let’s review some of our core values about consumption and debt:

**First.** Always question choices concerning both. Is it good for me? Can I afford it? Where does it fit on my list of priorities?

**Second.** Choose from the following clichés: “Just Say No” or “Patience, Grasshopper!” If you can’t pay for something outright, unless you’re talking about a large purchase such as a house or a car – or an outrageous bargain – cool your heels and save for it…period.

**Third.** Remember, in the words of a timeless Swahili saying, “Kukopa harusi, kulipa matanga” (to borrow is a wedding, to pay back a funeral). Why would you not want to make as large a down payment on large purchases as possible, unless you really want to owe as much as you can from the start and get reamed on the interest?

**Suggestion #2: Act like You Value Your Most Valuable Asset.** Why is it that we routinely undervalue our health until it’s too late (or close to it)? This primary source of our earned income, this *sine qua non* of quality of life issues, this source of tremendous expense when things go wrong with it – when we get right with it, we generate a triple win. So what do we do?

**First.** Acknowledge the damage that loss of health would cause. A hard look at the truth of this might generate the willpower to engage in behavioral change.

**Second.** Manage the risk associated with your health. When was the last time you evaluated the adequacy of your health care and disability income coverage? And what are your plans for how you will handle elder care costs, if need be?

**Third.** Actively protect your health. You don’t have to become a fanatic to question your behavior, and work to change it when necessary. Again, we know we need to learn more about what we eat and how we exercise… and it doesn’t have to cost an arm or a leg.

**Fourth.** Re-tool your skill sets. Upgrading skills not only enhances marketability, but undoubtedly enhances your psychological health and self-esteem as well.

**Suggestion #3: Learn More about Your Economy and Personal Finances.** I believe strongly that everyone should have a course in Personal Financial Planning before entering the full-time work force. At ECSU, we offer courses in Personal Financial Planning as well as Retirement Planning courses leading to the Certified Retirement Counselor designation. For those of us over fifty, we cannot afford to wait until we are on the doorstep of retirement to run our numbers. We need to think much more carefully and realistically about retirement much, much earlier. For example:

- ✔ Have you checked what your health care benefits will look like once you are retired?
- ✔ Do you know how you are going to replace your pre-retirement income once you retire, not in general but in specific terms? Have you really worked out the details of your retirement income management plan, especially in view of your recently re-valued portfolio?
- ✔ For those of you more than ten years away from retirement, KEEP YOUR HANDS OFF THE RETIREMENT MONEY! If you haven’t figured it out already, this recession demonstrates why you needed an emergency reserve!

Some politicians might suggest that some of the above may not be good for the macro-economy in the short run, but they will definitely work for your micro-economy in the long run. All markets – real estate, stock, commodity, labor – go up and come down. We can’t be sure when these turns will occur, but we can prepare by getting – and keeping – our financial houses in order. Good luck!

The Davis School is seeking internship opportunities for outstanding undergraduate business majors. Please contact Winnie Wiseman at (252) 335-3497 or via email: wwiseman@mail.ecsu.edu for additional information.
By the Numbers...

ALBEMARLE AREA REAL ESTATE

SALES

Following last year’s trend, the Albemarle area real estate market continued its slowdown. At least that’s the conclusion one reaches based on 2008 information reported by the Outer Banks and Albemarle Area Boards of Realtors. On both the mainland and on the Outer Banks, listed properties of all type stayed on the market longer.

Prices for single-family homes showed the steepest decline, with average selling prices dipping by more than 10% throughout the area. How did the Albemarle fare versus other areas? Year-end data is not available as of this writing, however 2008 3rd Quarter results reported by the National Association of Realtors indicate that nationwide, the average price on existing homes dropped 9% from a year earlier. In contrast to what appears to be the case for the Albemarle region, the drop in prices in the South (3.7%, using 3rd quarter data) was not as steep as for the rest of the nation.

On the Outer Banks, selling prices for undeveloped lots appear to have dropped almost as much as home prices. There are, however, some good signs. On the mainland, lot prices increased by 10% during 2008. Also, actual selling prices for condominiums increased throughout the Albemarle, with mainland condominium prices being up by more than 30%.

BUILDING ACTIVITIES

Like real estate sales, construction activity decreased throughout the Albemarle area. 2008 marks the fourth consecutive year that building activity decreased in all three sub-regions.

Only Washington County reported an increase in the estimated dollar value of building activity. Tyrrell County reported the steepest 2008 drop. However, a look at pre-2007 activity, suggests that 2007 was a deviation from the norm. Tyrrell County officials confirm that in 2007, one permit accounted for more than one-half of the total value in 2007. Perhaps the most telling number appears at the bottom right-hand side of the Estimated $Value of Construction table. Region-wide, overall construction activity in 2008 decreased by approximately one-third from the 2007 level.

FORECLOSURES

Foreclosure filings reported by the N.C. Administrative Office of the Courts reveal that despite Federal initiatives to combat the problem, the number of borrowers defaulting on mortgage loans continues to rise. Statewide, the number of foreclosures increased by 9% in 2008. Unfortunately, the local picture is still more bleak, with a region-wide increase of 39% for the Albemarle area.

In every local county, the foreclosure rate continued to grow during the year. Led by Pasquotank County, with a 52% increase, the majority of counties experienced foreclosure filing jumps exceeding 40%. Ironically, Chowan County experienced the smallest increase in filings (5%), despite suffering from the highest unemployment rate (8.45%) in the region.
# ALBEMARLE AREA JOBS & EMPLOYMENT STATISTICS

## Labor Force Structure

<table>
<thead>
<tr>
<th></th>
<th>Camden</th>
<th>Chowan</th>
<th>Currituck</th>
<th>Dare</th>
<th>Pasquotank</th>
<th>Perquimans</th>
<th>Washington</th>
<th>Tyrrell</th>
</tr>
</thead>
<tbody>
<tr>
<td>Av. Wage - All (weekly)</td>
<td>$65.10</td>
<td>$54.00</td>
<td>$53.50</td>
<td>$49.00</td>
<td>$57.50</td>
<td>$50.50</td>
<td>n/a</td>
<td>$463.00</td>
</tr>
<tr>
<td>% E. Wage</td>
<td>22.9%</td>
<td>18.5%</td>
<td>20.6%</td>
<td>13.7%</td>
<td>33.1%</td>
<td>35.2%</td>
<td>n/a</td>
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</tr>
<tr>
<td>Govt. Sector</td>
<td>$93.00</td>
<td>$58.00</td>
<td>$65.00</td>
<td>$74.00</td>
<td>$57.00</td>
<td>$50.00</td>
<td>n/a</td>
<td>$570.00</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>$31.50</td>
<td>$20.5%</td>
<td>$20.5%</td>
<td>17.4%</td>
<td>15.2%</td>
<td>10.2%</td>
<td>n/a</td>
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</tr>
<tr>
<td>Construction</td>
<td>$20.00</td>
<td>$53.30</td>
<td>$63.10</td>
<td>$65.00</td>
<td>4.3%</td>
<td>8.1%</td>
<td>n/a</td>
<td>2.1%</td>
</tr>
<tr>
<td>Acnmt/Food</td>
<td>$197.00</td>
<td>$111%</td>
<td>9.1%</td>
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<td>10.1%</td>
<td>8.2%</td>
<td>n/a</td>
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<tr>
<td>Ag-For-Rish</td>
<td>$9.00</td>
<td>$394.00</td>
<td>$423.00</td>
<td>$39.00</td>
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<td>2.1%</td>
<td>n/a</td>
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<tr>
<td>Manuf.</td>
<td>$1,278.00</td>
<td>$1,444.00</td>
<td>$1,454.00</td>
<td>$54.00</td>
<td>4.2%</td>
<td>1.8%</td>
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</tr>
<tr>
<td>Rrt Rent</td>
<td>$341.00</td>
<td>$500.00</td>
<td>$390.00</td>
<td>$20.00</td>
<td>0.0%</td>
<td>$390.00</td>
<td>n/a</td>
<td>$530.00</td>
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Source: N.C. Department of Commerce County Profiles

## Regional Unemployment Data

### Camden County

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</thead>
<tbody>
<tr>
<td>Labor Force</td>
<td>4,731</td>
<td>4,692</td>
<td>4,725</td>
<td>4,734</td>
<td>4,175</td>
<td>4,626</td>
<td>4,888</td>
<td>4,795</td>
<td>4,618</td>
<td>4,761</td>
<td>4,761</td>
<td>4,743</td>
<td>4,943</td>
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<tr>
<td>Rate%</td>
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<td>5.1%</td>
<td>4.4%</td>
<td>4.1%</td>
<td>4.5%</td>
<td>4.8%</td>
<td>5.4%</td>
<td>5.1%</td>
<td>5.3%</td>
<td>5.7%</td>
<td>5.7%</td>
<td>5.8%</td>
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### Chowan County

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</thead>
<tbody>
<tr>
<td>Labor Force</td>
<td>7,507</td>
<td>7,502</td>
<td>7,374</td>
<td>7,315</td>
<td>7,351</td>
<td>7,374</td>
<td>7,341</td>
<td>7,240</td>
<td>7,192</td>
<td>7,149</td>
<td>7,244</td>
<td>7,220</td>
<td>7,220</td>
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<td>Rate%</td>
<td>7.1%</td>
<td>7.1%</td>
<td>7.1%</td>
<td>6.8%</td>
<td>8.1%</td>
<td>8.1%</td>
<td>8.8%</td>
<td>8.3%</td>
<td>8.5%</td>
<td>9.0%</td>
<td>10.8%</td>
<td>11%</td>
<td>8.5%</td>
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### Currituck County

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<tbody>
<tr>
<td>Labor Force</td>
<td>12,425</td>
<td>12,325</td>
<td>12,363</td>
<td>12,388</td>
<td>12,322</td>
<td>12,357</td>
<td>12,381</td>
<td>12,529</td>
<td>12,358</td>
<td>12,532</td>
<td>12,504</td>
<td>12,632</td>
<td>12,632</td>
</tr>
<tr>
<td>Rate%</td>
<td>5.5%</td>
<td>4.8%</td>
<td>4.3%</td>
<td>3.7%</td>
<td>3.3%</td>
<td>3.4%</td>
<td>3.8%</td>
<td>4.1%</td>
<td>4.2%</td>
<td>5.3%</td>
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<td>12.1%</td>
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### Dare County

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<tbody>
<tr>
<td>Labor Force</td>
<td>20,475</td>
<td>20,211</td>
<td>20,682</td>
<td>20,126</td>
<td>23,250</td>
<td>20,920</td>
<td>20,883</td>
<td>20,188</td>
<td>24,096</td>
<td>22,514</td>
<td>21,913</td>
<td>21,719</td>
<td>21,719</td>
</tr>
<tr>
<td>Rate%</td>
<td>10.2%</td>
<td>9.6%</td>
<td>7.7%</td>
<td>7.3%</td>
<td>9.1%</td>
<td>8.1%</td>
<td>8.7%</td>
<td>8.2%</td>
<td>8.6%</td>
<td>5%</td>
<td>7.5%</td>
<td>12.1%</td>
<td>21.6%</td>
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### Pasquotank County

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<tbody>
<tr>
<td>Labor Force</td>
<td>18,848</td>
<td>18,592</td>
<td>18,834</td>
<td>18,875</td>
<td>19,625</td>
<td>19,258</td>
<td>19,502</td>
<td>19,177</td>
<td>19,060</td>
<td>18,862</td>
<td>18,823</td>
<td>18,735</td>
<td>18,735</td>
</tr>
<tr>
<td>Rate%</td>
<td>5.8%</td>
<td>6.2%</td>
<td>6.1%</td>
<td>5.8%</td>
<td>6.5%</td>
<td>6.6%</td>
<td>7.2%</td>
<td>7.1%</td>
<td>6.5%</td>
<td>6.9%</td>
<td>7.9%</td>
<td>8.4%</td>
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### Perquimans County

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<tbody>
<tr>
<td>Labor Force</td>
<td>5,000</td>
<td>5,459</td>
<td>5,516</td>
<td>5,524</td>
<td>5,578</td>
<td>5,654</td>
<td>5,716</td>
<td>5,629</td>
<td>5,627</td>
<td>5,657</td>
<td>5,960</td>
<td>5,567</td>
<td>5,567</td>
</tr>
<tr>
<td>Rate%</td>
<td>5.1%</td>
<td>5.7%</td>
<td>5.2%</td>
<td>5.2%</td>
<td>6.1%</td>
<td>6.4%</td>
<td>6.6%</td>
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### Tyrrell County

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<tbody>
<tr>
<td>Labor Force</td>
<td>2,500</td>
<td>2,415</td>
<td>2,174</td>
<td>2,191</td>
<td>2,335</td>
<td>2,427</td>
<td>2,354</td>
<td>2,316</td>
<td>2,326</td>
<td>2,351</td>
<td>2,303</td>
<td>2,322</td>
<td>2,322</td>
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<tr>
<td>Rate%</td>
<td>8.3%</td>
<td>8%</td>
<td>7%</td>
<td>6.3%</td>
<td>6.3%</td>
<td>5.8%</td>
<td>6.5%</td>
<td>8.2%</td>
<td>6%</td>
<td>7.2%</td>
<td>11.3%</td>
<td>11.5%</td>
<td>7.3%</td>
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### Washington County

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</tr>
</thead>
<tbody>
<tr>
<td>Labor Force</td>
<td>6,430</td>
<td>6,378</td>
<td>6,467</td>
<td>6,468</td>
<td>6,609</td>
<td>6,696</td>
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<td>6,833</td>
<td>7,449</td>
<td>7,438</td>
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<td>7,420</td>
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<tr>
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<td>7.3%</td>
<td>6.9%</td>
<td>6.4%</td>
<td>8.8%</td>
<td>7.1%</td>
<td>7.7%</td>
<td>7.8%</td>
<td>7.2%</td>
<td>8.7%</td>
<td>8.9%</td>
<td>9.1%</td>
<td>7.3%</td>
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</table>

Source: Employment Security Commission
Editor’s Perspective... Albemarle Indexes (or, “Introduction to Statistics”)

This year’s report introduces two indexes. One, the Albemarle Economic Index examines ten variables that are indicative of economic activity, or lack thereof. The other, the Albemarle Quality of Life Index, considers ten variables that many persons consider important measures of overall quality of life. Many other variables might have been selected for either index, with availability of information being an important consideration for what is included in the indexes.

There are eight counties in the Albemarle area. Each county is assigned scores on the twenty variables. For every variable - “Per Capita Income” for example - a score between 1 and 8 is assigned to each county, with 8 being most favorable (representing for example, the highest per capita income), and 1 being the lowest score. So far, so good.

However, this type of ranking, known statistically as “ordinal ranking,” doesn’t consider the extent of the difference between any of the underlying measures that determine our score. Consider our “Water Quality-Drinking” score. It is based on EPA water quality and monitoring/reporting violations adjusted by populations affected by each violation.

It’s much easier to conclude that no violation is better than one, and that one violation is better than two. But, how much better? Perhaps both water systems are excellent, and there’s little difference between one and two violations. Perhaps a monitoring/reporting violation is not as serious as a water quality violation. We don’t know the answers to many of the questions, so we use ordinal ranking.

Interval ranking, a more powerful statistical tool, attempts to answer the question, “how much better?” Put differently, it attempts to measure the distance between two scores. The obvious question is, why don’t we just use an interval scale rather than an ordinal one?

The not-so-obvious answer is that for many of the measures we don’t know the “how much better” answer. We know, for example, that it’s better to have less unemployment. But, is it twice as good to have 4% versus 8%, or is it just 4% better? At least it’s clear that 4% unemployment is better than 8%.

In building the indexes, the objective is to provide insight, while minimizing differences of opinion on how to interpret the data. Still, I expect many persons will disagree with the individual variables and how they are scored.

Do you think the individual ranking is a problem? Summary conclusions are more difficult! Statistical textbooks warn against using a “mean” (or average) score when using an ordinal scale. It is more acceptable to consider the “mode” (individual score that most often appears), or the “median” (the individual score that falls in the middle, with an equal number of higher and lower scores surrounding it). Accordingly, the latter two are reported here, with a cautionary warning about the limitations on their usefulness.

Readers should be equally hesitant about reaching conclusions based on the “total scores” reported for each county. For inter-county comparisons, the most valuable information is found in the relative scores on the individual components making up each index.

This year’s index figures do provide a base, which over time may well allow each county to answer the question: “This year, how much better off are we than last year?” If that can be achieved, the two indexes will become considerably more valuable measurement devices, helping us see how conditions are changing in the various counties.

— GSJ