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SCHOOL OF BUSINESS AND PUBLIC ADMINISTRATION



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# KERN ECONOMIC JOURNAL

2007 Second Quarter

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

***We wish to gratefully acknowledge the Journal sponsors:***



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

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Photo: Beehive Farm, off Highway 65 in Kern County

Photo By: Mick O'Brien

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## Econ Brief!

### Kern: Fastest Growing County of San Joaquin Valley

Kern is the fastest growing county in the San Joaquin Valley. Between January 1, 2006 and January 1, 2007, Kern County's population grew 2.8 percent from 779,500 to 801,600. This rapid growth added 22,100 residents to the county. If this growth rate continues, Kern County's population would reach one million in 10 years and double in 25 years.

Bakersfield, accounting for 40 percent of Kern County's population, grew 3.6 percent from 312,100 to 323,200. Bakersfield welcomed 11,100 new residents, who accounted for nearly one-half on the county's population growth. With the continuation of such a rapid growth rate, Bakersfield's population would exceed one-half of one million in 12 years and double in 18 years.

The fastest growing cities of the county were California City (8.9 percent), Delano (7.4 percent), and Arvin (7.3 percent). Meanwhile, the populations of Ridgecrest, McFarland, and Taft grew at less than 2 percent, while Maricopa and Wasco grew smaller.

Source: California Department of Finance,  
[www.dof.ca.gov/default.asp](http://www.dof.ca.gov/default.asp)

Location	Population		Population Growth	
	January 1, 2006	January 1, 2007	Rate (%)	Number
<b>Kern</b>	<b>779,490</b>	<b>801,648</b>	<b>2.8</b>	<b>22,158</b>
Bakersfield	312,087	323,213	3.6	11,126
Delano	49,393	53,037	7.4	3,644
Ridgecrest	27,530	27,944	1.5	414
Wasco	24,303	24,156	-0.6	-147
Arvin	15,042	16,138	7.3	1,096
Shafter	14,512	14,982	3.2	470
California City	12,056	13,123	8.9	1,067
Tehachapi	12,617	13,063	3.5	446
McFarland	12,545	12,686	1.1	141
Taft	9,152	9,161	0.1	9
Maricopa	1,137	1,135	-0.2	-2
Balance of County	289,116	293,010	1.3	3,894

# ECONOMY AT A GLANCE!

*ABBAS P. GRAMMY*

PROFESSOR OF ECONOMICS, CSUB

Preliminary data indicate that the U.S. economy pulled out of a sharp winter slump and grew at a rapid pace in spring. Recovering from a sluggish growth rate of 0.6 percent in the first quarter, the GDP grew at an annual rate of 3.4 percent in the second quarter of 2007. Several factors contributed to this faster growth rate including greater consumer, business, and government expenditures and increased export earnings. However, the Index of Leading Economic Indicators remained constant at 137.7, suggesting sluggish growth in the next 4 to 6 months. Likewise, the rate of unemployment remained constant at 4.5 percent. In the meantime, worries about inflation grew larger as the cost of living soared 5.8 percent; the cost of producing climbed 13.6 percent; and the cost of employment rose 3.5 percent.

In California, the unemployment rate increased from 4.8 to 5.2 percent. The state's economy added 68,400 members to its workforce, of whom 4,000 were employed and 64,400 were jobless. While 35,300 farm jobs were lost, non-farm industries added 34,900 paid positions.

In Kern County, labor market conditions improved. The county's economy created 5,900 jobs including 5,100 in farming and 5,200 in nonfarm activities. However, 4,400 jobs were cut in the market for self-employed workers and those working outside the county. In the nonfarm labor market, government agencies added 2,400 jobs and private companies created 2,800 paid positions. In the meantime, the number of unemployed workers declined by 1,100 and the rate of unemployment fell 0.5 percent from 8.5 to 8.0 percent. The rate of unemployment was below the county average in Bakersfield (5.5 percent), California City (6.2 percent) and Ridgecrest (4.5 percent).

Kern's economic growth accelerated from 2.0 to 3.6 percent. The county's economy generated \$15.5 billion in personal income, \$140 million more than the previous quarter. As a result of the economy growing faster than the workforce, personal income per worker increased \$270 to reach \$49,420. Kern County consumers became slightly less optimistic about their employment and financial conditions as the *Consumer Confidence Index* fell from 125 to 120. Nevertheless, Kern County businesses expressed greater confidence in their employment and financial conditions as the *Business Outlook Index* rose from 117 to 120.

Kern's housing market continued to soften. The county's median sales price for all residential units decreased \$6,300 (or 2.4 percent) to reach \$261,000 and the number of houses sold dropped 33 units (or 1.3 percent) from 2,529 to 2,496. In Bakersfield, the median housing price depreciated \$7,200 (or 2.6 percent) to arrive at \$274,500 and 113 homes were sold as sales fell from 1,894 to 1,781. With the rise in labor income and the fall in housing prices, the index of housing affordability increased from 14.2 to 14.6 percent. However, the number of building permits issued for the construction of new privately-owned dwellings decreased by 261 from 1,372 to 1,111. Foreclosure activity climbed from 1,297 to 1,593 as 296 more homeowners received notices of loan default from their mortgage bankers.

In commodity markets, the average price of San Joaquin crude oil increased \$8.50 to reach \$55.59 per barrel and the average price of regular gasoline in Bakersfield soared 0.53¢ to arrive at \$3.23 per gallon. Likewise, the unit price of California's Class III milk edged up \$3.67 to attain \$17.95. The index of prices farmers received for their outputs climbed 10 percentage points to reach 138 and the index of prices farmers paid for their inputs increased 5 percentage points to attain 158. As a result, the parity between output prices farmers received and input prices farmers paid improved 3 percentage points.

In the second quarter of 2007, the composite price index of stocks for the top five *market-movers* in Kern County (2006.2 = 100) recovered 7.3 percentage points from 111.7 to 119.0. Relative to four quarters ago, the composite price index of stocks for these *market-movers* edged 19 percent higher. While stocks of Chevron, Granite Construction, and Occidental Petroleum gained value, the price per share declined for San Joaquin Bank and Tejon Ranch Company.



# KERN COUNTY BUSINESS OUTLOOK SURVEY

**ABBAS P. GRAMMY**

PROFESSOR OF ECONOMICS, CSUB



**B**usiness optimism improved in Kern County. In the second quarter of 2007, the *Business Outlook Index* rose 3 percentage points to arrive at 120. This gain in business confidence reversed the declining trend of the index over the previous five quarters. Nevertheless, the index value was 11 percentage points lower than that of four quarters ago.

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

In addition to the overall index, we calculated two sub-index values. The *Index of Current Conditions* climbed 9 percentage points to reach 115. However, the *Index of Future Conditions* remained unchanged at 125. These results indicate that business managers, while more optimistic about current conditions, have not revised their future perceptions. Business confidence about current

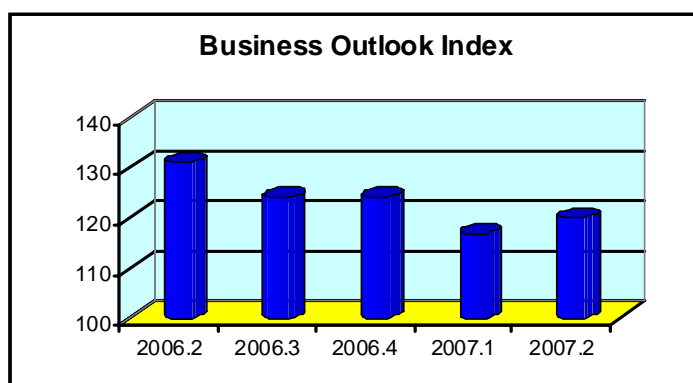
and future conditions has eroded since the second quarter of 2006.

**Employment Outlook** – Fifty-five percent of interviewees reported that the number of jobs in their companies stayed constant this quarter, but 31 percent said more jobs were available in their companies. Looking ahead, 60 percent perceived that the number of jobs would stay constant, whereas 24 percent expected their companies to hire more workers next quarter.

**Financial Outlook** – Thirty-four percent of survey respondents reported that financial conditions (sales and profits) of their companies were constant this quarter, whereas 46 percent indicated increased profits and sales. Predicting next quarter, 30 percent expected financial conditions of their companies to remain constant, but 60 percent anticipated increased sales and profits.

**Industry Outlook** – Forty-nine percent perceived that employment and general business conditions of their industries remained the same as the previous quarter, and 31 percent felt these conditions improved. Thinking one quarter ahead, 57 percent anticipated that employment and general business conditions of their industries would be unchanged, but 33 percent expected progress.

*(Continued on page 5)*



	Current Quarter	Previous Quarter	Four Quarters Ago
<b>Index of Business Outlook</b>	<b>120</b>	<b>117</b>	<b>131</b>
Index of Current Conditions	115	106	130
Index of Future Conditions	125	125	133

# BAKERSFIELD CONSUMER SENTIMENT SURVEY

MARK EVANS

INTERIM DEAN AND ECONOMICS PROFESSOR, CSUB



The Bakersfield Index of Consumer Sentiment attained a “ho-hum” reading of 120 in second quarter 2007, down from 125 in each of the two preceding quarters. The University of Michigan’s national Index of Consumer Sentiment retreated to 87 from a reading of 92 in the first quarter of 2007.

Although the absolute levels of the national and local indexes cannot be directly compared, their distribution functions convey information about local versus national sentiment. Locally, households have been more optimistic 50 percent of the time and less optimistic fifty percent of the time since CSUB began tabulating the Bakersfield index in 1999. However, a reading of 86.9 falls well short of the median for the national index over this same period. In fact, households have been more optimistic at the national level in four-fifths of the quarters since 1999 and more pessimistic only one-fifth of the time.

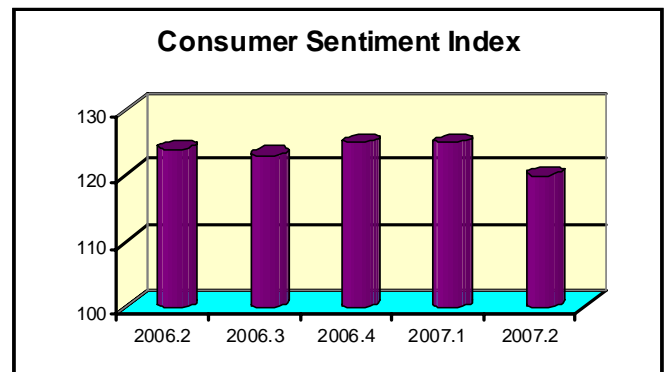
We compile the Bakersfield Consumer Sentiment Index from telephone surveys administered to a random sample of households listed in the phone book. The index is constructed and reported to help local business leaders compare national and local trends in expectations. The index also may provide insight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

The Bakersfield index is disaggregated into sub-indexes relating to current financial conditions and future expectations. For the past four quarters, households were considerably more bullish about their current situation than their future. In the second quarter, these assessments of the present and future converged. The subindex measuring current financial conditions decreased from 138 to 119, while the sub-index measuring future expectations increased from 111 to 121.

The sub-index measuring current financial conditions is constructed from questions relating to discretionary spending and financial well-being compared to one year ago. This sub-index declined in the most recent quarter due to decreases in the percent of households who perceived that they and their local acquaintances became financially better off. In the first quarter, 65 percent of

respondents indicated they became financially better off, while only 44 percent reported an improvement in the most recent quarter. Previously, nearly 70 percent perceived their local acquaintances to be better off compared to only 27 percent in the most recent quarter. Table 2 indicates that ten percent reported they were worse off and eight percent thought their acquaintances were worse off in the second quarter. One quarter ago, these negative outcomes were reported by six and two percent of the sample, respectively.

Expectations for the coming year improved relative to the previous quarter for a couple reasons. While one-in-three households thought it was a safe time to draw down savings or incur debt in the first quarter, only one-in-four were willing to “stick their neck out” in the second quarter. While there was little change in self assessments of well-being for the coming year, respondents perceived their acquaintances in Kern County to be more optimistic and less fearful about the coming year than previously. The percentage reporting their acquaintances were optimistic about the coming year increased from 28 to 35 percent, while the percentage who considered their acquaintances to be fearful about the coming year plunged from 35 to 6 percent.



(Continued on page 5)

<b>Table 1: Index Values</b>			
	This Quarter	Last Quarter	4 Quarters Ago
<b>Bakersfield Consumer Sentiment Index</b>	<b>120</b>	<b>125</b>	<b>124</b>
Subindex: Current Conditions	119	138	143
Subindex: Future Expectations	121	111	105

<b>Table 2: Recent Buying and Financial Trends</b>			
	More than usual	Same as usual	Less than usual
Your recent spending on discretionary items (dining out, weekend outings, entertainment).	21%	63%	16%
	Better off	Same	Worse off
How your family is doing financially compared to one year ago.	44%	47%	9%
How your acquaintances in Kern County are doing financially compared to one year ago.	27%	63%	10%

<b>Table 3: Future Expectations</b>			
	Better or more stable	About the same	Worse or more risky
The most likely financial situation of your family one year from now.	39%	53%	8%
	Optimistic	Neutral	Fearful
How your acquaintances in Kern County view the coming year.	35%	59%	6%
	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?	25%	53%	22%

**Business Outlook** (Continued from page 3)

**Economic Outlook** – When asked about Kern County’s economy, 54 percent of interviewees perceived no improvement this quarter, but 25 percent felt conditions improved. Likewise, 59 percent felt that economic conditions would be unchanged next quarter and 30 percent anticipated that the economy would get better.

**Factors Affecting Business Outlook** – We asked business managers to identify factors that have affected employment and financial conditions of their companies. They felt the following factors brightened the business outlook:

- Increased business in health-care, wellness, and fitness
- Increased business in home remodeling
- Still high oil prices

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

- Continued slump in the residential real estate market
- Rising fuel prices
- Poor air quality discouraging business and household relocation

# THE CEO PROFILE!



## Introduction

**B**ruce Freeman serves as President of Castle & Cooke's Mainland Communities Division; responsible for development on new residential master planned communities, retail shopping centers, industrial development, office development, apartment development, active adult communities, and golf courses on the mainland United States (i.e., excludes Hawaii).

Freeman holds a B.A. from Harvard College and a M.B.A. from Stanford University School of Business. He serves on the California State University at Bakersfield's Foundation Board of Trustees, the Chairman's Circle for the Kern Economic Development Corporation, the Board of Directors for the Bakersfield Symphony Orchestra, and the Board of Directors for the Greater Bakersfield Chamber of Commerce.

Freeman was the keynote speaker for the Kern County Transportation Symposium in May 1995. He was the commencement speaker for California State University's School of Business and Public Administration in 1998 and was the keynote speaker for the African American Network's Martin Luther King Day in January 2000. He was the Honorary Chairman for Junior Achievement for the year 2000. He was awarded the Kern Literacy Council's Leader of the Year for 2003. Freeman was recognized as the Beta Gamma Sigma Chapter Honoree and inducted into BGS in the Spring of 2006. This recognition is given to an individual in the local business community who shows academic excellence in their business.

Freeman is married to Monika and they have four children: Megan, Molly, Bianca, and Anton.

## Interview

### **What is the mission of Castle & Cooke?**

Castle & Cooke's mission is to build communities that will enhance people's quality of life by creating beauty and a sense of place that will improve both the physical and social wellbeing of its residents.

### **How has Castle & Cooke contributed to real estate development in Kern County over the past 25 years?**

Castle & Cooke purchased the real estate assets of Tenneco West in 1987; this consisted primarily of land west of Gosford Road and south of Brimhall Road in Southwest Bakersfield. Castle & Cooke's development philosophy differed from Tenneco's in that it is a developer of master-planned communities, including developing housing, commercial buildings, and country clubs. Tenneco was strictly a land developer. Castle & Cooke purchased the Tenneco land believing that Bakersfield had a promising future and that by upscaling the quality of the real estate development, Castle & Cooke could help attract more jobs and more people to the region. We believe that we have, in fact, raised the bar on real estate development in Bakersfield with all of our developments, most notably the Marketplace, Seven Oaks, and the Brighton Communities.

### **What do you think about the pattern of "smart growth" in Bakersfield?**

The city needs to be a bit more sensitive to the impacts of approving projects that are not contiguous to existing developments. It also needs to consider policies to strongly encourage higher density development since this, together with approving only contiguous developments, could significantly reduce sprawl. The city should also require more parks, both small and large, to bring open space into the neighborhoods to promote walking, biking and social interactions among neighbors.

### **How does Castle & Cooke contribute to the economy of Kern County?**

Castle & Cooke invests approximately \$200 million of direct investment into residential and commercial projects in Kern County each year. This all goes in to our local economy creating thousands of jobs. In addition, the high quality and visual appeal of our residential and commercial projects helps draw new companies as well as residents to Bakersfield.

*(Continued on page 8)*



# MULTILEVEL MARKETING: NOT FOR EVERYONE

*RON PIMENTEL*

ASSOCIATE PROFESSOR OF MARKETING, CSUB



A direct selling organization (DSO) uses direct selling techniques and its own sales force to sell to final consumers, rather than using retailers as intermediaries. Examples include such familiar companies as Avon, Tupperware, and Pampered Chef. \$93 billion of sales were made in this manner by 53 million salespeople in 2005 (Coughlan et al, p. 456). Virtually every type of product is sold this way, but consumable products with lots of repeat orders are particularly well suited for it.

In countries such as Switzerland, Brazil, and India, direct selling is popular and likely to be the main source of income for DSO salespeople. In the United States, however, it is usually done merely as a sideline. The few who become wealthy as DSO salespeople in this country are generally those who have established themselves in high levels of multi-level direct selling organizations (MLDSO). Amway is a familiar example of a MLDSO. In these organizations individuals can make money by selling the product themselves, but they have greater potential for earnings that are received as a percentage of sales made by other salespeople that they have recruited into their organization.

The potential of making good money in MLDSOs has led to abuses, such as illegal pyramid schemes. In a pyramid scheme, the emphasis is entirely on recruiting new downline members, not on selling actual products. Persuasive individuals sell the dream of money for nothing and take advantage of naïve individuals who will not be able to successfully recruit enough of their own downline members to recoup their original investment. Pyramid schemes require a high non-refundable fee to join. These fees are the main source of income for the upline members. They can take various forms such as charging a large monetary fee, requiring new members to purchase an expensive start-up kit, or requiring members to buy large inventories each month in order to qualify for commissions (“frontloading”).

Legitimate DSOs and MLDSOs are concerned about the abuses of the pyramid schemes and the reputation of their industry. They have established the following standards:

- Low cost to join
- Members can return unsold merchandise for a refund of 90% or more
- Rewards are based on sales of products, not on recruiting of downline members
- Only qualified individuals are recruited—only involve those who are likely to succeed

Occasionally I am approached by someone who has been introduced to an MLDSO and is seeking my advice as to whether they should join up. It takes a certain type of person to be successful. Years ago, I clipped a newspaper column that gives a good perspective: “Picture this: You’re at a charity function and the group needs to raise some money. Someone says, ‘Let’s have a raffle—we could each sell a hundred tickets easy. Come ON!!! It’ll be FUN!!!’ And pretty soon everyone is agreeing, swept up in the enthusiasm. THAT’S the person who should go into multilevel marketing (Nelson and Dauten, page 4-D).” In addition, I would ask anyone considering an MLDSO (or other DSO) to answer some questions:

- Do you love selling? Is that how you would really enjoy spending your spare time? Otherwise it would be difficult to keep yourself motivated and put in the time and effort necessary to succeed.
- Are you good at it? People who are good at this are the same ones who would also be successful in many other forms of selling.
- Are you comfortable asking your friends for money? Success with DSOs usually comes from selling to your social network—would you be comfortable with that?
- Is this really what you want to sell? If you have the qualifications for this kind of selling, you would also probably be good at industrial sales and could enjoy a career with a base salary, great benefits, a company car, an expense account, base salary, etc., that you would not get from a DSO.

*(Continued on page 8)*

### What should California do in assisting Kern County to continue to grow and develop?

California is unlikely to do anything to assist Kern County and we should not wait for the State to solve our problems. Our Chamber of Commerce and our legislators need to be aggressive in preventing more laws that actually harm our citizens by killing future jobs. Our legislators (from both parties) also need to be aggressive in helping us get our fair share of state funds. However, it is only our own creativity and tenacity to solve our own problems in education, transportation, crime, etc., that will determine our success as a community.

Our community has great potential but our challenge is to begin acting like one family, a team if you will, that

must work together to solve the future problems. We cannot afford to play the blame game or the victim game. We cannot afford the internecine warfare of city vs. city, county vs. city environmentalist vs. developer, media vs. everyone, where individual agendas always take precedence of over what is best for the community. This is truly our greatest threat. Only communities that devote their collective minds, and hearts, and energies to solving problems together will prosper in the future. Those that do not will fall further and further behind.

We must remember that all the cities and counties in California are competing to attract the best citizens, the best employers, and to create the highest quality of life. It is everyone's responsibility to help us win this competition.

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### Multilevel Marketing (Continued from page 7)

If you decide to become involved with a DSO, you will want it to be a good one. Consider the following:

- Standards—does the company follow the DSO standards listed above? Get a written copy of their policies.
- Product value—are they good products at a good price? Would you feel good selling them to your friends—i.e. could they buy because it is a good value and not just as a personal favor to you?
- Financially sound company—will you get stuck with inventory of a company that has gone out of business? Check Dunn & Bradstreet or some other report of company financial strength.
- Legal/ethical company—were deceptive practices used to get you to hear about it? Check with the Better Business Bureau. Google the company. Is there any information about litigation against them? Is anybody posting complaints about them?

In conclusion, many people enjoy their involvement with multilevel direct sales, but only certain people are likely to be successful at it, and even those people should be careful about which organization they join.

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# THE WORKFORCE AND AMERICAN CULTURE

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Reaching back to the beginning of the American experience, sociologists have worked to identify, describe and understand the different generations that have made up the American fabric. The purpose of this effort has been to help us better understand the American populace. Demographers have discovered and categorized as many as thirty different generational periods. We are most familiar with the four generations that currently make up our social experience, the Silent Generation (those individuals born between 1925 and 1945), Baby Boomers (those born between 1946 and 1964), Generation X (those born from 1961 to 1981) and Millennials (those born from 1977 through 2003). Social observers do debate the exact dates and terms used to describe these generations, so it is not uncommon to find variations to this American phenomenon.

## Silent Generation

This term was first coined in 1951 by *Time* magazine to describe those people born from 1925 to 1945. The image as the silent generation was that of hard workers who did not seek public recognition and respected authority and left leadership to those elected or appointed. Other terms that have been used to label this generation have been the post war generation, GI generation, the seekers and Tom Brokaw's, the greatest generation.

This generation was influenced by the Great Depression, World War II, the automobile and the GI Bill. They experienced economic success during the post crisis era of the 1950s and have been noted as the "company man" or the "family man." They are retired and generally live in affluence and memories of success. This generation, partly because of their age, is more easily recognized in the media. Members of this generation include: Johnny Carson (1925), William F. Buckley (1925), Cesar Chavez (1927), Martin Luther King (1929), Sandra Day O'Connor (1930), Mickey Mantle (1931), Carl Sagan (1934), Tom Brokaw (1940), and Muhammad Ali (1942). Their children are the baby boomer generation and are called such because of the delay in the silent generation marrying and having children until the ending of World War II and the men of that generation grouped away in the military.

## Baby Boomers

This term was popularized by the book *Boomer Generation* and describes those individuals born between 1946 to 1964. Other terms coined for this group include the Cold War Generation, Echo Boomers and Shadow Boomers (referring specifically to those born between 1958 to 1963). The baby boomer icon was an attempt by sociologists to identify the rather large number of people born post World War II and hence a boom of births.

This generation was influenced by a free world economy, hippies, the Kennedy assassination, the moon landing, Vietnam War, Civil Rights movements, counter culture, the military draft and television. They have been noted as idealist, those needing relevance, self focused and concerned with social leadership. Mid-life evaluation and career change highlight the group with the rejection of micromanagement philosophy, being overly educated with general affluence in which their generational mark is still being made. This generation might be recognized by Bill Clinton (1946) and George Bush (1946), Bill Gates (1955) and Michael Jackson (1958). The baby boomers children are the X generation so coined with the X representing a less defined and perhaps even nameless generation. The baby boomer generation was influenced significantly by the silent generation by either a rejection of the earlier generation beliefs or by readopting them with new and different perspectives.

## Generation X

This term was first used in 1964 in *Women's Own Magazine* but popularized by the Douglas Coupland book *Generation X: Tales for an Accelerated Culture*. The phrase attempts to describe those individuals born between 1961 to 1981 and the X refers to a generation that is nameless, less defined, perhaps lost or even alienated from the previous generation. Other terms used to capture this group have been the "whatever" generation or baby busters (specifically referring to those born between 1958 to 1968).

This generation has been influenced by an all volunteer military, MTV, the collapse of the Soviet Union, fall of the Berlin Wall, and by the Challenger explosion (with

*(Continued on page 10)*

many of the generation watching the episode live on television in their school classroom). They have been introduced to HIV and a world that expects a college degree. They have generally delayed marriage and having a family and believe that anything is possible if enough money is made available. They understand flex time and flex roles, women in leadership in the workforce, heavy focus on priority setting and accept the leadership roles of the baby boomer generation. Individuals from this generation include George Clooney (1961), George Stephanopoulos (1961) and Steve Young (1961). Their children are the millennials.

**Millennials**

This generation is represented by those individuals born between 1977 through 2003 or generally toward and over the year 2000. This term was popularized by the magazine *Ad Age* and attempts to describe a generation that is still unfolding. Other terms used to identify this group include Generation Y, the Internet generation and Boomerang group.

This generation has been influenced by the internet, personal computers, I-Pods, cell phones, and DVD’s. They have also experienced September 11, the war on terrorism and school violence. They understand “instant” access such as instant messaging, cell phones, music downloads, Googling and real time. They have been taught multi-tasking, multiculturalism, internationalism and wealth diversification across the globe. Individuals from this generation include Orlando Bloom (1977) and

Shawn Fanning (1980). Their identity is still emerging but shared values and worldviews appear as major themes.

**Implications**

What does this information mean to the work force? Note that people from these four generations might all be in the workplace at the same time, sitting on advisory boards and commissions, elected to positions within both local and national politics and make up the voting public. We design products and services for there diverse groups.

The values of these generations have been shaped by their experiences of both formative years as well as world events. Their thinking is based in part on observing parents, the creation of generation definitions, significant defining events of their life and what one chooses to keep or give away as a process of living.

The Silent Generation values sacrifice, dedication, conformity, order, hard work, respect for authority and formality. The Baby Boomer Generation values optimism, health and wellness, personal growth, personal involvement and personal gratification. Generation X value self reliance, risk taking, diversity, pragmatism, global thinking and skepticism. Millennials value civic duty, achievement, diversity and immediacy. It is important to understand people, their perspectives and what might be the foundation for their thinking. It is possible that this understanding is found in their generational pattern.

**Econ Brief!**

**Wages in Food Serving Occupations**

Tourism, recreation, and entertainment form a large and emerging industry cluster in Kern County. In 2006, the cluster’s employment grew 3.7 percent to reach nearly 21,000. Accommodation and food services is the largest segment of this cluster, providing jobs to more than 18,500 workers.

With the expansion of existing restaurants and the opening of several eating and drinking establishments, owners and managers often ask about the prevailing market wages for food preparation and serving occupations. The enclosed table provides the latest data (first quarter of 2007) for local workers employed by such occupations.

The industry’s average hourly wage of \$9.12 translates into an annual salary of about \$19,000. Chefs and head cooks are the best paid with an average hourly wage of \$16.76 and a mean annual salary of \$34,860. Supervisors and managers earn \$12.65 per hour or \$26,300 per year. Counter attendants make \$10.01 hourly or \$20,806 annually. Hourly wages paid to cooks vary between \$8.01 and \$13.00. The average hourly pay for all other workers varies from \$7.83 for food servers (non-restaurants) and \$8.75 for food preparation workers. Obviously, some restaurant workers, like bartenders and hosts and hostesses, augment their wages with gratuities, generally set at 15 percent of the customer’s bill.

Occupations	Hourly Wage	Annual Salary
<b>Average</b>	<b>\$9.12</b>	<b>\$18,968</b>
Chefs and Head Cooks	\$16.76	\$34,860
First-Line Supervisors/Managers of Food Preparation and Serving Workers	\$12.65	\$26,300
Cooks, Fast Food	\$8.01	\$16,676
Cooks, Institution and Cafeteria	\$13.00	\$27,033
Cooks, Restaurant	\$10.74	\$22,335
Cooks, Short Order	\$10.65	\$22,149
Food Preparation Workers	\$8.75	\$18,204
Bartenders	\$8.54	\$17,760
Combined Food Preparation and Serving Workers, Including Fast Food	\$8.38	\$17,430
Counter Attendants, Cafeteria, Food Concession, and Coffee Shop	\$10.01	\$20,806
Waiters and Waitresses	\$8.38	\$17,440
Food Servers, Non-restaurant	\$7.83	\$16,284
Dining Room and Cafeteria Attendants and Bartender Helpers	\$8.11	\$16,852
Dishwashers	\$8.05	\$16,748
Hosts and Hostesses, Restaurant, Lounge, and Coffee Shop	\$8.17	\$16,986

Source: California Labor Market Information, [www.labormarketinfo.edd.ca.gov](http://www.labormarketinfo.edd.ca.gov)



# CLOSING THE GAP IN U.S. STOCK INSURANCE COMPANY PROFITS MAY BENEFIT KERN BUSINESSES



JOHN PRYOR<sup>1</sup>, CPCU, ARM

Most insurance brokers and risk management consultants will recommend that business owners *not* seek competitive proposals year after year after year for their property-casualty insurance programs. This annual “shopping” of your account sends a negative signal to underwriters. Doing so actually works against you over time. Normally, once every three years will suffice – assuming you’re receiving good service from your broker and carrier. However, this year may well prove to be an exception to this otherwise “iron rule”.

When you consider that U.S. stock insurance companies – all the major players in business insurance – have earned a significant operating (underwriting) profit for the first time since 1978, you can understand the potential for an “out of cycle” approach to the market through your current broker. Your broker may be able to negotiate a more favorable proposal with your incumbent insurer – or she/he may want to approach other U.S. stock companies for alternative proposals<sup>2</sup>.

As the chart of results over the decades indicates, it has been investment income that has sustained the financial viability of these carriers over the past three decades. Now – after a gap of 27 years – both investment income *and* operating profits have been achieved.

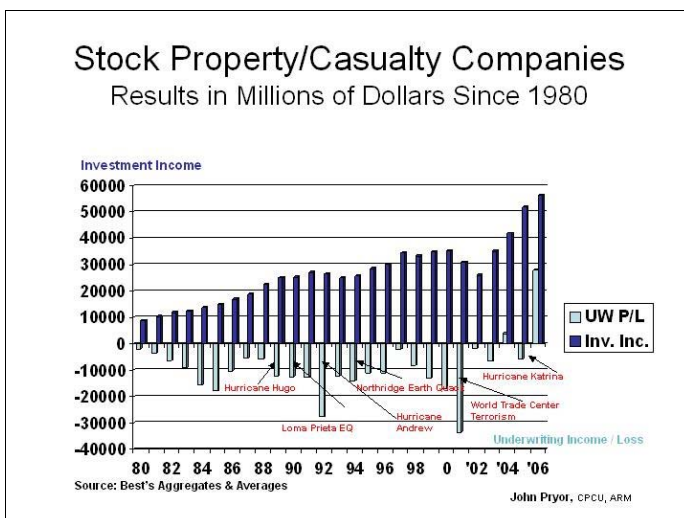
This outcome may also create an opportunity for a business to move any portion of its program (usually liability insurance) that may be with an “excess and surplus lines” carrier to an “admitted” carrier. If it works, lower premiums and broader coverages should be the outcome. Moreover, this step may permit “packaging” all of its property and liability policies into a single insurance contract for additional premium discounts.

Most business firms are seeing premium reductions without any overt effort on their part. This is because of the same profitable position of these carriers. As the market continues to “soften,” this trend will continue. However, if a major event adversely affects carrier profits (e.g., Northridge Earthquake or Hurricane Katrina) the result can be a “hardening” of the market and increases in pricing.

Incidentally, none of these developments has any bearing on recent reductions in workers’ compensation rates per \$100 of payroll. It has everything to do with recent legislative reform of the workers’ compensation system – thanks in large part to local leadership at Grimmway Farms who championed this outcome with the governor and legislature.

Although this chart is of my own creation - based on data available from industry sources - it was not my original idea. Among the many advantages of serving on national boards of directors are the wonderful people you meet over the years. One such outstanding person has been Bernard Daenzer. It was he who originated this chart way back in the 1950s – when I was a fledgling underwriter in San Francisco and later a broker in Bakersfield. Daenzer was a former insurance company CEO (Security Connecticut) and also CEO of a surplus lines facility (Woelrich & Anderson) in New York.

(Continued on page 20)



<sup>1</sup>John Pryor is a risk management and insurance consultant in Bakersfield for business firms and public entities. He is past president of the Greater Bakersfield Chamber of Commerce, Stockdale Country Club, Bakersfield West Rotary, Mid State Development Corporation, and the Executive Advisory Council of the School of Business & Public Administration at CSUB.

<sup>2</sup>Please note that these data do not apply to mutual insurance companies, only to stock companies who provide the bulk of business insurance.



# TRACKING KERN'S ECONOMY

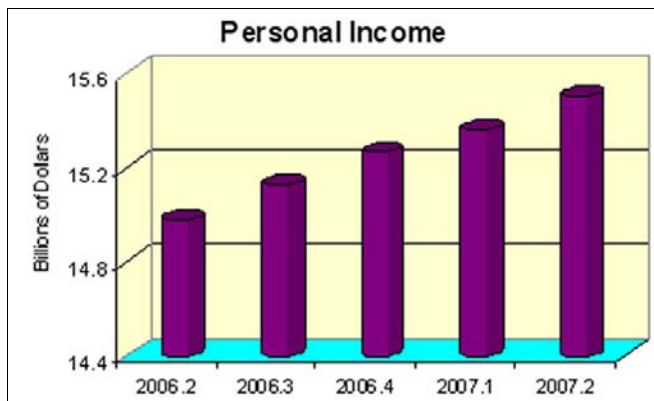
SECOND QUARTER OF 2007

ABBAS P. GRAMMY

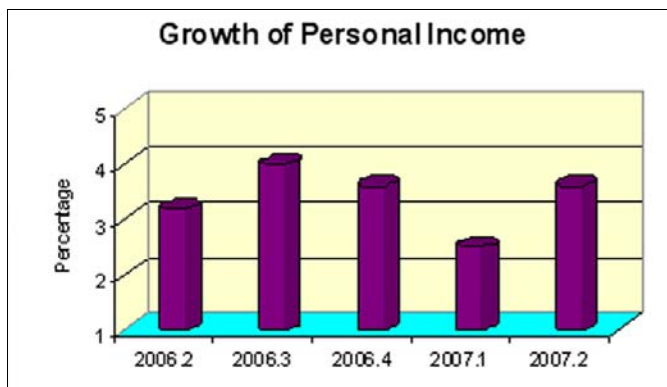
PROFESSOR OF ECONOMICS, CSUB

## Economy

**Personal Income** - Kern County's personal income (in constant 1996 dollars) increased from \$15.36 billion in the first quarter to \$15.50 billion in the second quarter of 2007. The county's economy expanded \$140 million this quarter. Over the previous four quarters, Kern County's economy has added \$520 million of personal income.



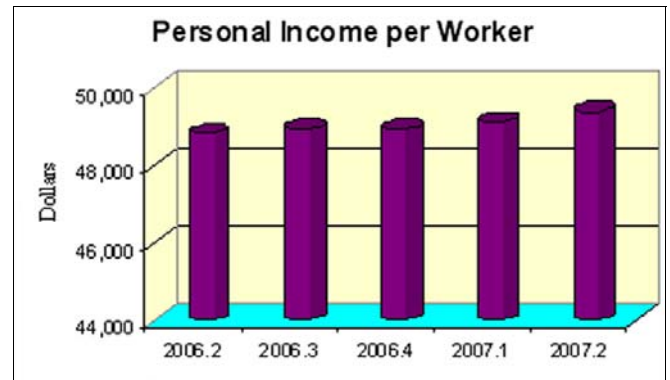
**Growth of Personal Income** - In the second quarter of 2007, the growth rate of personal income accelerated from 2.5 percent to 3.6 percent. Compared with the second quarter of last year, the rate of economic growth was 0.4 percent faster.



**Personal Income Per Worker** - Labor productivity is measured by personal income per worker. In the second quarter of 2007, personal income per worker increased \$270 from \$49,150 to \$49,420. Labor productivity has increased \$570 since the second quarter of 2006.

**Manufacturing Wages** - In the second quarter of 2007, weekly wages paid to local manufacturing workers re-

mained constant at \$682.82. On average, they worked 41.9 hours per week at \$16.29 per hour. Relative to the second quarter of last year, local manufacturing workers earned \$26.41 more per week.



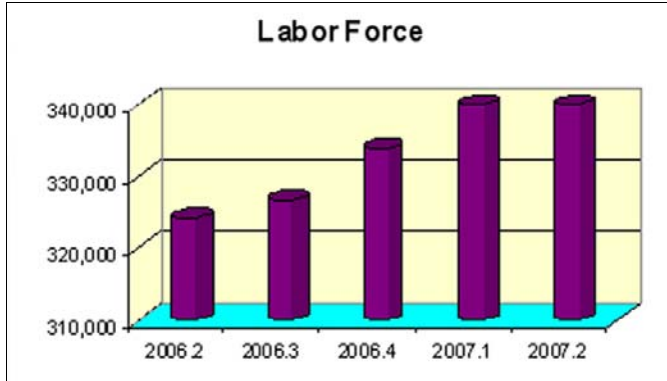
## Labor Market

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

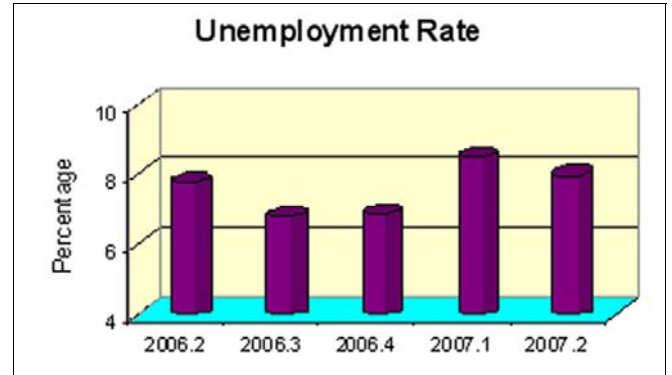
Labor Force	Total Employment	Total Unemployment	Farm Employment	Nonfarm Employment	Private-sector Employment	Public-sector Employment
4,800	5,900	-1,100	5,100	5,200	2,800	2,400

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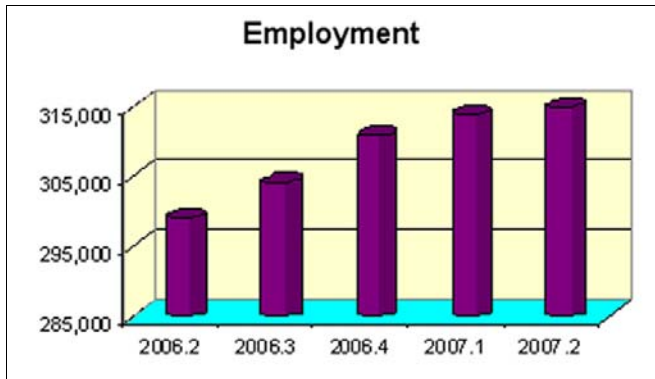
**Labor Force** - The civilian labor force increased by 4,800 workers from 342,800 in the first quarter to 347,600 in the second quarter of 2007. Compared with four quarters ago, the labor force increased by 23,320 workers.



**Unemployment Rate** - The rate of unemployment declined from 8.5 percent in the first quarter to 8.0 percent in the second quarter of 2007. Nevertheless, this quarter's unemployment rate was 0.2 percent higher than that of four quarters ago.



**Employment** - In the second quarter of 2007, Kern County's economy added 5,900 jobs as total employment climbed from 313,800 to 319,700. Relative to the second quarter of 2006, 20,700 more workers were employed this quarter.

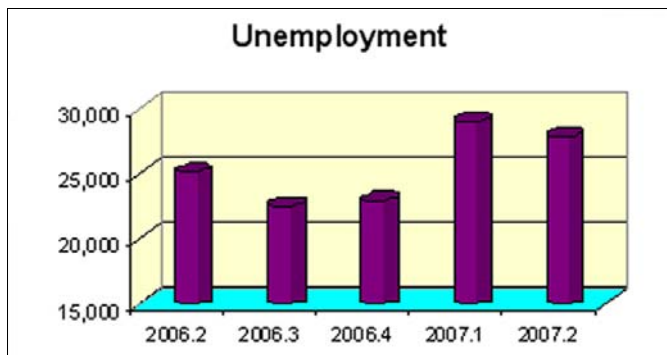


The rate of unemployment varied considerably across the county. It ranged between 3.2 percent in Kernville and 22.6 percent in Arvin. The rate of unemployment was below the county's average of 8.0 percent in Kernville, Lebec, Ridgecrest, Tehachapi, Inyokern, Bakersfield, California City, Rosamond, Frazier Park, and Taft. In contrast, the rate of unemployment was above the county average in Oildale, Lake Isabella, Mojave, Shafter, Lamont, Wasco, McFarland, Delano, and Arvin.

Unemployment Rate of Cities			
Location	Unemployment Rate (%)	Location	Unemployment Rate (%)
Kernville	3.2	Oildale	8.5
Lebec	3.5	Lake Isabella	9.7
Ridgecrest	4.5	Mojave	10.1
Tehachapi	5.3	Shafter	14.6
Inyokern	5.3	Lamont	14.7
Bakersfield	5.5	Wasco	15.2
California City	6.2	McFarland	17.3
Rosamond	6.5	Delano	22
Frazier Park	7	Arvin	22.6
Taft	7.8		

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

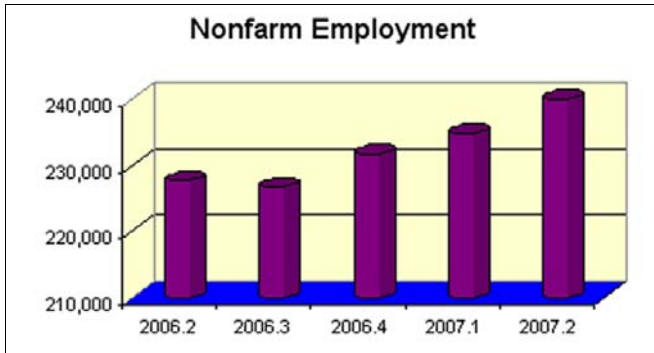
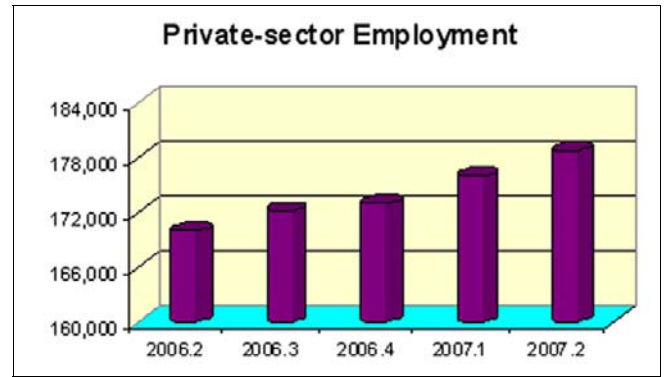
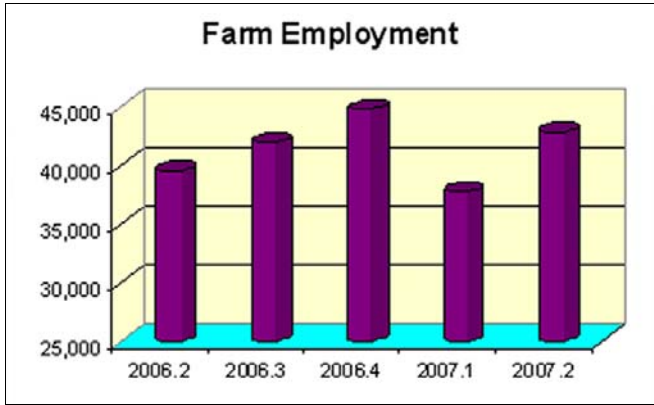
**Unemployment** - In the meantime, the number of jobless workers decreased by 1,100 as unemployment fell from 29,000 in the first quarter to 27,900 the second quarter of 2007. However, 2,700 more workers were unemployed this quarter relative to four quarters ago.



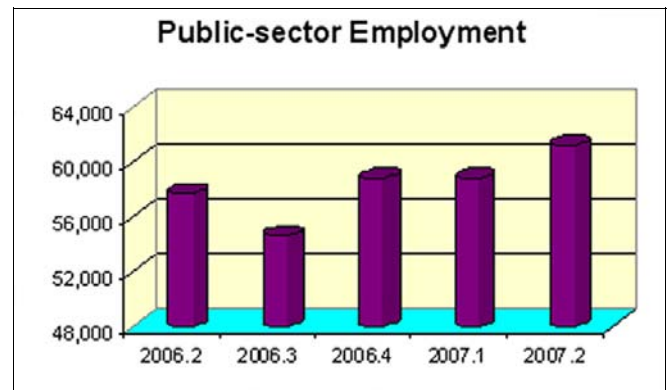
**Farm Employment** - In the second quarter of 2007, Kern County gained 5,100 farm jobs as employment increased from 37,700 to 42,800. The county's farm employment this quarter was 3,300 higher than that of four quarters ago.

**Nonfarm Employment** - In the second quarter of 2007, the number of nonfarm workers increased from 234,800 to 240,000 for a gain of 5,200 jobs. Nonfarm industries have added 12,300 new jobs since the second quarter of 2006.

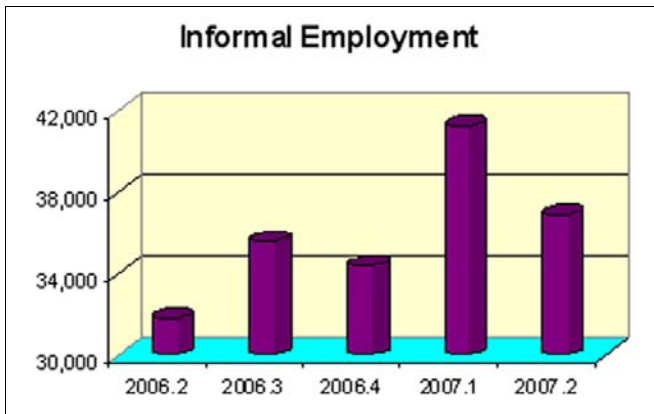
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**Public-sector Employment** - The public sector consists of federal, state, and local government agencies. The local government labor market includes county and city agencies and public education. In the second quarter of 2007, government agencies created 2,400 as their employment grew from 58,800 to 61,200. The public sector has added 3,530 jobs since the second quarter of last year.



**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 2007, the number of workers engaged in this market decreased by 4,400 from 41,300 to 36,900. However, the informal labor market has gained 5,100 jobs since the second quarter of last year.



Housing Market

**Housing Price** - In the second quarter of 2007, Kern County's housing market continued to soften. The median sales price for all residential units depreciated \$6,300 (or 2.4 percent) from \$267,300 to \$261,000. The county's median housing price was \$17,800 (or 6.4 percent) lower than that of four quarters ago.



(Continued on page 15)

In Bakersfield, the median housing price depreciated \$7,200 (or 2.6 percent) from \$281,700 in the first quarter to \$274,500 in the second quarter of 2007. Since the second quarter of 2006, the city's median housing price has depreciated \$22,800 (or 7.7 percent).



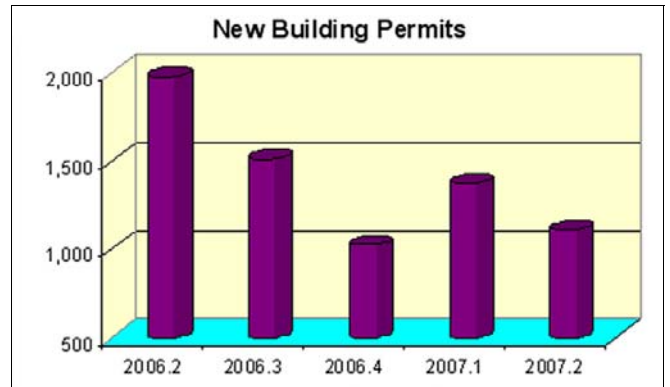
In Bakersfield, 113 less homes were sold as the number of all residential units sold fell from 1,894 in the first quarter to 1,781 in the second quarter of 2007. Compared with four quarters ago, sales declined by 1,195 (or 40.2 percent).



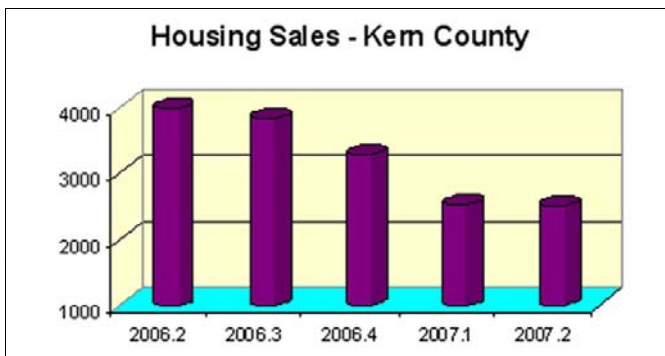
In the second quarter of 2007, median housing changes varied across the county. Among selected locations shown below, the median housing price appreciated only in Delano. However, the median housing price declined in all other cities. In particular, Rosamond recorded the largest depreciation of \$15,000 or 5.3 percent.

Location	Median Price 2007.2	Median Price 2007.1	Median Price Change	Median Price Change
Kern County	\$261,000	\$267,300	\$-6,300	-2.4%
Bakersfield	\$274,500	\$281,700	\$-7,200	-2.6%
California City	\$217,300	\$222,700	\$-5,400	-2.4%
Delano	\$226,000	\$230,000	\$-4,000	-1.7%
Ridgecrest	\$194,500	\$194,700	\$-200	-0.1%
Rosamond	\$266,500	\$281,500	\$-15,000	-5.3%
Taft	\$173,800	\$149,400	\$24,400	16.3%
Tehachapi	\$283,300	\$295,000	\$-11,700	-4.0%

**Building Permits** - In the second quarter of 2007, the number of building permits issued for the construction of new privately-owned dwelling units decreased by 261 from 1,372 to 1,111. Likewise, 864 less building permits were issued relative to the second quarter of 2006.



**Housing Sales** - In the second quarter of 2007, housing sales dropped 33 units (or 1.3 percent) in Kern County. The number of residential units sold fell from 2,529 to 2,496. The number of units sold this quarter was 1,489 (or 37.4 percent) less than that of four quarters ago.



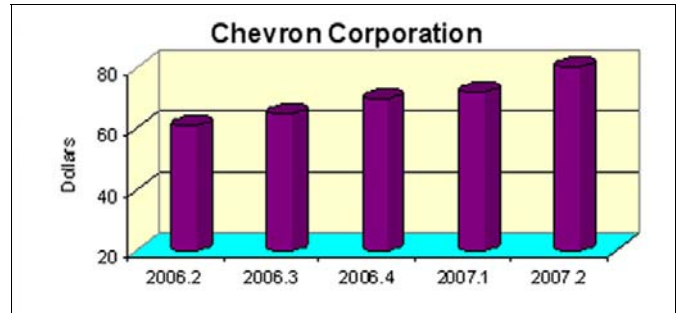
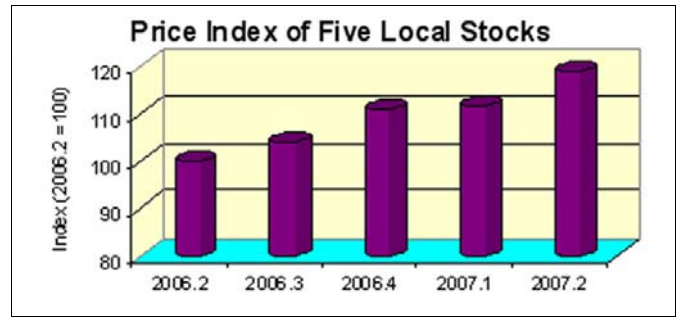
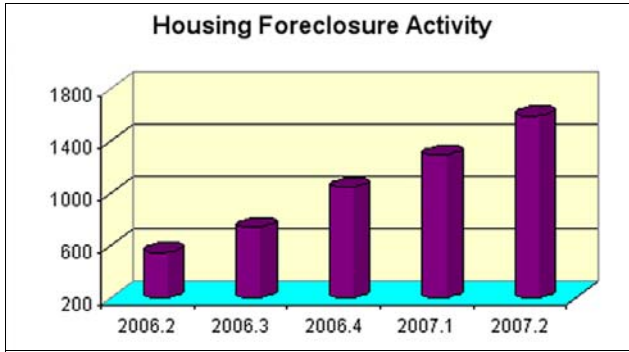
**Mortgage Interest Rate** - In the second quarter of 2007, the interest rate of thirty-year conventional mortgage loans increased from 6.22 to 6.37 percent. Since the second quarter of last year, the mortgage loan interest rate has fallen 0.23 percent.



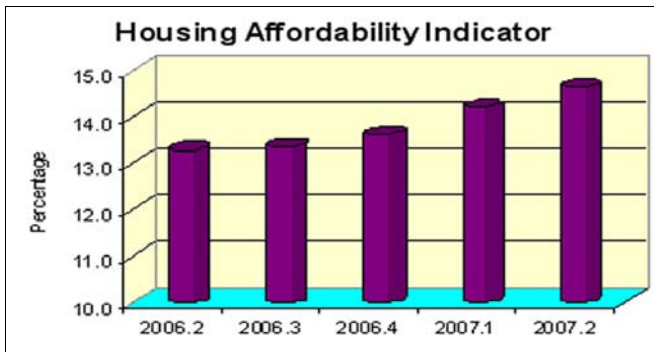
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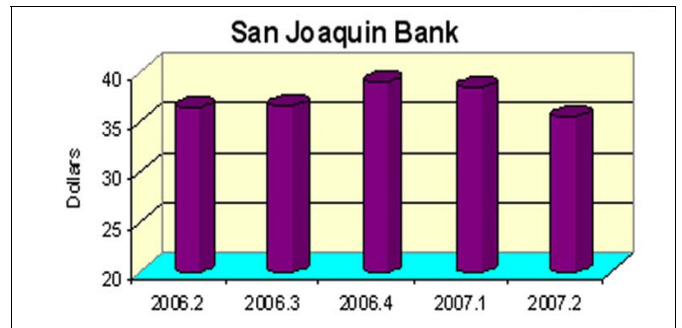
**Housing Foreclosure Activity** - In the second quarter of 2007, the county's foreclosure activity accelerated from 1,297 to 1,593. As a result, 296 more homeowners received notices of loan default from their mortgage bankers. Likewise, 1,044 more homeowners received default notices this quarter relative to four quarters ago.



**Housing Affordability** - Here, we define housing affordability as the average household income divided by the median housing price. In the second quarter of 2007, the housing affordability indicator increased from 14.2 to 14.6 percent. Compared with four quarters ago, the affordability index gained 1.3 percent.



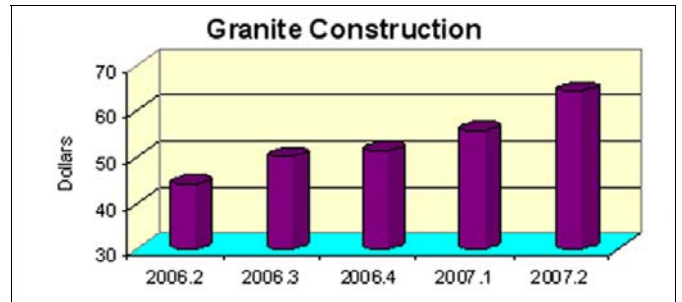
**San Joaquin Bank:** SJQU lost \$3.00 (or 7.8 percent) per share as its price fell from \$38.50 in the first quarter to \$35.50 in the second quarter of 2007. Since the second quarter of 2006, SJQU has gone down \$1.00 (or 2.7 percent).



**Stock Market**

In the second quarter of 2007, the composite price index (2006.2 = 100) of the top five locally traded stocks inclined 7.3 percentage points from 111.7 to 119.0. The index has climbed 19 percentage points since the second quarter of 2006. These top five local *market-movers* are Chevron Corporation, San Joaquin Bank, Granite Construction, Occidental Petroleum Corporation, and Tejon Ranch Company.

**Granite Construction:** GVA gained \$8.58 (or 15.4 percent) per share in the second quarter of 2007. Its stock price climbed from \$55.72 to \$64.30 per share. GVA has climbed \$19.98 (or 45.1 percent) since the second quarter of 2006.

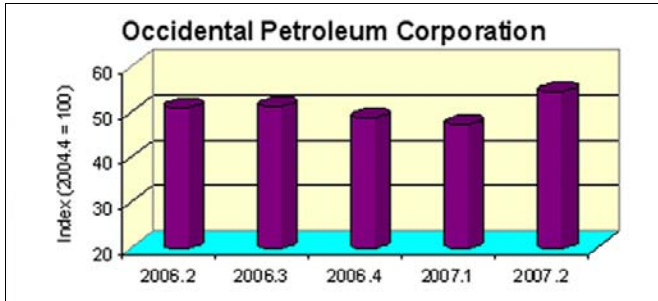


**Chevron Corporation US:** CVX gained \$9.38 (or 13.1 percent) per share as its price climbed from \$71.79 in the first quarter to \$81.17 in the second quarter of 2007. CVX has gained \$20.17 (or 33.1 percent) since the second quarter of 2006.

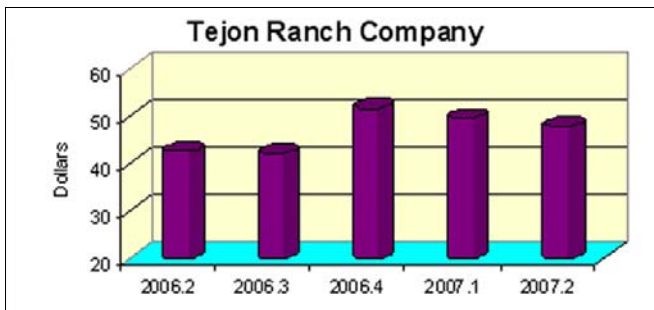
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**Occidental Petroleum Corporation:** OXY gained \$7.26 (or 15.4 percent) per share as its stock price climbed from \$47.26 in the first quarter to \$54.52 in the second quarter of 2007. OXY has gone up \$3.79 (or 7.5 percent) since the second quarter of 2006.

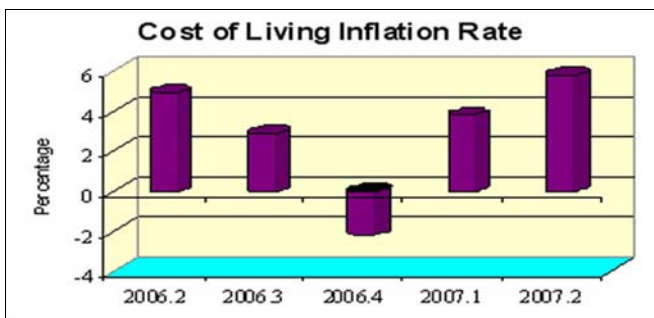


**Tejon Ranch Company:** TRC lost \$1.83 (or 3.7 percent) per share as its stock value dropped from \$49.59 in the first quarter to \$47.76 in the second quarter of 2007. However, TRC was up \$5.10 (or 12.0 percent) relative to the second quarter of 2006.

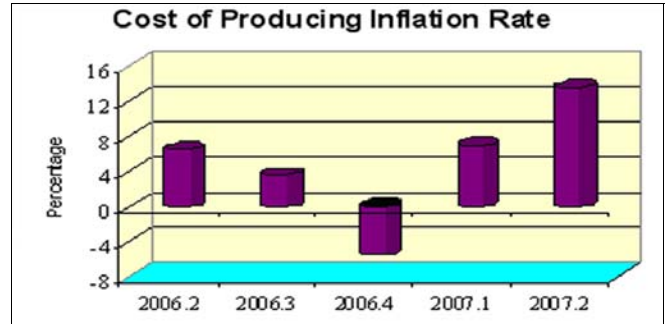


**Commodity Prices**

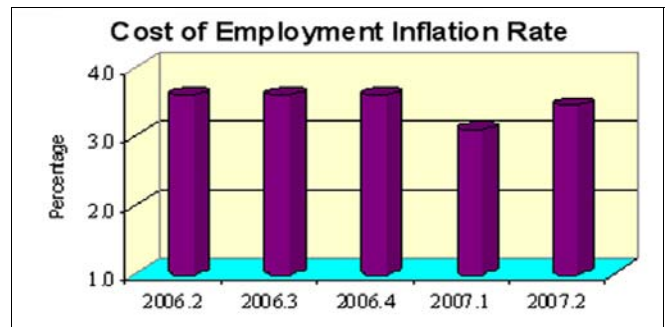
**Cost of Living** - The Consumer Price Index for all urban areas (1982-84 = 100) inclined from 204.1 in the first quarter to 207.1 in the second quarter of 2007. In annual rates, the rate of inflation for cost of living accelerated from 3.8 to 5.8 percent. Since the second quarter of last year, the cost of living inflation rate has risen 0.9 percent.



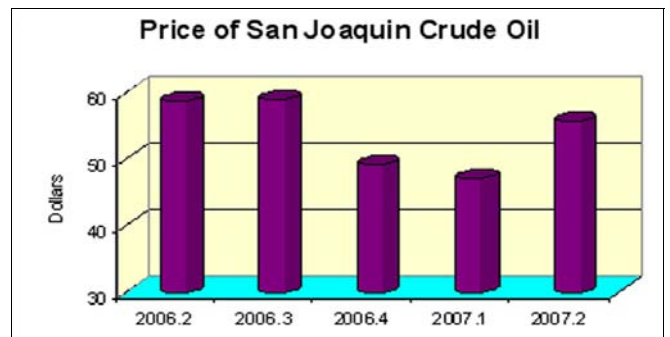
**Cost of Production** - The Producer Price Index for all commodities (1996 =100) climbed from 167.1 in the first quarter to 172.8 in the second quarter of 2007. In annual rates, the inflation rate for cost of producing accelerated from 7.0 to 13.6 percent. The cost of producing inflation rate was 7.1 percent higher than that of the second quarter of 2006.



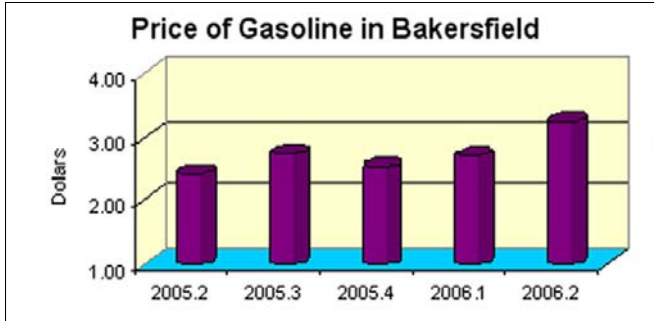
**Cost of Employment** - In the second quarter of 2007, the index of employment cost (December 2005 = 100) increased at an annual rate of 3.5 percent from 104.1 to 105.1. This annual rate measuring wage inflation was slightly lower than that of four quarters ago.



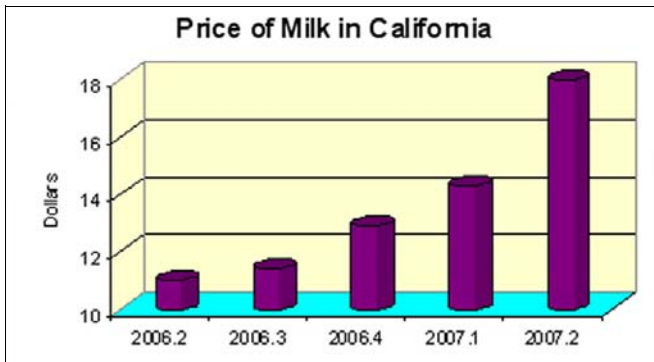
**Price of Oil** - The average price of San Joaquin Valley heavy crude was up \$8.50 per barrel from \$47.09 in the first quarter to \$55.59 in the second quarter of 2007. However, the average price of crude oil was down \$3.12 per barrel relative to the second quarter of 2006.



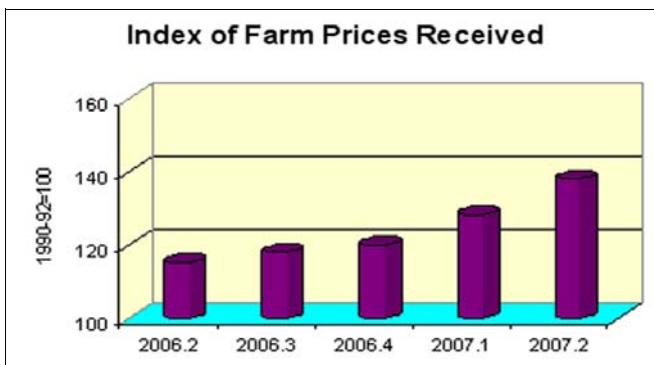
**Price of Gasoline** - In the Bakersfield metropolitan area, the average retail price of regular gasoline per gallon climbed 53¢ per gallon from \$2.70 in the first to \$3.23 in the second quarter of 2007. The average gasoline price was 81¢ higher relative to the second quarter of 2006.



**Price of Milk** - The average price of California's Class III milk increased \$3.67 per cwt from \$14.28 in the first quarter to \$17.95 in the second quarter of 2007. Compared to the second quarter of 2006, the price of milk was \$6.93 higher.



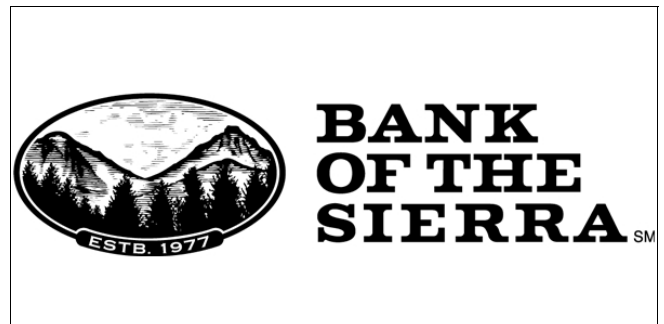
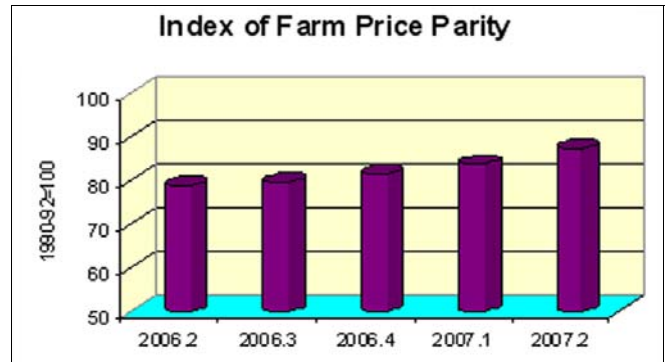
**Farm Prices** - In the second quarter of 2007, the national Index of Prices Received by Farmers for all farm products (1990-92 = 100) rose 10 percentage points to arrive at 138. This index was 23 percentage points higher than that of four quarters ago.



The national Index of Prices Paid by Farmers for commodities, services, interest, taxes, wages, and rents rose 5 percentage points to reach 158. This index has gained 12 percentage points since the second quarter of last year.



The Index of Farm Price Parity is measured by the ratio of the Index of Prices Received to the Index of Prices Paid. In the second quarter of 2007, the Index of Farm Price Parity improved 3 percentage points to reach 87. The gap between prices paid and prices received by farmers has narrowed 8 percentage points since the second quarter of last year.



## BOOK REVIEW

### THE FAILURE OF TECHNOLOGY: PERFECTION WITHOUT PURPOSE

BY G. F. JUENGER, HINDSDALE, IL: HENRY REGNERY  
COMPANY, 1946/1949



REVIEWED BY: JOHN HULTSMAN  
ASSOCIATE VICE PRESIDENT AND DIRECTOR, CSUB-ANTELOPE VALLEY  
PROFESSOR, PUBLIC POLICY AND ADMINISTRATION, CSUB

Given the vast number of new book titles that appear each year, it may seem odd to review a book published some 60 years ago, but Georg Juenger's text is both a little-known classic and surprisingly relevant to contemporary issues.

Juenger's manuscript, which was hidden from the Nazis during World War II, was first published in German in 1946 and in English in 1949. His central thesis is embodied in the title of his essay: the idea that it is quite possible that technicians, once they set their minds and efforts to it, can achieve technical perfection (in, for example, a machine to produce bottles) but that such progress represents an advance in only a very narrow, technical sense.

His point is that technological perfection in itself is not significant in the context of cultural progress. Technology, argued Juenger, fails to advance culture because it does not typically entail thought being given to the end or purpose of the production or to the possible impact on people resulting from the perfecting.

Using the example of the automobile, he pointed out that perfecting a car concerns the means of production only and not the end. "Let us suppose that five million cars had been built according to such a well-constructed model and that they were all in use. . . . But we must not forget that this efficiency is a matter purely of design and of production; that is, that it is a special efficiency. Whether it serves a purpose that every adult in the country owns and operates an automobile is, however, quite a different question." (pp. 66-67)

Aside from the idea of confusing means and ends and the implications of this notion for today's rampant consumerism, Juenger's work speaks to other aspects of the relationship between progress and quality of life. He presents an insightful argument to refute the contention that technical progress will be society's ultimate benefactor by reducing the collective amount of work in which we, collectively, engage. "No one has any doubt that the

amount of work done by machines has grown. But how could it have grown without a corresponding increase in the amount of work done by men! (*Sic*)

Much of Juenger's criticism of society—then and today—centers on our penchant to organize. Whales were Juenger's example of choice for explaining his logic regarding how organization relates to the distribution of poverty.

Juenger pins down the problem with the way in which organization evolves relative to the availability of the resource being organized. He suggests that "here a peculiar and compelling law governs. Where there is plenty of unorganized material, organization is slight. Where material dwindles, organization begins to extend and intensify itself." (p. 15)

Juenger asks us to consider the international agreements in place to control whaling. He argues that there was little reason (at the time of his writing) to regulate ocean fishing because the oceans were large and fish were plentiful. But, he continued, when such regulations are in place—as with whaling—"they are due to an anticipation of scarcity" (p. 15). If we substitute quality of life for whales and public services for the international body that regulates whaling, the result is sobering. For clearly, public services have burgeoned in recent years and the argument would not be at all difficult to make that today's frenetically-paced society—in industrially advanced countries at any rate—is hardly quality-based as a way of being relative to less technically-oriented and earlier times (although we probably have more diversions than ever before).

What is more sobering, though, is the continuation and culmination of the chain of events surrounding the regulation of a dwindling resource such as whales. The remarkable feature of such scarcity-organizations, he tells us, "is not that it increases riches, but that it distributes poverty. But when poverty is distributed something oc-

(Continued on page 20)

He was the most creative professional I've ever known. He personally led the unprecedented effort to merge a "fire" company with a "liability" company – Security Connecticut. This permitted creation of the first commercial "package" policy in which both property and liability coverages were included in the same policy. He brought all of the previously separate liability policies into a single "Comprehensive General Liability" policy that we still use today. He led the shift from "specified peril" property insurance policies to the broader "all risk" policies that are "standard fare" today

These innovations only "scratch the surface" of his overall creativity and contributions to the insurance industry – all to the benefit of insurance buyers like business owners in Bakersfield.

His chart was helpful to everyone – but it was really primitive because of limited printing capabilities at the time. It was a partially hand-drawn chart with a single line that moved – like a snake – from side to side or,

more accurately, from profit to loss year to year. He actually referred to it as his "snake chart". Market swings were highly predictable in those days. About every three years, you could expect a shift. When he retired in the 1990s, he discontinued the chart.

It was about that same time that predictability of market cycles had totally disappeared – as the chart indicates. With his permission, I recently continued the chart through 2006 – and added two other dimensions -- investment income results and major loss events in recent years. So, I suggest you show this chart to your insurance broker and ask if this is a good time to negotiate some advantageous changes in the insurance coverages and pricing of your firm's business insurance.

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*Book Review (Continued from page 19)*

curs that cannot be prevented: it spreads. . . . Unorganized material decreases in proportion until the point is reached where the organization collapses, because nothing is left to be distributed, for when the number of whales has been reduced by ruthless whaling to the point where the hunt no longer makes sense, whaling stops." (pp. 15-16)

This progression gives rise to a couple of disturbing questions. If one again substitutes quality of life for whales in Juenger's discussion of scarcity, one might ask, when will such a way of being—having meaningful lives—become extinct? Or, and scarier yet, given our modern obsession with our jobs and wild collection of diversions, have we simply been too busy working and playing with contrived amusements to notice that a meaningful experience of living is already no longer with us?

In most every case, when one considers contemporary public institutions, it seems that the primary responsibilities of a bureaucracy are professionalization and self-perpetuation; this is what Juenger was driving at when he suggested that organizations necessitate "an enormous personnel, a personnel which is wholly unproductive, yet increasing in number all the faster, the less there is of the thing produced." (p. 17) Consider, for example, declin-

ing public safety and the growth of police forces, waning human well-being and the expansion of social welfare agencies, the decline of leisure and the burgeoning of the recreation profession, and so on.

Juenger felt that social institutions are similar to technical organizations in their potential to affect the way we live: both seem to have a life of their own and are generally greater as a whole than the sum of the parts—the people—that constitute them. When we speak of NASA we do not think of the experts who make up the organization, we think of NASA itself. And it is no different when we hear of a decision rendered by a political machine, a school system, or a park district.

Perhaps the best place to close this review is with another thought from Juenger that is suggestive of what a visitor from a simpler time might think of the organizational edifices in place today. In discussing the awesome nature of what we have done with our technical organization (and recall he was writing before the second World War), Juenger asks us to suppose the reaction of a traveler from an earlier period in history who comes upon one of our modern cities: "supposing we should ask him: 'What powers do you think have built all this?' Chances are that his answer would be: 'Very mighty, very evil demons.'" (p. 161)

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