
The Economy of Western North Carolina: Charting a Course for Transylvania County

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May 27, 2009



Fortunately...

“The economy depends
about as much on
economists
as the weather does on
weather forecasters.”

Discussion Topics

- **Key Takeaways for Transylvania County...**
- **Market Implications for Policy Makers and Budget Deciders**
- **WNC Outlook: Demographic Trends**
- **Charting a Course Ahead: Strategic Implications for Transylvania County...**

Daniel J. Ostergaard Bio

- **Director, Institute for the Economy and the Future @ WCU**
 - Associate Professor of Management and International Business
 - Adjunct Professor of Applied Criminology (Homeland Security)
- **WNC Native** - Grew up in Jackson County (near Cherokee)
- **U.S. Coast Guard Seagoing Officer**
 - Ship Captain; Law Enforcement; Homeland Security; Environmental Protection; Federal Budget
- **Senior Administration Official at DHS**
 - Executive Director, U.S. Homeland Security Advisory Council & a senior policy advisor to Secretary of Homeland Security Tom Ridge and then Michael Chertoff
 - Executive Office of Governor Jeb Bush (Liaison in Washington to Congress and Executive Branch)
- **Founded Pelorus Enterprises** (International Biz Dev Consulting)
- **Elected as a Commissioner for Neighborhood Commission 6B** while in D.C.
- **Commercial Farmer** (<http://www.smokymountainfarm.com>)
- **Education: US Coast Guard Academy**, B.S. Gov't ('94); **US Naval War College**, M.A. Nat'l Security and Strategic Studies ('03); **Harvard Kennedy School**, M.P.A. ('04)
- *And Most Importantly:*
Husband and Dad (aka, ABYSA U7 Co-Ed Soccer Coach and upcoming Cub Scout Den Leader!)

Definitions and Key Takeaways

Definitions

- **Recession.** Reduction of a country's GDP for at least 2 quarters; period of reduced economic activity.
- **Stagnation.** Prolonged period of slow economic growth (depending on who you ask: <1% or maybe <2-3%)
- **Depression.** Sustained, long downturn. A rare but extreme form of recession characterized by abnormal increases in unemployment, restriction of credit, shrinking output and investment, numerous bankruptcies, reduced amounts of trade and commerce and highly volatile currency value fluctuations.
- **Stagflation.** A condition of slow economic growth and relatively high unemployment - a time of stagnation - accompanied by a rise in prices, or inflation.

Shape of a Recession

- **V-shaped.** Usually short and fairly shallow.
- **U-shaped.** Longer and deeper. Slow road to bottom and slow road to recovery. Early decisions to close/delay/cancel high-cost assets and/or unnecessary new capacities may be required.
- **W-shaped.** Severe destocking leads to an apparent early recovery new orders allow the value chain to restock... However, demand is not sustainable and begins to slip back again before achieving a sustainable recovery.
- **L-shaped.** Protracted period of economic stagnation (See Japan in the 1990s)

Key Takeaways

- The Economic Crisis is Global, National, and Regional.
- The Economy Is Likely to Follow the 1980-1984 “L” Pattern of Behavior Toward Recovery with Growth Returning in 2009 Q 3. Some indications pork barrel stimulus will spur slight “W” pattern with emerging markets need for extractives (e.g., oil) pushing economies back down...
- Stagflation Appears on the Horizon for 2011.
- Recovery Will Occur with Stabilization of Asset Prices, Especially Housing and with the Unlocking of the Bond Market.
- Current House Prices in WNC Have Registered Slightly More than One Half the Likely Decline (6-7% from peak so far).
- A Key Factor in Setting Strategy ~ Interest Rates Are Very Near a Bottom; Long and Short Rates Will Rise Soon After Recovery Begins.
- Transylvania must position itself now for competition in the Global Marketplace

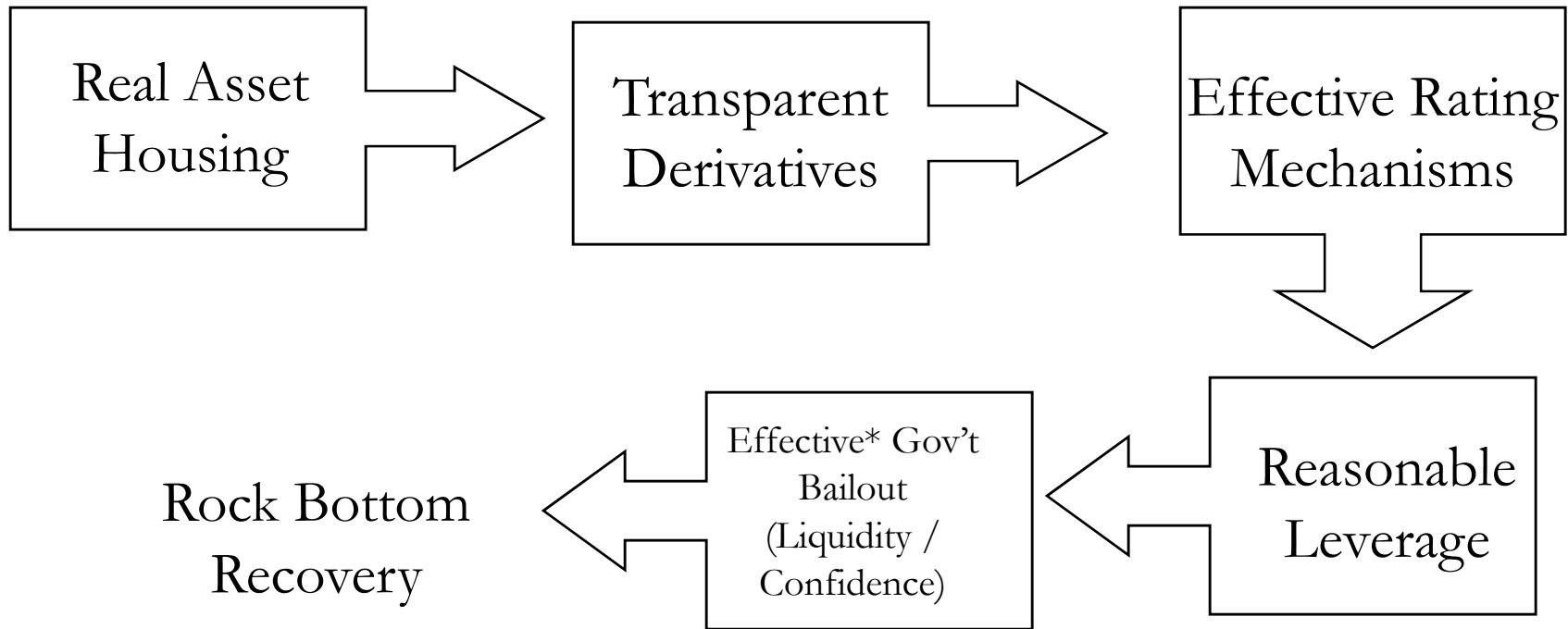
Market Implications for Policy Makers and Budget Deciders

A New Paradigm?

- Period of Immense Volatility
 - Interconnectedness of Global Markets
 - Psychological vs. Real
- Public Policy Decision-Makers' Critical Questions
 - Will momentum continue to be an explanatory factor?
 - Will small investors return to the equity markets?
 - Reputational Externalities - How long before trust is restored in financial institutions?
 - How long before public coffers see effects of increased tax revenues?
 - Can we sustain public programs with current cash flow?

Source: Dr. Richard Zeckhauser, Harvard University

The Markets: Ever Onward to the Bottom...



*But it was impotent

Restoring a Sense of Confidence

Pessimistic Equilibrium vs. Optimistic Equilibrium

|

Job Lay-offs

Savings Depleted

Economy Death Spirals

|

Job Hirings

Building Savings

Economy Rebounds

Learning Lessons from the Largest Catastrophes...

...may mean incorrect or inaccurate resource allocation and prioritization

	Largest Event	Second Largest Event
Wildfire (1988-1999) Acres Burned	Yellowstone (1988) 1,585,000	Nevada (1999) 288,200
Earthquakes (1990-2005)	Sumatra (2005) 283,106	Pakistan (2005) 80,361
Terrorist Attack, U.S. Fatalities	9-11 (2001) 2,974	Oklahoma City Bombing (1995) 168

Red Flags Before the Meltdown

1. Transparency not certain...Earnings? Risk?
2. Experts were fooled. Most of us were fooled.
3. Bubble in one market implies bubble in other contiguous markets.
4. Bubbles were treated alike... however, housing bubble had much greater penetration into the real economy than did the NASDAQ
5. Financial Termites
6. Finance Executives: Keeping up with the Jones'
7. Failure to trace the contagion made it worse...

Source: Dr. Richard Zeckhauser, Harvard University

Red Flags After the Meltdown

- Earthquake: Old wisdom might not apply
- People asking about the bottom... statistically very unlikely to be picked
- When we experience a small loss of value, fundamentals matter.
- When we experience a catastrophic loss of value, suddenly seeing world through fun house mirrors...

Source: Dr. Richard Zeckhauser, Harvard University

Conclusions from this Section

- The markets will continue to change
- Most important probabilities are always ambiguous (roulette vs. economy... or terror)
- The world is effectively unknowable for big opportunities
- Market movement has fat tails
- Biases of failed thinking - (emotional decisions)
- Greatest opportunities exist when unknowables abound

Transylvania County's Stated Comprehensive Goals

The following comprehensive goals are presented as a guide for Transylvania County's future development and growth.

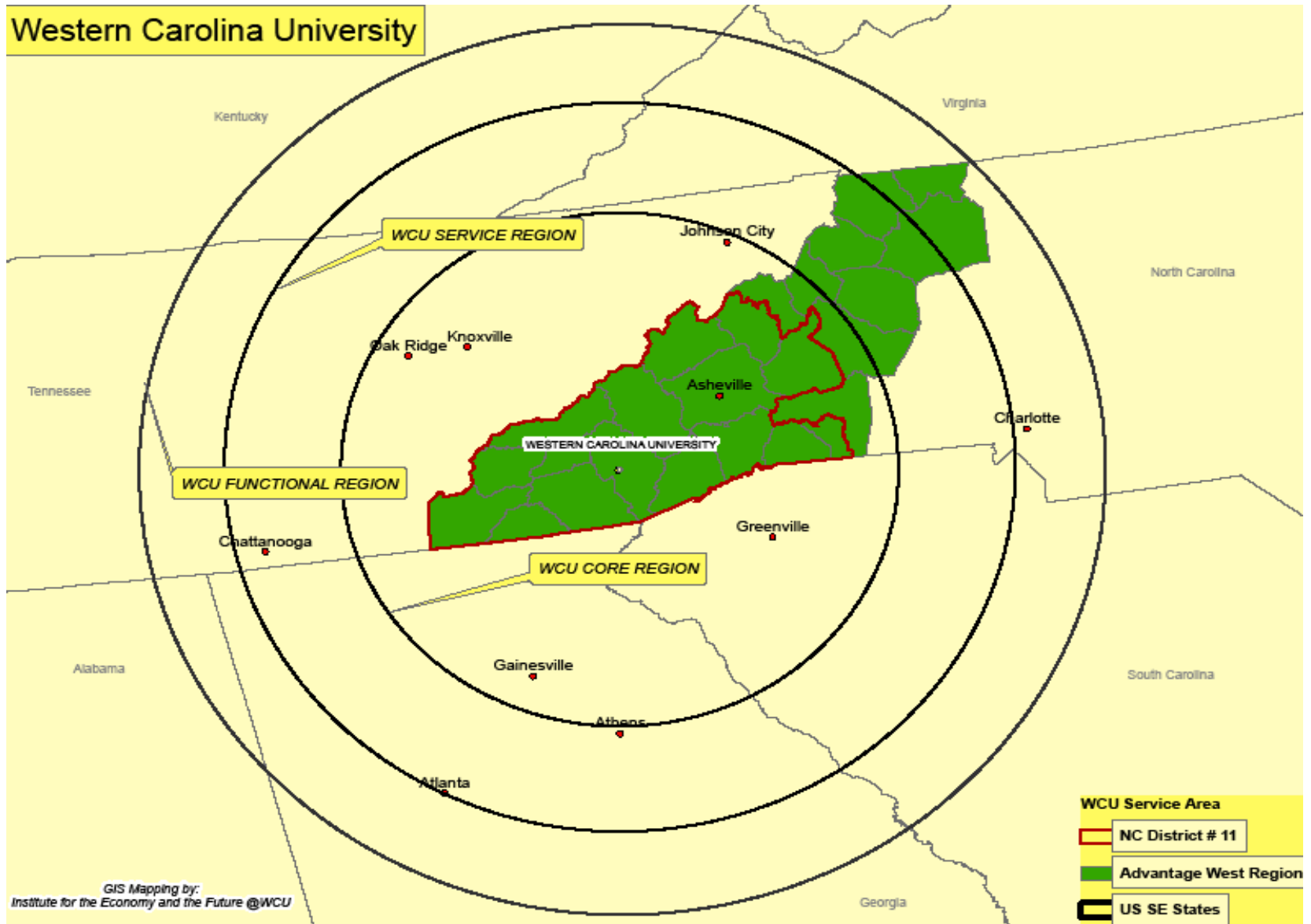
- Preserve Transylvania County's distinctive rural character, mountain heritage, natural environment and ambiance, while promoting proactive planning and economic growth.
- Conserve the valuable land, water and air resources within the county, for present and future generations.
- Collaborate with the NC Department of Transportation to provide the best possible roads for Transylvania County and promote alternative transportation.
- Collaborate with the City of Brevard and Town of Rosman to supply reliable and safe drinking water, wastewater treatment and solid waste collection and disposal.
- Promote affordable, safe and adequate housing for all residents.
- Plan and provide appropriate public facilities and services for county residents and businesses. Promote the best use of land while protecting citizens' property rights.

WNC
Demographic Trends

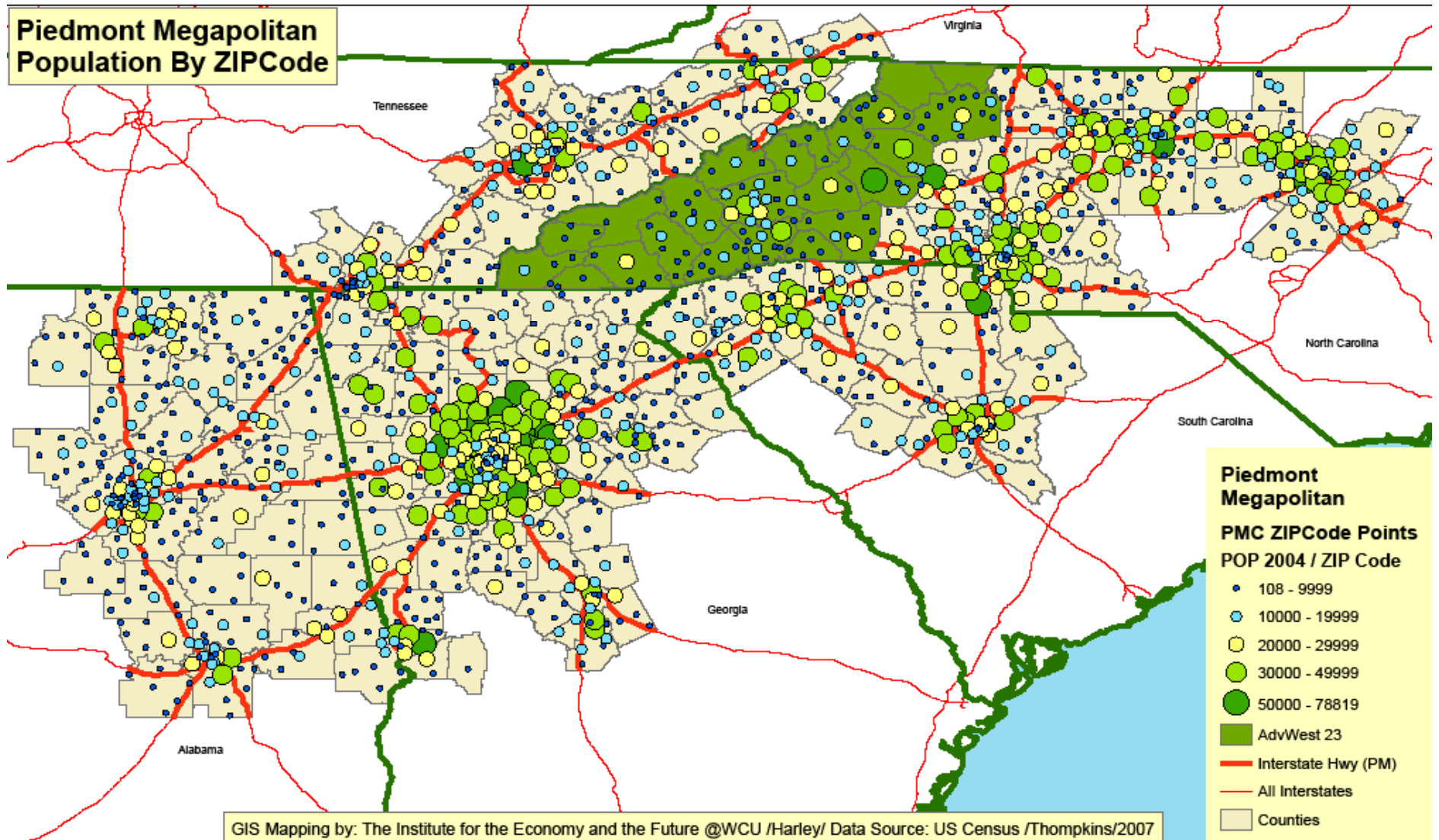
Megalopolis Boundaries



WNC Regions

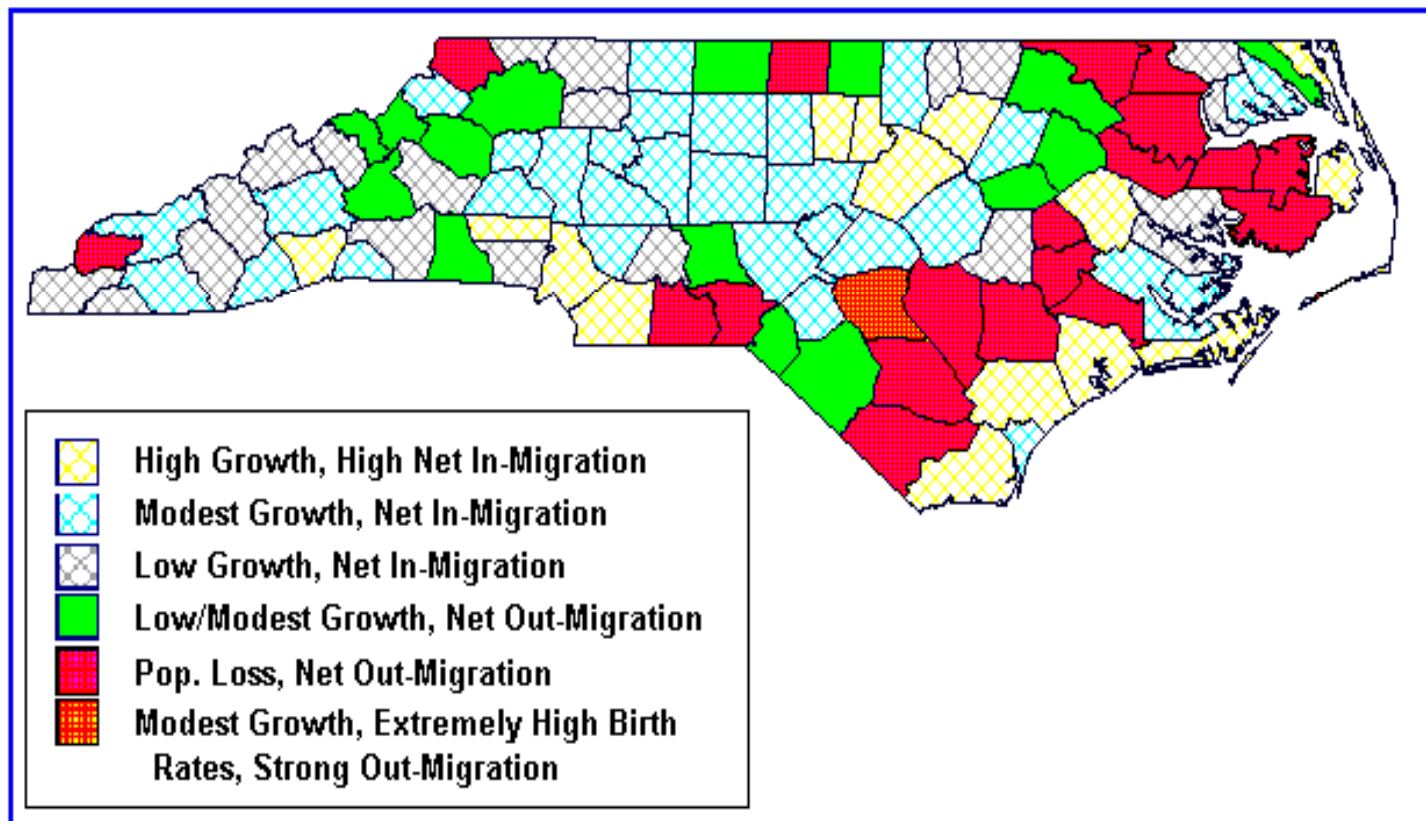


Population Distribution



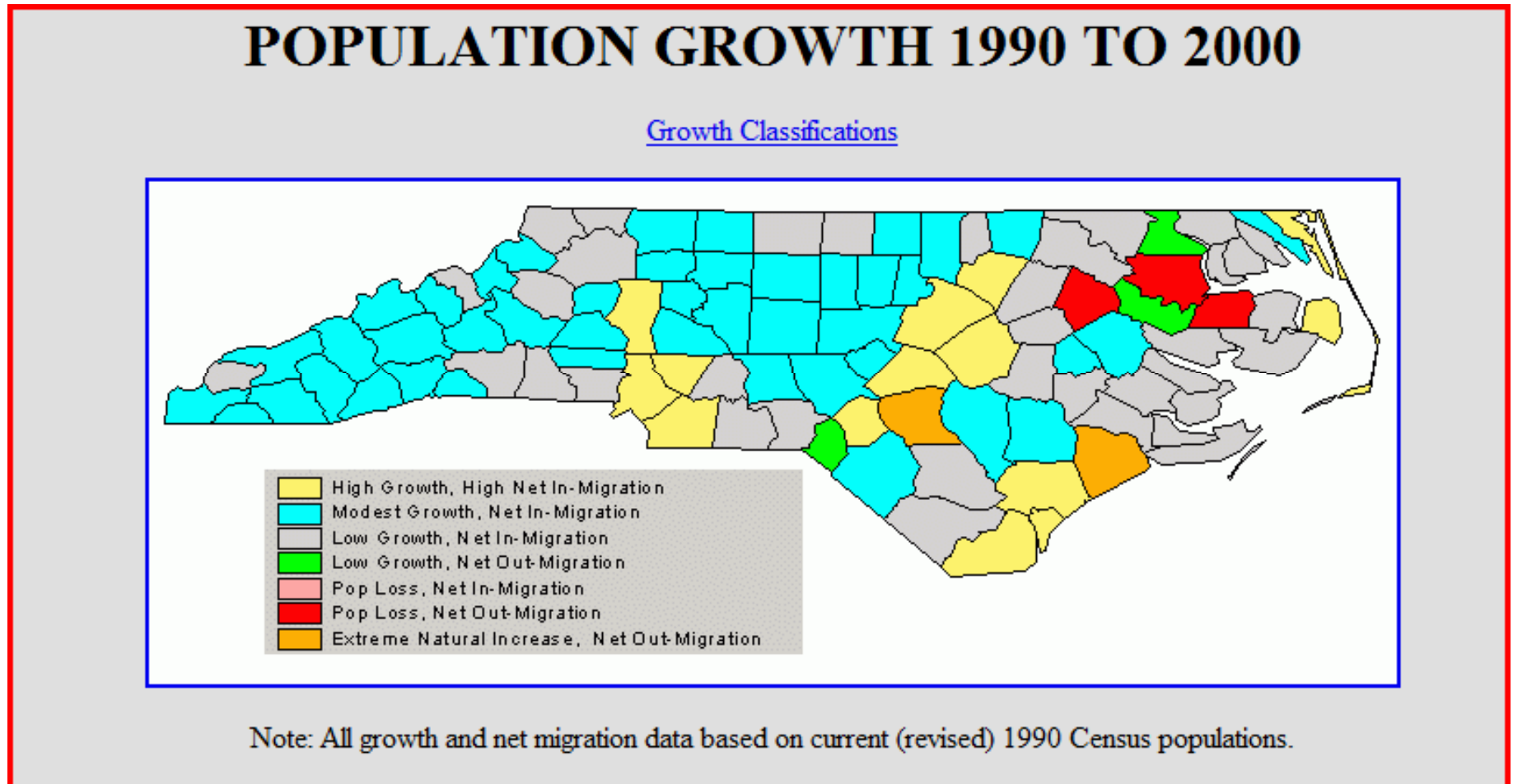
WNC Population Growth Patterns Have Been Stable

POPULATION GROWTH 1980 TO 1990 [Growth Classifications](#)



Source: NC Census

WNC Population Growth Patterns Have Been Stable

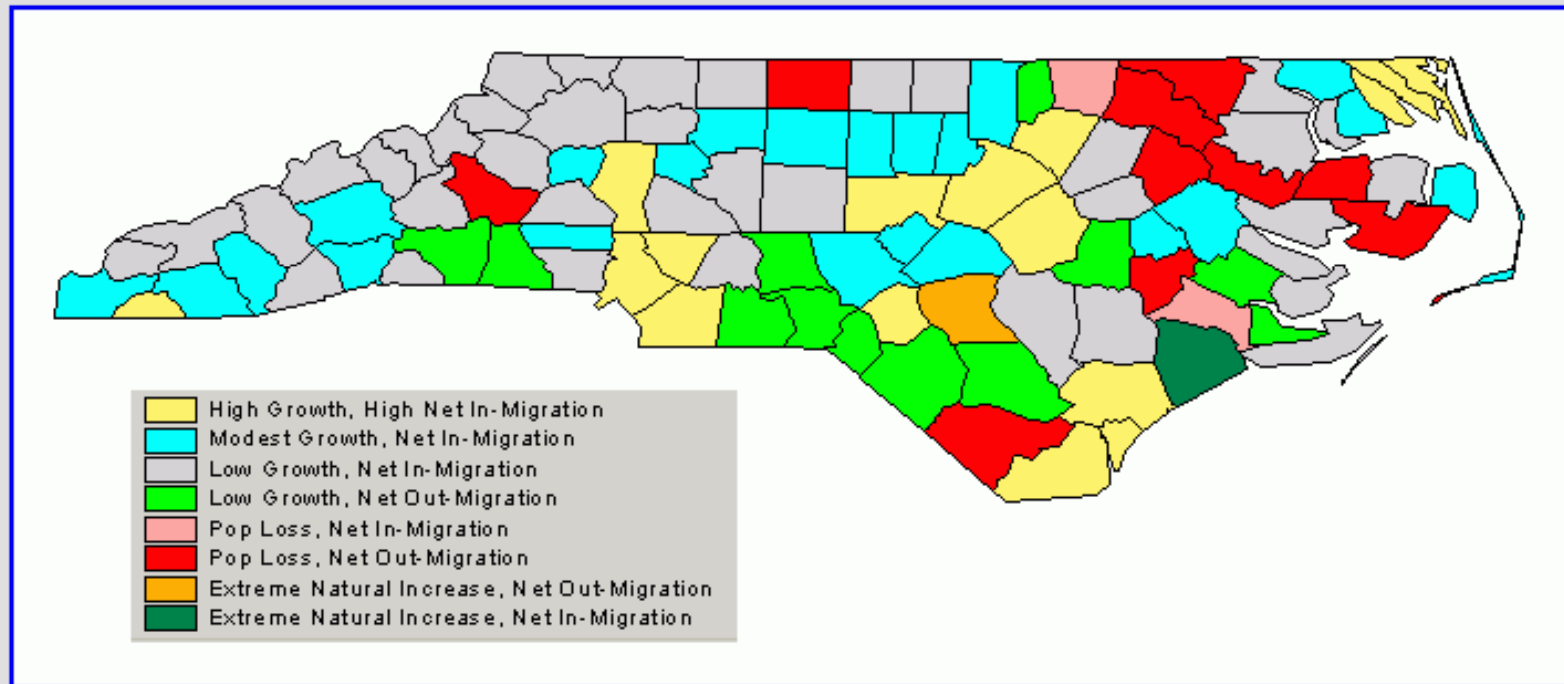


Source: NC Census

WNC Population Growth Patterns Have Been Stable

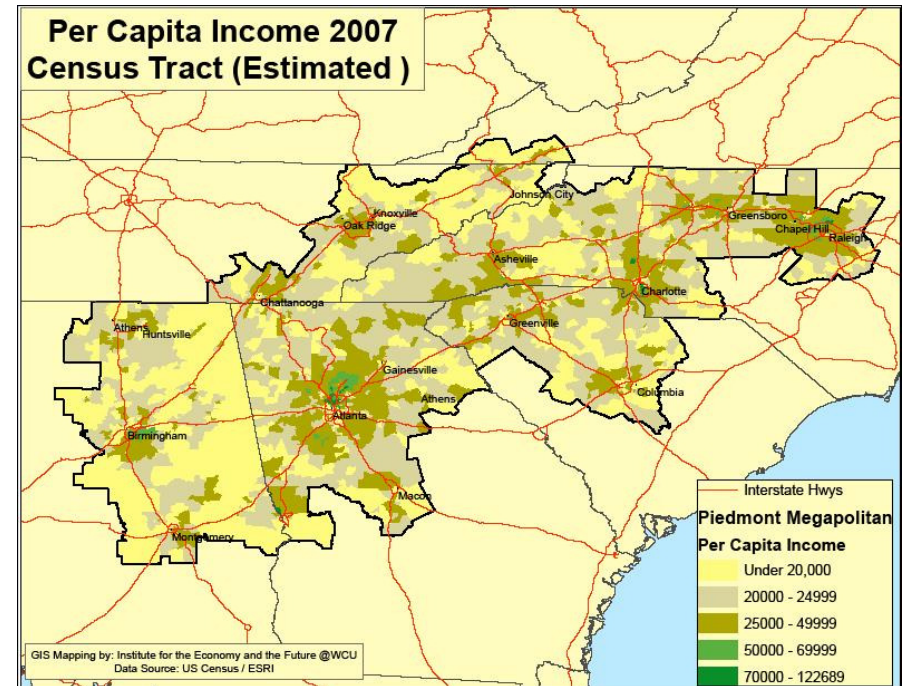
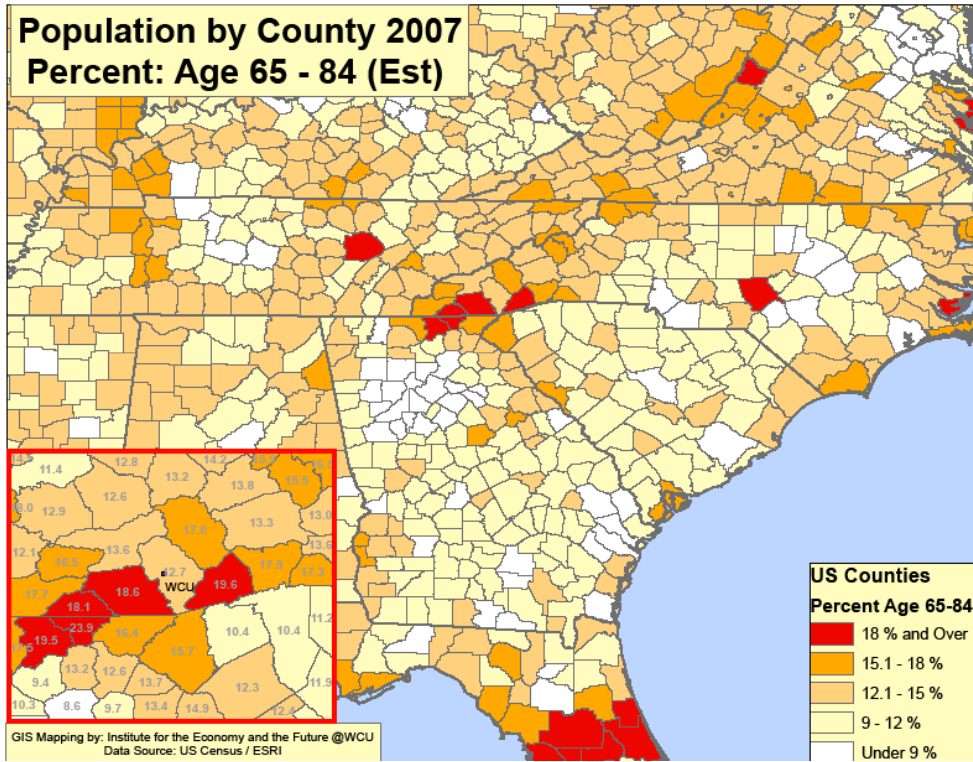
POPULATION GROWTH 2000 TO 2007

[County Name Map](#)..... [Growth Classifications](#)



Migration Created Stable Pattern?

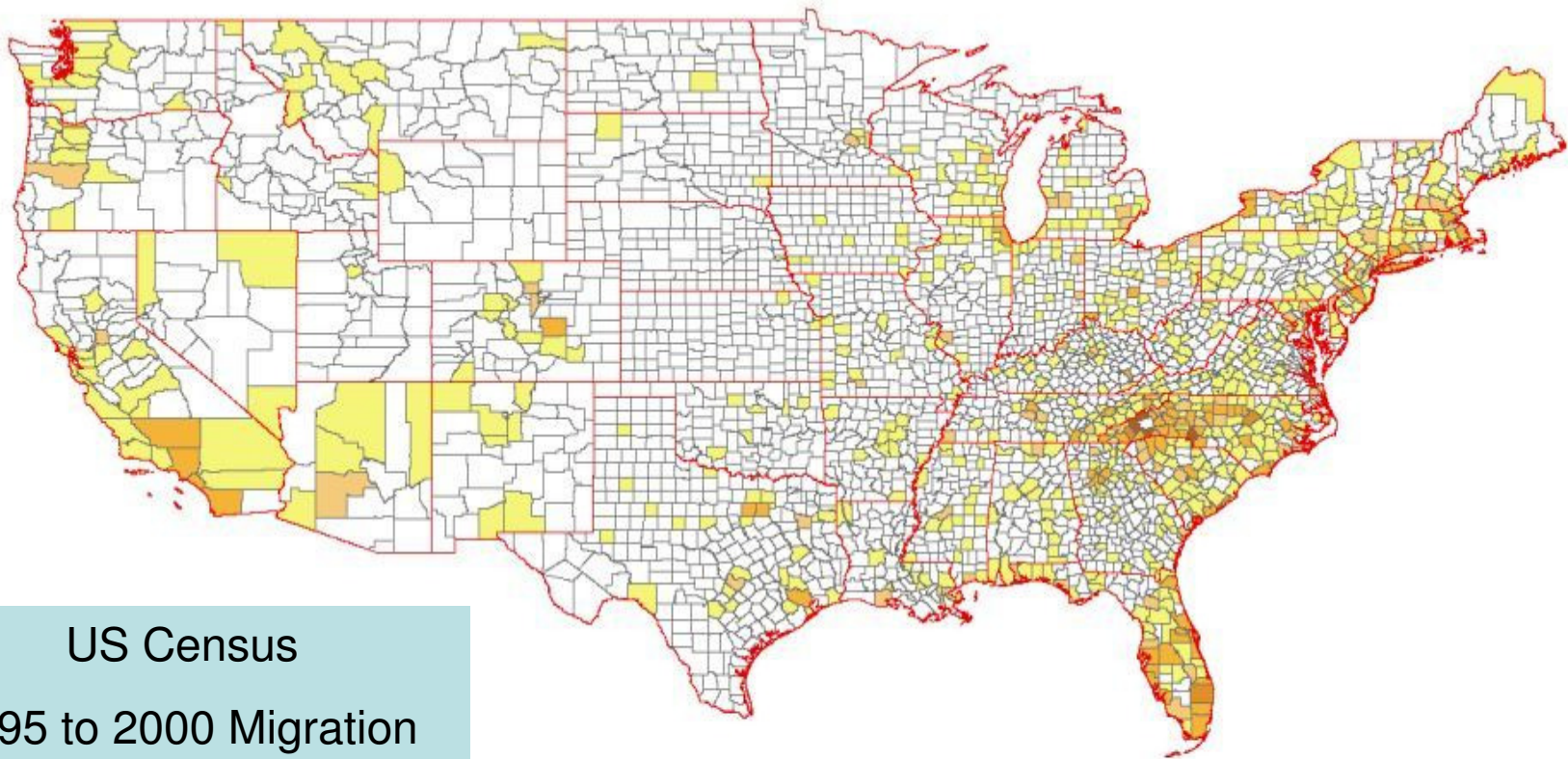
Older With Wealth Concentrations



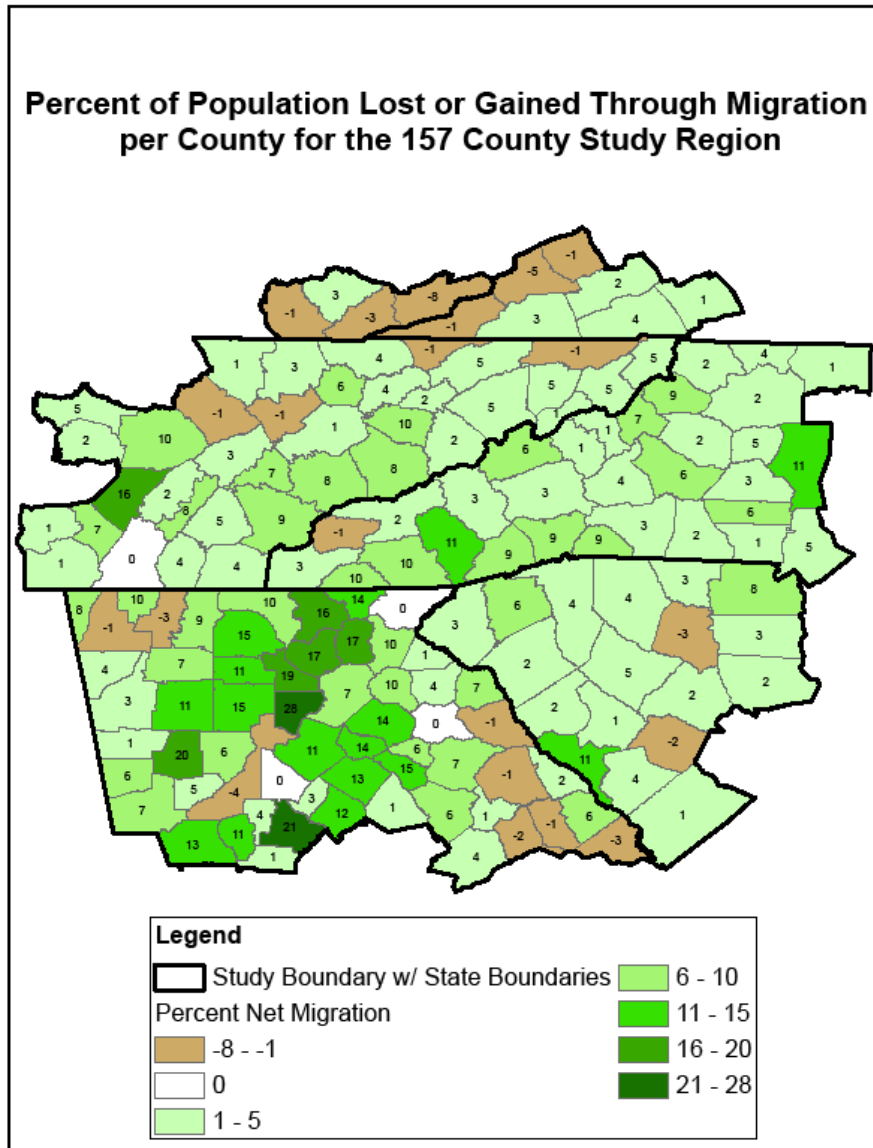
Compiled by ESRI

Buncombe County Inflow...

...A National Portal To WNC



Western Counties Migration

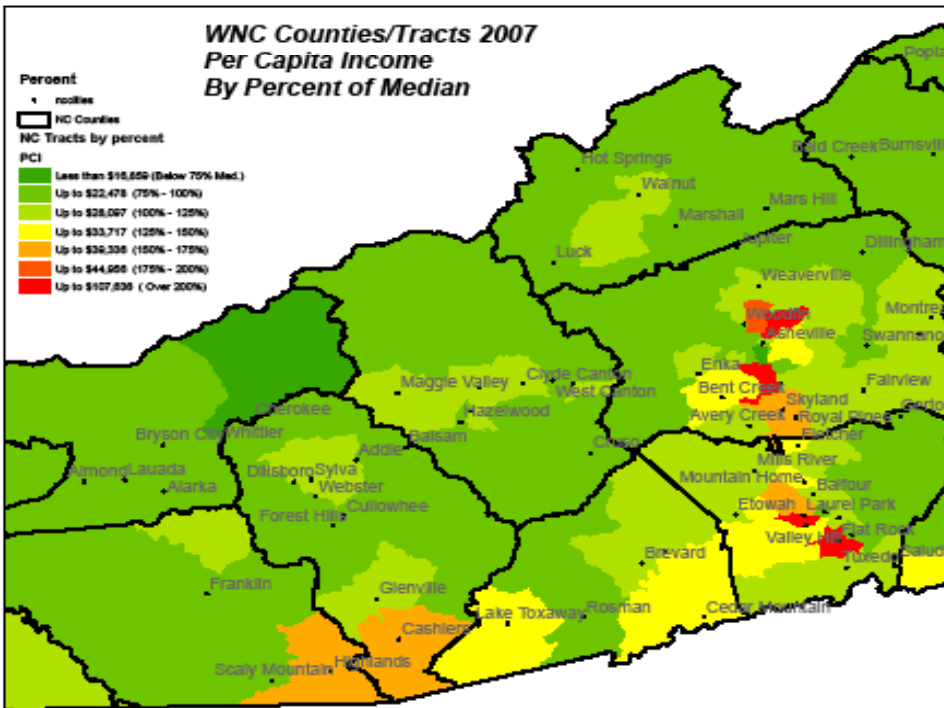
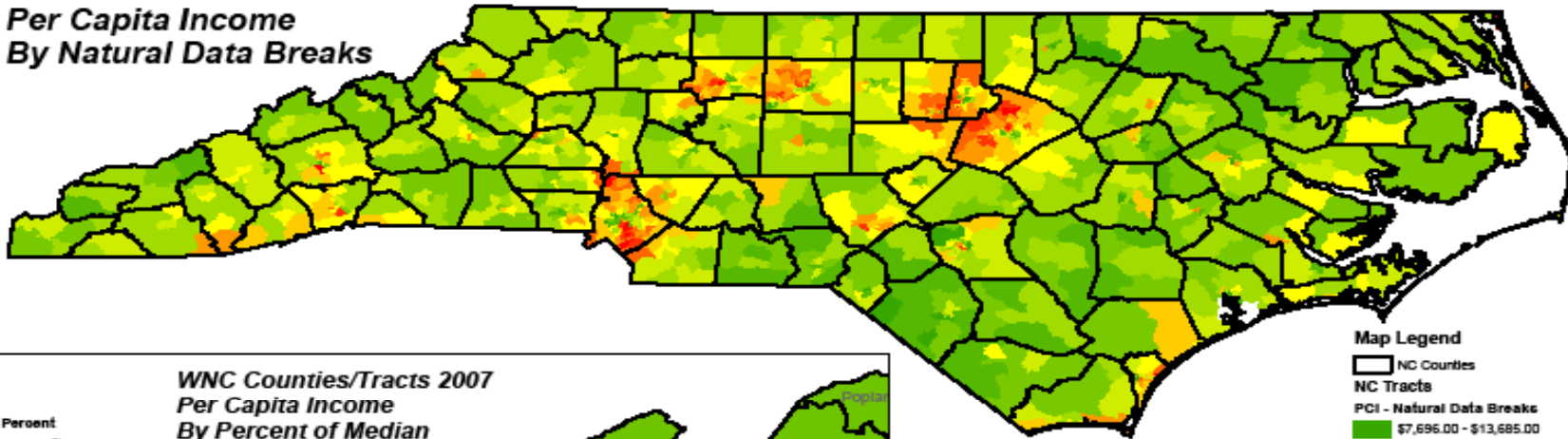


Source: US Census Bureau, 2000 Census

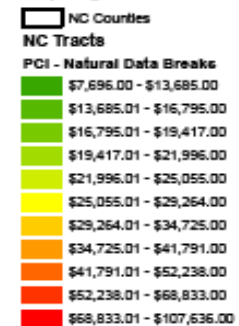
- NC And GA In Top 5 States For Net Inter-State Migration
- Declining WNC Population Without In-Migration
- Asheville – Buncombe
 - Portal For In-Migration From New York, Florida, California, and Arizona
 - Similar Numbers Out-Migrate to Transylvania and Surrounding Counties
- Migration has been a factor in increase in home prices in WNC

Per Capita Income (PCI) in WNC

**NC 2008 Census Tracts
Per Capita Income
By Natural Data Breaks**



Map Legend



Dist of PCI

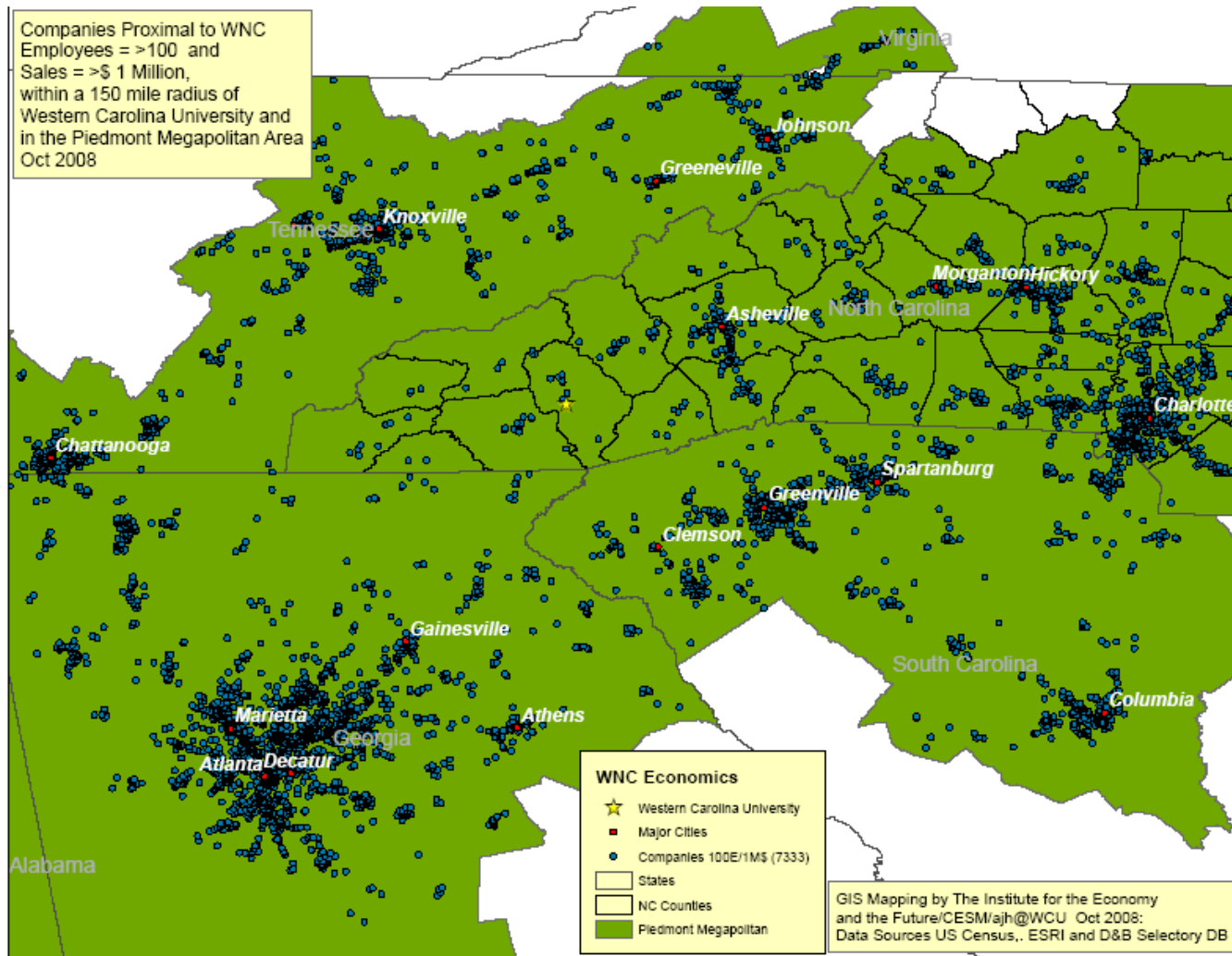
Median	\$22,479
75% Median	\$16,859
125% Median	\$28,098
150% Median	\$33,718
175% Median	\$39,337
200% Median	\$44,957
Mean	\$25,784
Median Range	\$7,696 - \$107,636

Dist of Med HH Income

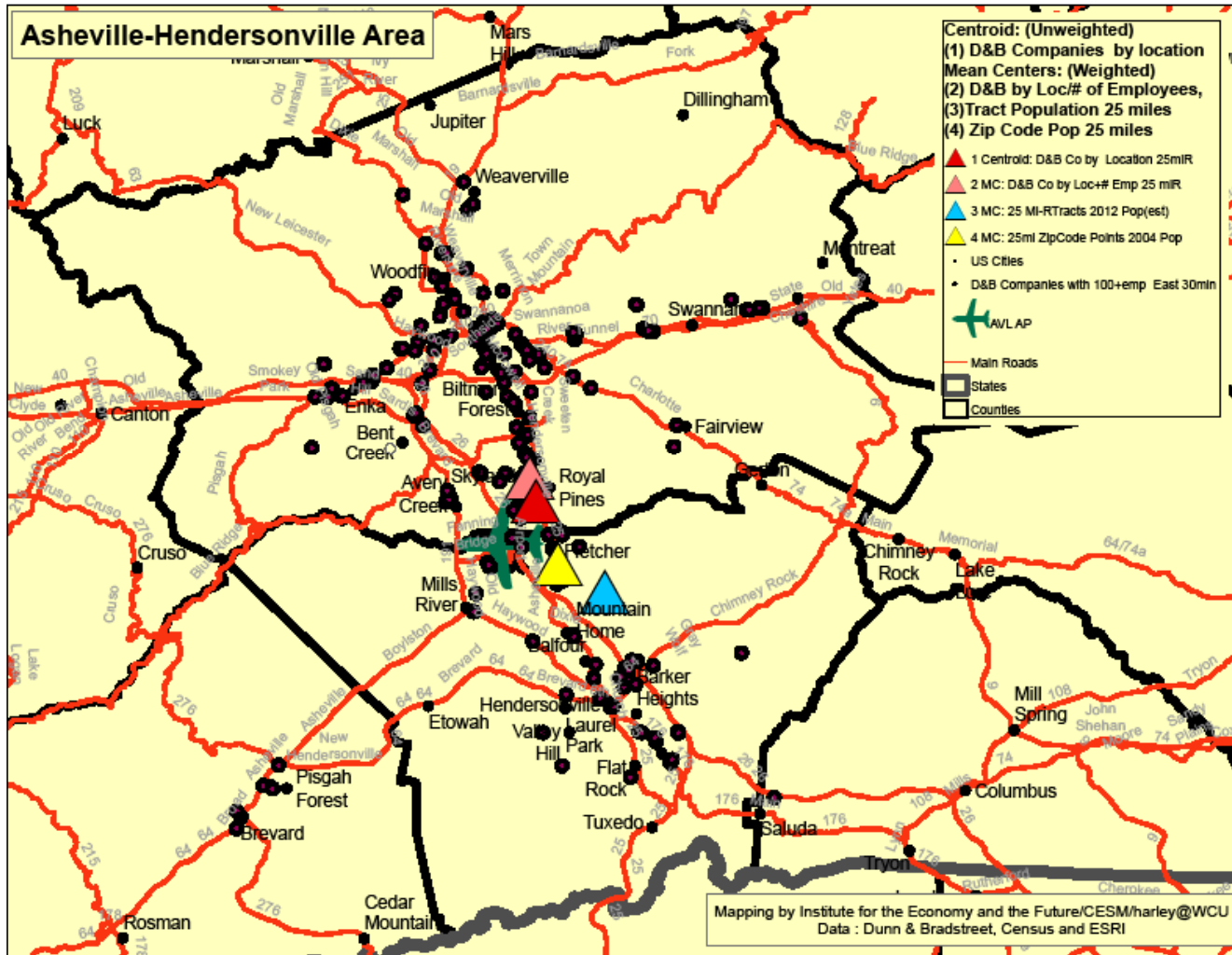
Median	\$126,391
75% Median	\$34,070
125% Median	\$56,784
Mean	\$49,821
Median Range	\$7,340 - \$196,950

GIS Mapping by The Institute for the Economy
 and the Future/CESM/harley@WCU Oct 2008:
 Data Sources US Census and ESRI

Major Employers Piedmont Megalopolis



Major Employers in WNC



Private Employment Highlights

Megalopolis

Top 30 Megalopolis Cores

WNC

Manufacturing	15%	Retail Trade	13%	Manufacturing	19%
Retail Trade	14%	Health Care	12%	Health Care	19%
Health Care	12%	Food-Lodging	9%	Retail Trade	15%
Food-Lodging	10%	Admin-Support	9%	Food - Lodging	12%
Admin-Support	8%	Manufacturing	9%	Construction	7%
Construction	7%	Services, Professional	8%	Services, Personal	3%

WNC Manufacturing

- Dominated By Traditional Industries: Textiles, Metal Fabrication, Furniture, Plastics, Paper, Transportation Equipment
- Generally “Single Employer” Led and Concentrated East of Asheville



WNC Outlook: Strategic Implications

WNC Is a Prime Location

- Centrally located within the megapolitan area
- Central to major transportation arteries
- Land/area to expand
- Workforce that had been seeking opportunities elsewhere but lived here due to quality of life

WNC Cluster Development?

- Clusters affect competition:
 - Increasing productivity
 - Driving direction and pace of innovation
 - Stimulating the growth of new businesses
- Once Cluster begins to form, self-reinforcing cycle...quality of workforce, innovation, shared marketers, suppliers, etc...

And some final advice from Professor Ostergaard...

- Survive... Be here for the recovery. Emerge stronger.
- What is your new business model? New strategy?
- Focus on existing customers to solidify existing relationships... Help them help you.
- What are you doing within the global marketplace? 1.2 billion Indian customers, 1.3 billion Chinese customers, .3 billion U.S. customers...
- Prepare for the unknown by studying how others in the past have coped with the unforeseeable and the unpredictable.
- Workforce Retention in WNC? How do you get the talent back during recovery?
- Weight resource allocation decisions. Not everything is a priority.
- Participatory Democracy... Beware politicians bearing gifts... As an old cattle farmer in Weaverville once told me about Washington...

Poly-Ticks!



Just in case my presentation hasn't helped you...

Top 10 Careers to Pursue in a Recession

1. **Health Care:** People will always get sick.
2. **Energy:** Although consumers are likely to cut back, they're not going to stop using energy.
3. **Education:** No matter how dire the economy is, there are always jobs for teachers. Kids will still go to school, and many out-of-work adults may decide to continue their education.
4. **Utilities:** Just like the energy sector, it's safe to assume that people are not going to stop lighting their homes.
5. **International Business:** Even when the economy is doing poorly in the U.S., other countries may be doing well.... China expected to have 8%+ growth this year.
6. **Public Safety:** Police layoffs are very rare, especially at a time where public safety is threatened by desperate criminals.
7. **Funerals:** Just like people won't stop getting sick... well, you know...
8. **Accounting:** Death and taxes are a sure thing. See #7 above.
9. **Federal Government:** Most federal-government jobs end only when workers retire.
10. **Pharmaceuticals:** As long as doctors prescribe them, people are still going to take drugs.

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