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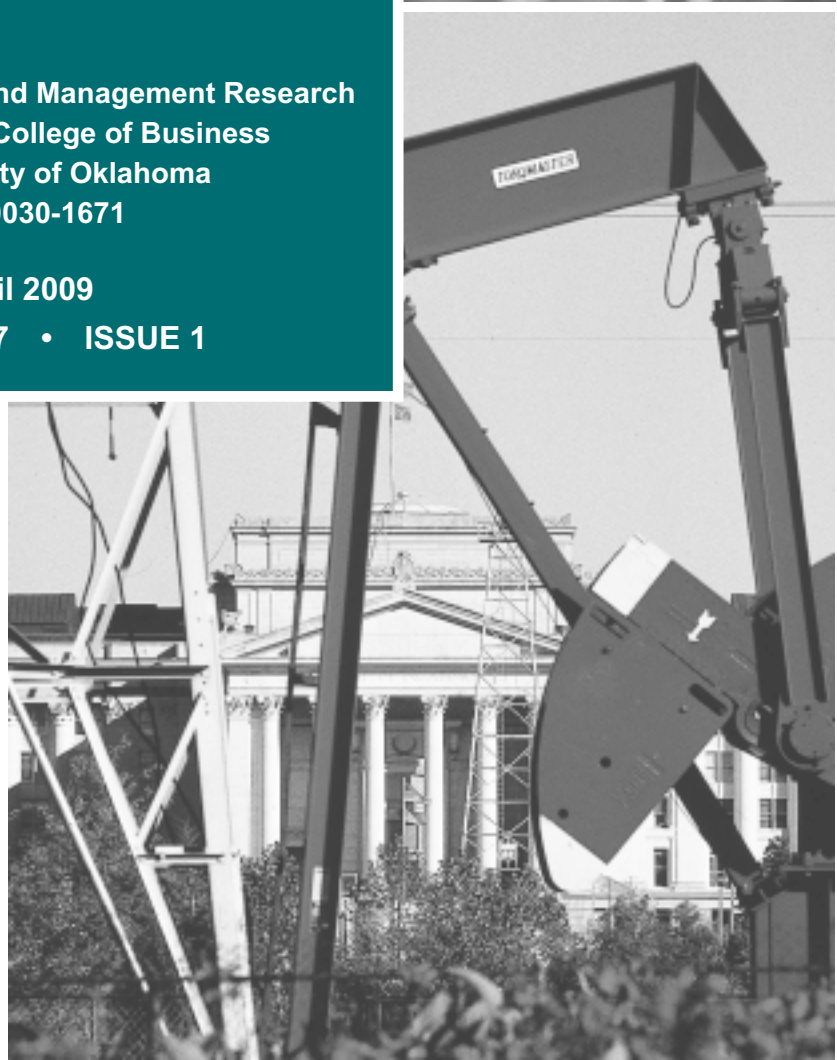

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OVERVIEW

Created by the Oklahoma Territorial Legislature in 1890, the University of Oklahoma is a doctoral degree-granting research university serving the educational, cultural, economic and health-care needs of the state, region and nation. The Norman campus serves as home to all of the university's academic programs except health-related fields. Both the Norman and Health Sciences Center colleges offer programs at the Schusterman Center, the site of OU-Tulsa. The OU Health Sciences Center, which is located in Oklahoma City, is one of only four comprehensive academic health centers in the nation with seven professional colleges. OU enrolls more than 30,000 students, has more than 2,400 full-time faculty members, and has 20 colleges offering 158 majors at the baccalaureate level, 167 majors at the master's level, 81 majors at the doctoral level, 26 majors at the doctoral professional level, and 24 graduate certificates. The university's annual operating budget is $1.46 billion. The University of Oklahoma is an equal opportunity institution. (2/6/09)

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Business Highlights

by Robert C. Dauffenbach

National Scene

In consequence of last fall's financial collapse and subsequent recessionary strains, the US economy is experiencing grave difficulties not seen since the Great Depression. Figure A, on retail sales, and showing a 10 percent decline from year earlier levels, is but one of many examples that attest to the difficulties the US economy is facing. While fears are waning that this heretofore resilient economy will slip into a deflationary quagmire reminiscent of the trying 1930's, never in recent history has there been such wide variation of expert opinion on where the economy is headed.

On the dark side, thoughtful arguments can be made that deflationary forces will prevail, backed up by palpable evidence that household, business, and governmental balance sheets are very much in debt and deficit. A long adjustment process of retrenchment is seen by many as the only cure. These knowledgeable students of the economy also caution that aspects of the financial meltdown remain with us in the form of additional adjustable rate and Alt-A (option pay) mortgages that are about to reset, coupled with amassing problems with commercial real estate.

Other equally-schooled experts note that absent the obvious financial problems that many of our institutions are facing, the economy would have likely been able to avoid a recession. The Federal Reserve System has been quick to act to support these financial troubles, expanding its balance sheet of trouble asset holdings, and buying time for markets to heal. Significant federal stimulus has also been added through fiscal policy that will help to offset reduced expenditures by households and businesses as balance sheets are readjusted. Unlike the years of the Great Depression, the government has been quick to act and act forcefully to keep the economy from slipping into a deflationary quagmire. The economy seems to be healing. "Green shoots" of recovery are seen in some recent statistics. Once financial stability is restored, there is little reason to doubt that the US economy will ascend to its previous growth path, they assert.

Which of these two divergent groups will ultimately prevail is certainly uncertain at this time. Furthermore, it is likely to be unknown for a considerable period of time who is winning. Evidence unfolds on an almost daily basis. The likelihood as we pass through time over this next, say, 18 months is that both camps will have additional data to support their claims on the future course of economic evolution. What is certain is uncertainty. It will take a great deal of close monitoring to gain even the a cloudy vision of the angle of this economy's trajectory. At the same time, there is certainly a need to assess how we got into this mess in the first place. The very foundations of our financial system need to be rebuilt, and that requires an honest appraisal of "how we got here."

Origins of the Financial Crisis

The financial quagmire that the U.S. economy is presently experiencing had its origins in the subprime mortgage market, but the problems are quickly spreading to commercial real estate, student, auto, and other consumer loans. Truth be told, there were several factors that led to this present predicament from which the path to recovery has yet to reveal itself. Among the factors are (1) financial market deregulation; (2) government policy promoting home ownership; (3) low interest rates and readily available credit; (4) the rise of securitization; (5) alternative forms of mortgage financing; and (6) public attitudes towards housing. No one person or institution is to blame. Indeed, there is plenty of blame to "go around."

Financial markets were deregulated in 1999, in the Clinton administration, with passage of the Gramm-Leach-Bliley Act. This act allowed open competition among banks, securities and insurance companies. It repealed the depression era Glass-Steagall Act in which legislators thought it best to separate these functions.

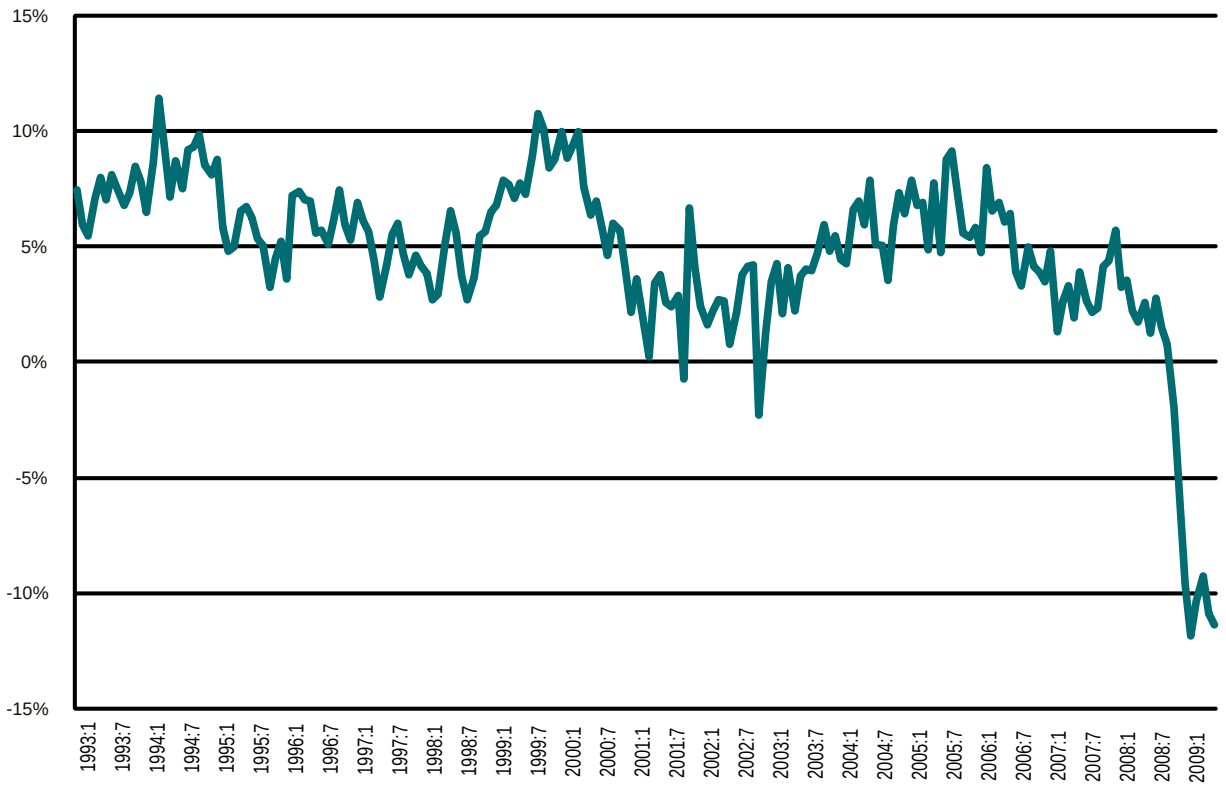
Unfortunately, along with deregulation, the government regulators seemed to exert less mindful attitudes toward "watching the store." Government policy, in the creation of Fannie Mae and Freddie Mac, also acted to promote home ownership through extensive mortgage guarantees and securitization. Now, of course, these formerly private sector entities are under government conservatorships. Greenspan and his accomplices at the Fed did their best to hold down interest rates and insure that markets had ample liquidity to assist in recovery from the dot-com bust and the recession of 2001. Greenspan is now widely criticized for keeping interest rates too low for too long.

The rise of securitization extended financial liquidity through the packaging of home mortgages and many other financial contracts into marketable securities. Many individuals and institutions around the world bought into the U.S. housing market through these various forms of Consolidated Debt Obligations (CDO) and insurance vehicles such as Credit Default Swaps (CDS). Banks, insurance and securities firms engaged in widespread use of "off-balance sheet" activities known as Special Purpose Entities (SPE). It was quite a party.

Households with rather low credit scores found that they could now qualify for loans through alternative mortgage financing plans, such as subprime, Alt-A, limited documentation, and Pay-Option loans. Under the latter, one could elect not to make a payment and the amount of the loan would simply be automatically increased. Various alternatives have been offered to describe such loans, including "liar's loans" and NINJA (no income, no job, or assets) loans. Underpinning this *perfect financial storm* was an attitude on the part of public that housing prices simply don't go down. Speculative activity, such as "flipping" or buying homes in hope of continuing price advance, was rampant.

Figure A

U.S. Retail Sales – 1993 to Present
Yr/Yr Percentage Change



In Oklahoma, we know that housing prices may not go up much, either. The Office of Federal Housing Enterprise Oversight compiles housing prices in index form with 1980=100. This is an important index because it represents only resale of same properties. The OFHEO results show that the Northeast (NE) region experienced a six-fold increase in the average price of a home since 1980. The U.S. average is close to a four-fold increased before prices started heading downward.

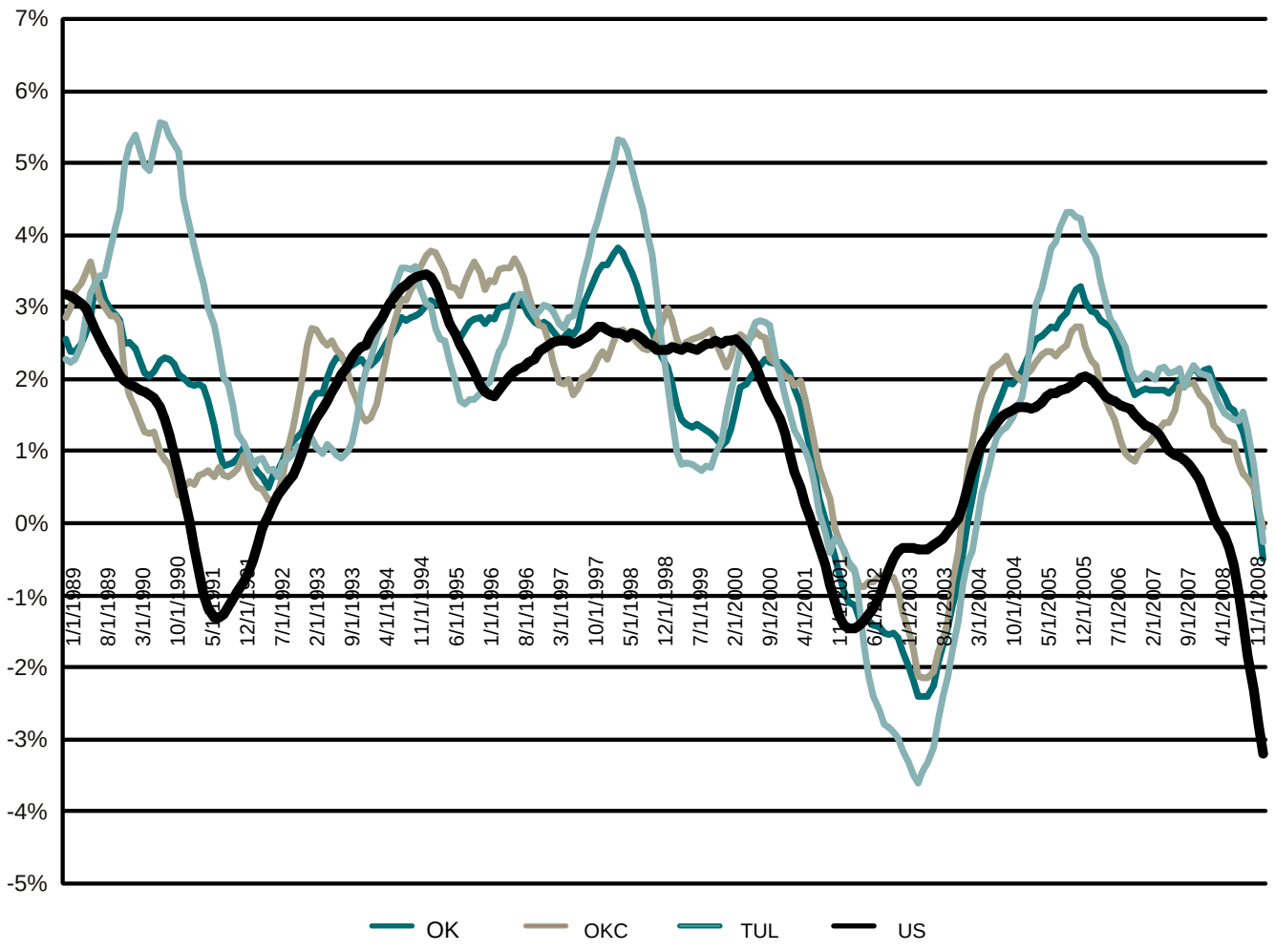
In the four-state West South Central (WSC) region of Oklahoma, Texas, Louisiana, and Arkansas, the index as only about 2.3 times the 1980 average, about in-line with the national rate of inflation. It is clear from information such as this that the housing crisis is largely an east and west coast affair. While this state and much of the mid-west didn't benefit from the gains in house prices, it is not clear that we won't be subject to the rescue costs. We can be somewhat grateful, I suppose, in that while we didn't have a housing boom, it is very unlikely that we will experience a "bust."

Oklahoma Scene

The Oklahoma economy has been, to a large extent, "holding its own." Only recently, as Figure B attests, has employment growth fallen to the zero point. Only recently, as shown in Figure C, have gross state tax collections declined on a year-to-year basis. Abstracting from oil and gas severance tax collections, Oklahoma is

Figure B

Non-Agricultural Smoothed Employment Growth
Oklahoma, OKC & TUL Metros, and US: 1989 - Present



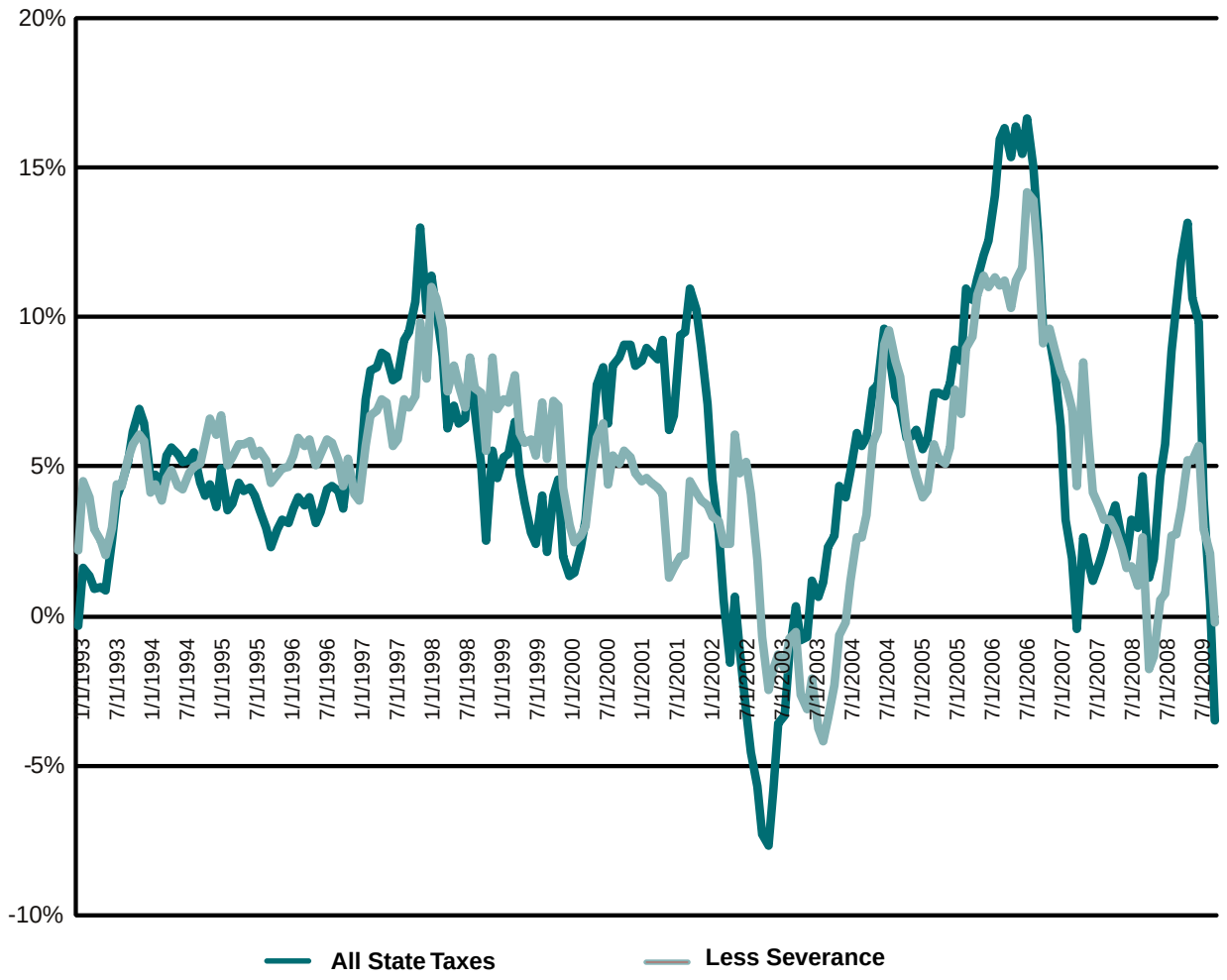
collecting about as much revenue as last year. Without the financial trauma nationally, it is likely that Oklahoma would have avoided the recession entirely. Recent times of exaggerated increases in commodity prices, now perhaps only briefly lower in consequence of the global recession, are providing evidence that this is a "back to basics" world, a world where making things, growing wheat, raising livestock, and drilling the earth for energy will be increasingly rewarded. Oklahoma should fare well in such a world.

Figure B also illustrates another important feature of the relationship of the Oklahoma to the US economy, namely the correspondence in the patterns of employment gains. As Mark Twain once said "History doesn't repeat itself, but it 'rhymes.'" Historically, Oklahoma's patterns of employment growth rhyme well with the nation's. The Oklahoma economy, since 1987, has fairly closely followed national patterns of employment gain. We are now a much more diversified economy. In consequence, we are not likely to avoid this national downturn. However, we are likely not to have to experience the full force of this national financial calamity. Still, the economic scene in Oklahoma is likely to worsen before it gets better.

Robert C. Dauffenbach is Director of the Center for Economic and Management Research and Associate Dean for Research and Graduate Programs.

Figure C

Gross State Tax Collections: All-State and Less Severance
Smoothed Year/Year Percentage Change



Appropriately Compensating Oklahoma Executives

by Christopher Dodd, Jaron Harvey, M. Ronald Buckley

Introduction

The past twenty to thirty years have seen rapidly rising levels of executive compensation. Such levels have incurred the wrath of the news media and occasional social commentators, but there have been few changes brought about to effectively stop the rising tide of executive compensation.

There are those who say that executives should be paid even more than they currently are. They point out that shareholders choose to pay executives such excessive amounts for their services, or that the shareholders at the very least are choosing to own the company and are thereby accepting of the executive pay. The assertion that shareholders choose this higher executive pay has little merit because most investors, even those with relatively large amounts of money invested in the company, have very little influence over company operations and compensation. The additional point that shareholders are accepting of high pay may seem to have some merit on the surface, but a company must ask itself just how much investor relations matter. Can the business afford to have any faction of its owners bitterly and grudgingly "accepting" such a visible representation of the company as executive pay?

One contributing factor to the rising tide of executive compensation is the rising use of stock options. As the stock market value rises, so do the salaries of American executives. This is good, because a market that has grown as much as the US stock market has in recent years implies improved executive performance. But, compensation levels have gone up much more than they should have because many in corporate America have lost sight of the original intent of options: to make managers behave more like owners. Most options have a vesting period of less than five years. Such a short time period does not give managers any incentive to think long-term. Rather, it gives them incentive to tailor their actions according to momentary stock performance. Additionally, tools like reloading, backdating and repricing of stock options, which are often but not always illegal, further reward managers with undeserved compensation. The intention of stock options is to make management think like ownership, but often they make them think like high-priced talent instead. This paper argues that it is the conflicting nature of options, and the tools which have come to surround them, which have taken managers so far from ownership and caused executive pay levels to rise so dramatically in recent years.

This article also argues that options added to the magnitudes of both the Internet boom and bust of the late 1990s and early 2000s and that they will continue to add to market volatility unless significant changes are made. One change for the positive which has already been made is that companies are now required to expense the fair value of options on income statements, instead of simply revealing this in notes of financial statements and actually expensing the intrinsic value of stock options. A few Oklahoma companies will be highlighted in this section and the effects of this rule change on them will be examined.

In conclusion recommendations will be made for changing the current nature of options. Options need to be brought back to their original purpose. The length of time for vesting of options must be increased to cover more than a full market cycle. This will encourage managers to think and behave more like the long-term shareholders who choose to stay with the company and weather the short-term storms.

The Purpose of Options

Options have traditionally been used to encourage executives to stay with a company for an extended period of time and to compensate those executives by a means other than cash. Another overarching justification for options is that they tie pay into performance. CEOs, other executives, and any other employees given stock options would theoretically gain a sense of ownership and entrepreneurship from the use of options, meaning that

they would gain personal financial incentives to work harder and to take extra initiative to help the company make more money.[1]

For example, Company A gives its CEO one thousand options at $25 per share, the current market price of the stock. The CEO must then hold the options for a set period of time as required by the company. During this period of time, the options are "vesting." After ten years, the company's stock price has risen to $75 per share, an increase of $50. At this time, after the options are fully vested and have reached maturity, the CEO has the "option" to purchase those original one thousand shares of company stock at the previous market price of $25. If the options are sold, a profit of $50,000 is made. Under this scenario, the purpose of stock options has succeeded. The board of directors and shareholders gained a CEO who became more highly motivated and the CEO made a nice bonus in addition to his or her base salary. What is more, the company also used the stock options to motivate the CEO to stay with the company for an extended period of time, which succeeded. While the numbers used in this example are very small, the implication is the same. The prospect of earning an extra $50,000 over a period of ten years is unlikely to motivate a CEO, but if the company had instead granted ten thousand options, the CEO would have made $500,000. And further, had the CEO been granted one hundred thousand options, he or she would have profited $5 million over ten years, a figure that is unlikely to draw the ire of shareholders and yet can also serve as a motivating factor for the CEO.

However, many executives are not required to wait ten years when this is taken into account, it becomes conceivable that the CEO would lose perceived motivation to remain committed to the company. The CEO would also recognize that the lack of an extended time requirement would mean that the rate of options-related compensation is limited only by the amount that the share price can be increased. Options have shifted from tools for motivating CEOs to work hard, in the long-term best interests of the company, to tools that motivate them to raise company stock price as quickly as possible. Raising the stock price is not bad in itself, and it is the basic goal of all CEOs and upper management. But when actions are taken that drive up the stock price of a company in the coming 3-5 years or less at the expense of the long term health of the company, CEOs act less like owners and more like speculators, as such short-term options which entice such behavior cease to be good for the company. Because most stock option plans vest over a period of two to five years[2], executives can be expected to have that same short-term, speculative thinking.

To further raise the shockingly high executive salaries, which so anger the American public, CEOs may be granted options not in the thousands but in the millions during their tenure in the position. Such options are not granted all at once, and they are generally used to preserve the notion that the CEO is an owner of the company. Reloading, and other tactics used to manipulate stock options abuse the original intent of this type of compensation.

The Accounting of Options

One reason for the initial appeal of stock options is that companies were not forced to count them as an expense. Ostensibly, the reason that options did not need to be expensed was that they would not be exercised in the same fiscal year they were granted in. Thus, the company would not be paying monetary compensation that year in the form of stock options, therefore it did not incur any options-related expenses. The folly of this plan is that the company actually does give out monetary compensation when it grants stock options to an executive or another employee. While it may not have a direct outflow of money that year, it does at least make a promise to pay money to the employee at a later date, provided that the company's stock price has risen from the time of granting to the time of exercise. Such promises become'monetary'outflows when the options are exercised, and they must then be recorded as expenses if investors are to make accurate judgments of the value of equities and the companies behind them. Alan Greenspan said in his 2007 book The Age of Turbulence:

> To assume that option grants are not an expense is to assume that the real resources that contributed to the creation of the value of the output were free. Surely the shareholders who granted options to employees do not consider the potential dilution of their share in the market capitalization of the corporation as having no cost to them.[3]

Fortunately, this is one area of corporate governance in which progress has been made. Greenspan himself joined those speaking out against the non-expensing of options in 2002. One of the most prominent critics of this practice includes Warren Buffett, the famed "Oracle of Omaha", who had made public his strong feelings on the matter years before. After a political battle in late 2004 during which a Republican-led Congress, nearly blocked changes in accounting standards, the Financial Accounting Standards Board (FASB) succeeded in amending the "free" aspect of options. Beginning in 2005, any company granting stock options would have to record such grants as expenses.[4]

Expensing the fair value of stock options is not as impactful on a company's bottom line as one might expect. Many companies were already expensing options before rule FAS 123R came into effect—they simply were not expensing stock options in the exact way that the rule mandated.

FAS 123R and its Effect on Oklahoma Companies

Companies were expensing options before rule FAS 123R came into effect—they simply were not doing it in the way that the new rule mandated. Before FAS 123R, companies were allowed to use the intrinsic value-based method of expensing options. The intrinsic value of an option is the price of the stock on the date of the grant less the pricegiven in the stock option contract.[5] Because companies could make the contracted price the same as the then-market price, the intrinsic value was generally deemed to be zero. This meant that options had no associated expense and were basically free, at least according to financial statements. FAS 123R is a sharp departure from Opinion 25, which only required that the intrinsic value of options be expensed, and from FAS 123, which required that the intrinsic value be expensed and that the fair value be computed and disclosed in the statement, most likely in the footnotes. FAS 123R, in contrast, requires that companies expense the fair value of options. While there is more than one way to compute fair value and different ways can certainly yield different figures, the fair value method will result in figures larger than the zero often found by the intrinsic value-based method.[6] The FASB added this revision for a number of reasons. It wanted one method to be used by all American companies (with limited exceptions) because this would make the US generally accepted accounting principles (GAAP) much simpler and would make it easier for investors to compare the financials of different companies. The FASB also had a desire to align this element of GAAP with standard international practices. Most importantly, fair value is a much more accurate representation of a company's options-related expenses.[7]

With their duty to maximize shareholder wealth, companies desire to show their earnings to be as high as legally possible. Yet with the advent of rule FAS 123R, companies no longer have as much leeway in how they do this. When the rule change coming, many Oklahoma companies began clearly highlighting in their statements how such changes would affect their bottom line. However, the changes do not have quite the impact one might expect.

In 2005, Devon Energy Corporation noted that, had it been using the fair value method, it would have incurred an additional expense of just six million dollars for the three month period that ended March 31, 2005. This effect appears much smaller when viewed in reference to the net earnings of 555 million dollars which Devon reported for the same time period, even after the extra expense is added.[8]

During an August 2005 news release, Sonic predicted the change would add $8 to 9 million in expenses for the 2006 fiscal year. The rule change would have also brought Sonic a slightly higher tax bracket. These factors would have combined to lower Sonic's 2006 earnings per share by $0.10 to 0.11.[9]

Chesapeake Energy Corporation is another Oklahoma company that estimated the impact of the accounting change to be quite small. In preparing for that impact in March 2006, Chesapeake revealed in its pro forma financial statements that had it been using the fair value method in 2005, basic earnings per share (EPS) would have decreased just two cents, from $2.73 to 2.71. In the same annual report, Chesapeake went on to report that it did not foresee the rule change greatly affecting it in the future. Given reasons for the small impact were tax benefits related to the accounting change and the company's intention to restrict the number of future stock options awarded to employees. 'However,'Chesapeake did not say in the statement to what degree the rule change caused this planned course of action, the intention is in itself an acknowledgment that the positive power of stock options has its limits.[10] Another Oklahoma energy company, Tulsa-based Helmerich & Payne, announced in January 2006 that it expected to have losses for the year of under $10 million due to the revision of FAS 123.[11]

These losses may seem small, but a reduction of just ten cents in yearly earnings is still something that every CEO certainly wants to avoid. Yet, this is exactly what was intended with the advent of FAS 123R because it gives a more accurate representation of companies' compensation expenses.

Two Actions & Practices by Oklahoma Companies

As it was noted in the previous section, Chesapeake expressed an intention to restrict future awards of stock options,[12] showing that the company leadership believes options are only so effective. Here, also, are additional practices and actions by two Oklahoma companies that merit further examination.

Devon Energy wrote in its DEF 14 A in 2003 that its "goal in setting executive compensation is to motivate,

reward and retain management talent who support the company's goals of increasing absolute and per share value for stockholders."[13] Stock options are one way of motivating executives, because they tie pay into performance. This is the sense of ownership that stock options are meant to convey. In the specific stock options granted by Devon, the company states that they are used as a reward for "long-term strategic management practices" and that they are "designed to closely align the interests" of management and ownership.[14] The combination of these intentions is critical because the ownership purpose, reinforced by long periods of sustained ownership and held stock, maintains the original intent and the integrity of stock options. When options are used solely to reward executives, without any measures designed to ensure that shares are held for extended periods, the options become easier to manipulate and are can be used simply to raise an executive's compensation with no benefit to stockholders.

In that same 2003 DEF 14 A, Devon's Compensation Committee noted its desire for executives to retain company stock and unexercised options, and the committee stated that it wants Devon executives to have long-term ownership of company stock; even though no specific ownership criteria are used to determine stock option awards. To that end, Devon reported that as a group, its senior executives had retained 80% of the total unexpired stock options awarded to them through November 2002. Assuming that the great majority of these options were not recently awarded and as yet unvested, which it is unlikely that they were, this is an impressive retention rate.[15]

It is also notable that in February 2003 ONEOK announced that it would begin expensing options granted in the first quarter of that year under the fair value method. This was well before the company was required to do so under FAS 123R. Company chairman, president and CEO David Kyle remarked that such a move would help maintain the alignment of management and shareholder interests.[16] As previously mentioned, this is critical to maintaining the aspect of motivation through ownership. It is actions like these and actions that go even further, this paper will argue, that are essential to preserving the integrity of stock options.

Reloading

The reloading of stock options is a tool which was developed with the same intentions as stock options themselves. The underlying purpose of options reloads is to ensure that members of management maintain their personal financial interests in the company. The concept is that after an executive exercises options on company stock, the executive should be granted an additional and equivalent number of share options. This is intended to incentivize the executive after the sale of stock options, he or she will still have incentive to think and to act like an owner himself because he has new stock options. The desire for management to think like ownership is certainly positive, and the reloading of stock options initially seems to accomplish this purpose. However, when the actual ownership of the company repeatedly pays for management to feel like ownership it confounds this purpose. Option reloads demonstrate a thin but clear distinction between financial incentives and financial rewards. Stock options attempt to tie pay to performance. Yet, when executives are granted options multiple times over, the pay for that performance brings monetary benefits that no non-executive owner could ever realize. These benefits can be compounded beyond any real owner's actual intentions. Investing activist Robert Monks likens reloading an executive's stock options to a gold mine which will always be refilled by the board of directors.[17]

To see how reloading can compound such executive pay rewards we return to the earlier example and introduce this new concept. Instead of the executive's options maturing after ten years once the stock share price hits $75, the options now mature after five years right as the share price hits $50, yet they expire in ten years, meaning that after this time the executive can no longer buy the shares at the previous lower price. Now the executive exercises those options at $50 and pays $25 per share. The board of directors may assume that the manager will sell the shares on which he or she has just exercised options and, because it wants the executive to continue thinking like an owner the board will reload the equivalent number of options. However, this time the options will be granted at the market price of $50. The new options, which boards refer to the renewal of the old options, will expire at the end of the original ten years, just like the old options. Now the executive will sell the one thousand shares of exercised options at $50 and get a new thousand shares that he or she will sell at $75, netting the exact amount of profit as if he or she had simply kept the original thousand shares through the price of $50 and sold them all once the share price hit $75. However, suppose executives are bullish and exercise the options at $50 but instead of selling those shares, they hang onto them for a while. Once they exercise those one thousand options, the exectutives will be reloaded with the equivalent number of shares with a grant price of $50. Now if they sells all two thousand shares at $75, a 50% greater profit will be realized over what would have realized under the first scenario. This is because they now sell the original one thousand shares at a profit of $50 per share ($75-25) and the second thousand shares at a profit of $25 per share ($75-50), whereas originally they would have simply sold one thousand shares at a $50 per share profit.

It is easy to see that when options are granted in increments much larger than one thousand shares, the money can pile up quite quickly.

One Argument for Reloading

One study on the reloading of stock options was conducted by Frederic W. Cook & Co., a management compensation consulting firm, in 1998. In the study, the firm endorses option reloads and finds the chief goal of options reloads is to stimulate executives' ownership in company stock. However, it also describes option reloads as an important tool to help employees exercise options on share prices which have experienced large returns, without letting them lose those returns should the share price soon decrease.[18] This is a great plan for average employees who may be given options as a form of bonus and for technical workers which the company wants to motivate towards increased diligence and initiative. Such a plan could serve as a big morale booster for company employees and be seen as such by the shareholders. There is no reason to have this plan in place for executives, because the purpose of this plan is to maximize the profit of the employee for whom the reloading is being done. The board of directors, which work for the shareholders, have motive to maximize profit in this way, for average employees. The practice of reloading is important because of the aforementioned morale boost, which could conceivably boost quantity and quality of production, but it is outside the realm of the board's official interests to maximize the profit of the company executives. Executives should not need any morale boost to help motivate them and they should not have the board of directors helping them make money at the direct expense of shareholders. Additionally, a reloading plan designed to maximize profit should not benefit management, because management controls the direction and operations of the company. This is an enticement for management to tailor the operations of the company to their own short-term monetary interests instead of to the long-term interest of the company. Reloading, in conjunction with short vesting periods, encourages management to focus attention to market cycles, with all of their accompanying booms and busts. Shareholders should not want management to exercise options at a market peak, sell for a profit, and then buy more after the stock falls; such behavior destroys the basic intent of options by having executives behave less like owners and more like speculators. Such behavior allows executives to profit at the direct expense of shareholders. Rather, executives should be required to hold company shares for an extended period of time while they fully vest. Ten years is a good starting period, because this time period is likely to outlast any market cycle.

Some may be skeptical that executives are influenced by market cycles. Yet most business school educated CEOs, are people specially trained in business and are capable of seeing an overvalued market and have the ability to make a timely exit. Seeing such a bubble, a shrewd CEO may work to capitalize what is left of the boom by ramping up operations to maximize earnings in the short-term at the expense of long-term operations. Considering the rash of illegal corporate scandals of the past few years, it is prudent to assume that executives will take advantage of every legal opportunity afforded them. This is what happened during the stock market bubble of the late 1990s.

Internet Bubble

As the longest economic expansion in American history heated up in the 1990s, many stocks, especially tech stocks, became overvalued. Investors bid the share prices up to heights that earnings simply did not justify. Of course, many investors discount the importance of price-earnings ratios and instead placed more weight on the growth expectations of a stock's earnings. 'This is where the actions of management played such a large role. First, as previously mentioned in this article, options give managers incentive to act more in the short-term. Ensuring that the options reward managers with the maximum value possible, as the Cook Report earlier cited desires, necessitates that the stocks' prices stay high and that their companies meet or exceed Wall Street earnings estimates quarter after quarter. To achieve this objective, managers will be tempted to halt company investments which would pay off in the long-term but would harm the bottom-line in the short-term. If they cut these investments, they save the money used for investment and are then able to report this as earnings. This helps the look of the company for the moment but harms it in its future endeavors. In fact, a report on executive compensation by The Economist pointed out a survey in which over half of the participating chief financial officers responded by reporting they would harm the long-term health of their respective companies to ensure that they hit their earnings estimates in the near future.[19] When companies continually meet earnings estimates, they automatically encourage investors to raise their expectations of future earnings, oftentimes regardless of the particular stock's valuation. If enough investors prioritize other measures over those of valuation so that in a market boom stocks can be bid up to an unsustainable range. Yet, such overbidding can only last so long. When the market can no longer handle the

weight of such practices, it peaks and then begins to come back down. Company executives are in a prime position to see these market ups and downs. Using the same reasoning as that of the Cook Report previously cited—that options should be exercised at stock peaks to maximize wealth—managers exercise options and sell shares once they see that the particular stock is overvalued. This means that executives add to the downward pressure and accelerate the downturn of the market. Eventually, however, the market selloff ends and prices of stocks level off such that they soon begin again to be justified by their earnings. Now that valuations have become reasonable again, prices can once again begin to rise in tandem with earnings. But in the previous market buildup, investments for the long-term benefit of the companies were forsaken in the name of short-term gains perhaps as small as a few cents per share simply to meet earnings estimates. It is those investments that would now be paying off. But without the returns of such investments, companies find it difficult to rebound from such a market downturn. Such a situation is exactly what happened during the boom and bust of the 1990s and early 2000s. Many companies saw their stock prices speculatively rise and their stocks became overvalued. But at the start of the expansion, before stocks were yet overvalued, companies were beginning to compensate their employees in stock options at increasing rates. They were doing this to minimize reported expenses, and technology companies were doing this more than most.[20] It is not surprising that tech companies were both the ones leading the market boom and the ones leading the charge in stock options-related compensation because they had had such high expectations placed upon them and so they had an even greater need than most companies to continually meet earnings estimates. It has also been found that the older a company, the fewer stock options it grants. It is likely that younger companies are more likely to compensate employees in the form of stock options simply because they do not have the resources to pay in straight cash.[21] 'However, as expectations and stock prices continued to rise and build up valuations to unjustified levels, tech companies, many of which had not yet built up solid streams of revenue, had a greater need to minimize expenses. This need was filled by options-related compensation which, at that time, was not required to be expensed on a company's income statement.

Options, as we can see, aided the boom-bust process in a number of ways. Companies used them to artificially help their earnings by minimizing expenses. Options encouraged executives to put a higher priority on short-term interests than on long-term interests. These two forces helped the internet boom to become much more rapid and have a greater magnitude. Once the market's overvaluation hit a breaking point and investors began to selloff, executives, especially those who followed the reasoning the Cook Report outlined, joined the mass of investors and added to the downward pressure. Once the market reached its bottom, choices made during the expansion to halt company investments for the purpose of boosting short-term earnings, added to the stagnation of the market recovery. Stock options added to market volatility during the Internet bubble and will continue to influence the stock market negatively unless changes are made. Apart from this findings have suggested that there is a correlation with stock option compensation packages and stock price volatility. Additionally the downturns of the market are generally sharper and stronger than the upturns. Part of the reason for this volatility may be that those executives, whose pay comes largely in the form of stock options, are more likely to take risks than executives for whom stock options are a smaller portion of total compensation.[22] The relatively new requirement that options be expensed ends one of the ways that options add to that volatility.

Another change to be recommended is that companies grant long-term options, which must be exercised and sold within a short period of vesting, such as two years. A longer time frame for vesting than is typically used could make managers think more like owners; managers may weather downturns and be less likely to cash in their options when the average investor experiences a great deal of the downturn. How can managers advocate that shareholders stick around for the long-term when they themselves are not required to do so? Executives should also show that they will weather at least a full business cycle with the company, they can do this by taking their ownership stake from peak to peak or from trough to trough. If executives are free to maximize their wealth through selling options which vest after just two to four years, they will lose credibility with the same investors that they are trying to convince to think long-term. Thus, if these executives would like to build up trust with potential investors, then they must be party to stock option plans which have a vesting period that could be expected to experience a downturn without providing an out for those executives. From 1890-1992, there were twenty-four separate business cycles, meaning that the average time from peak to peak, or from trough to trough, was slightly higher than four years.[23] This indicates that vesting periods of two to four years are far too short. Technically, shareholders are owners no matter how long or short of a period of time they hold shares of a stock. But an individual who holds an ownership stake in a company for half a business cycle is less likely to identify with the company and, therefore, there is no reason to think and behave like an owner. The vesting period

should be made a little longer than the historic length of the average business cycle. Six years is a conservative time frame. Such a period is small enough to not scare off executives, yet long enough to help them think like the rest of ownership. In fact, this may still be letting executives off too easy, as there were five periods from 1929 to 1990 in which the time from peak to peak was longer than six years.[24] Additionally, in decrying the speculative, short-term thinking that he sees as having overtaken the mutual fund industry, former Vanguard head John Bogle wrote, "If that six-year holding period of yore for the average common stock in a fund portfolio marked mutual funds as an own-a-stock industry, surely today's one-year holding period marks the field as a rent-a-stock industry (emphasis added by Bogle)."[25] This indicates the time period of six years has a history as a good one for ownership and that it is a length of time which has been diverged from in recent years.

The short time period in which to exercise stock options could help end speculation by managers by giving them a smaller window of time in which to judge the stock and thereby making such judgments, and such speculation, less important to the manager. This could be an imporant change, since most plans have a fairly wide window between full vesting and expiration. For example, in one study, most companies granted stock options which vested after four years or less; yet in that same study, the most common expiration date for stock options was ten years. This made for a window of at least six years.[26]

Backdating and Repricing

Beyond reloading, there are two more prominent ways that will be discussed in which options can be abused to enhance executive compensation. Both ways seek to do this by lowering the share price at the time of the option grant. The first is backdating of stock options, which changes the date at which the grant was made to an earlier date. A simple scenario: a company's stock rises from $10 in year 1 to $20 in year 4, but the CEO is granted a number of options in year 2 at the share price of $13. The company can restate when the options were actually granted—changing the grant date from year 2 to year 1—in order to give the CEO greater compensation. Obviously, when facts can be restated so easily, there are many other ways related to this in which options and the grant date can be manipulated in order to enhance compensation. Just like the awarding of options, technology companies have often led the way in backdating.27 On instance of backdating in a technology firm involved Apple's Steve Jobs whose options were backdated by just two months in 2001; this made Jobs an extra $20 million.[28] However, some companies have much more rampant and expensive backdating practices. One example is William McGuire, former head of UnitedHealth Group, who was forced to step down as CEO and has given back over $600 million due to backdating.[29]

Another method of lowering the grant price is to simply restate the grant price itself. This process is called repricing. It is easy to see how lowering the grant price of shares could lead to higher executive compensation. The corporate defense for repricing is similar to that of increasing executive compensation itself: it is a necessary tool to retain talented management. Yet, a number of studies have shown that turnover is actually higher in companies following repricing.[30] Perhaps such options benefits are viewed as entitlements by the executives. In any event, the defense of repricing highlights the conflict between the original intent of stock options and the mechanisms that have come to surround them. The intent of options is to make managers think and behave more like owners, while mechanisms like backdating and repricing encourage managers to think and behave more like high-priced, in-demand talent. The differences between these two perspectives seem irreconcilable. Either the mechanisms need eliminated or the options themselves must be. When a manager of a business is the single owner, his salary matters only in regard to how much he takes home versus how much he re-invests in the business; he is the only owner and so he cannot take from any other owner. But corporate executives are one of many owners and their actions can be detrimental to all owners, when unethical tools are used to boost compensation. This is the battle within a manager, acting like an owner versus acting like high-priced talent, the talent side will win if the board of directors and shareholders allow it to. That is why the SEC is continually taking steps to end these conflicting mechanisms which manipulate stock options.

Rebuttals to Proponents of High Executive Pay

In addition to simply identifying some of the problems with options and the conflicts of interests of many boards of directors, this article will also address arguments made by those who say the current system of executive compensation has few problems, if any, and even that such compensation should be increased.

Jerry Taylor and Jagadeesh Gokhale posed an argument in the *Wall Street Journal* in February of last year in a piece entitled "Pay Bosses More!" Taylor and

Gokhale believe that when there is excess executive compensation, the market will take care of it through boards of directors which keep executive pay in check, and fire underperforming executives. The authors also state that "excessive executive compensation harms no one but perhaps the stockholders who put up with it." They cite two additional reasons to raise pay. The first is a study done in 1997 by two Harvard economists. Brian Hall and Jeffrey Leibman concluded that for the year 1994, each extra dollar given in CEO compensation meant an average return on that investment of $3.90 for the company. Finally, Taylor and Gokhale believe that compensation is justifiably increased by boards because it will increase the profits of the entire company which will in turn increase the take home pay and job security of the lower income company worker.[31]

The first assertion, that boards will get rid of CEOs that underperform and that the market will take care of everything by itself is possible when boards are set up as they should be and perform as they should. But, it is harder for a board of directors to get rid of a CEO when that CEO is chairman and may have been influential in getting those board members their seats. This first assertion is even more problematic when one considers that some boards give out large balloon payments to CEOs upon termination, thereby compounding the problem instead of fixing it.

The second assertion is that "excessive executive compensation harms no one but perhaps the stockholders who put up with it." The authors claim that stockholders tolerate such compensation. This implies that stockholders have accepted the compensation of CEOs, even when they have little power to influence the terms of this compensation. Moreover, since excessive pay is a rising problem with so many companies, the alternative for investors who do not want to "put up with it" would be to take their money out of equities and mutual funds altogether, this action would create large scale problems for financial markets. This leads to why the assertion misses the point so egregiously: it is the stockholders that need to be protected. If the system is really meant to be a system of ownership, as President George W. Bush contends, then investors must believe the companies in which they invest spend their money wisely and honestly. John Bogle, former head of Vanguard mutual funds, points out Benjamin Graham's assessment of how difficult it can be as an investor to refuse to "put up with it." In The Intelligent Investor, Graham wrote, "When a president has outlived his usefulness or fails to measure up to the growing requirements of his job, he is not going to be removed by his personal friends."[32] Certainly, great strides have been made in the area of director independence since the time Graham wrote his iconic work, but this sentiment is indicative of the frustration many feel in their attempts to hold management accountable. Bogle himself says, "Owners should be allowed to behave as owners" and "throw the rascals out."[33] Former Federal Reserve Chairman Alan Greenspan has said that it must be assumed that shareholders approve of executive salaries. Yet, he argues that if current owners are unsuccessful in removing CEOs and other executives, then outside takeovers should be made easier.[34] Both Greenspan and Bogle want shareholders to be more active and to perform the job of removal themselves, but when they also admit that this is a difficult process and advocate facilitation of corporate takeovers, actions so despised a generation ago. This demonstrates why the argument that shareholders simply put up with executive pay has little merit.

The third assertion, that in 1994 every extra dollar spent in CEO pay brought $3.90 back to the company, is compelling. While there may be a correlation between the two, one study is not sufficient to declare causation. The authors attempt to plant the seed of causation in the reader's mind, but do not claim that the extra dollar in compensation was the reason for the increased return. The authors do assert that such a return vindicates boards' intentions in paying more to receive better executive performance. The correlation between the extra compensation and the increased return could have a number of other relevant factors which could negate direct causation. The authors even admit this by stating that following the Harvard study which found the correlation, other studies have highlighted different relevant factors which call into question the leap to causation.[35]

Yet, that does not stop the authors from using this to support the fourth assertion: extra executive compensation will result in increased company earnings which will in turn increase the earnings of lower-income workers. The authors are built their argument on a trickledown effect to reward the average worker. Perhaps this reward will be sufficient to compensate the worker for the lost value of his retirement account due to a decreased return because of corporate excess. But, it probably will not, to date no evidence has indicated that increased corporate returns lead to increased wages for lower-income workers.In 2005 John Bogle pointed out in The Battle for the Soul of Capitalism how little the wages have risen for the average worker compared to those of the average CEO. Judged in 2004 dollars, the average CEO pay increased from $625,000 in 1980 to over $9.8 million in 2004, while the pay for the average worker increased from $14,900 to $35,100 over the same period. That equals an annual rate of increase of 12.2% for the CEO and 3.6% for the worker. The contrast is much starker if judged in constant 1980 dollars. In that case, CEO pay increased at an

annual rate of 8.5 %, while worker pay increased at a paltry rate of .3% per year.[36] Where is the trickle down that Taylor and Gokhale predicted? When a new CEO or management team takes the reins and enlists the entire company to work hard and believe in a new system, workers may justifiably feel betrayed and left out in the cold when they see company and CEO earnings dramatically increase while their own wages hardly rise at all. It is not simply income inequality that poses harms to the American financial system, but public and worker perceptions that such inequalities are specifically unfair and unmerited based on actual job performance. However, there are a few examples of companies in which profit sharing is done fairly, but such practices are clearly not the overall trend.

The Economist published a report on executive pay in January 2007 in which the magazine agreed with "economic liberals wary of government intervention" that by and large the system of executive compensation in America is a good one. Fortunately, however, the magazine did not wholeheartedly endorse astronomical pay in the same way as the authors of "Pay Bosses More!" Rather, it promotes our system of executive pay as a good supplement to American capitalism, which nevertheless has some significant flaws. It admits that options were overused in the last big bull market and thinks this is less likely to occur again now that companies are required to expense options.[37]

This is fitting considering that in 1999, at a time when most were still quite in favor of paying largely in options, The Economist published an article which argued that stock options aided "overvaluation of equities," gave incentive to managers to make decisions to help meet short-term earnings estimates, and added to future company problems.[38] Despite any overall endorsement of the system, it is abundantly clear that the London magazine has serious qualms with how options are used.

Conclusion

It is easy to see that options-related compensation carries with it a number of problems without ready solutions. Through abuses such as reloading, repricing and backdating this type of compensation has risen to levels that are largely unintended by the real ownership of the company. These abuses have taken options away from their primary, original purposes of creating a sense of ownership within management. Stock options have also added unnecessary volatility to the market by motivating executives to make improper decisions for the company. Despite the improvements in accounting practices, there is still much that can be done to fix these problems at more fundamental levels. To that end, it is recommended that stock options used to compensate executives require at least six years to fully vest. This time period is longer than the average business cycle and would therefore go further in requiring a company's management to experience the same market fluctuations that average shareholders do. Another recommendation is that the window between the time when stock options fully vest and when they expire be shortened. This would be a step towards eliminating speculative investment behavior by executives.

Stock options at their best are a great tool for linking pay to performance and instilling a sense of ownership in management. At their worst they open up opportunities for abuse and deception within the corporate world. Steps must be taken continually to ensure that stock options are at their best and that they accomplish what they were meant to.

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SELECTED INDICATORS FOR OKLAHOMA

	4th Qtr '08	3rd Qtr '08	4th Qtr '07	Percentage Change '08/'07 4th Qtr	Percentage Change 4th Qtr '08 3rd Qtr '08
Crude Oil Production (000 bbl)[a]	16,134	17,347	15,398	4.8	-7.0
Natural Gas Production (000 mcf)[b]	322,511	426,988	365,124	-11.7	-24.5
Rig Count	184	209	197	-6.6	-12.0
Permit-Authorized Construction					
Residential Single Family					
Dollar Value ($000)	209,806	333,762	383,099	-45.2	-37.1
Number of Units	1,231	1,894	2,205	-44.2	-35.0
Residential-Multi Family					
Dollar Value ($000)	7,512	29,891	26,713	-71.9	-74.9
Number of Units	193	515	398	-51.5	-62.5
Total Construction ($000)	217,318	363,653	409,812	-47.0	-40.2
Employment					
Total Labor Force (000)[c]	1,762.4	1,753.9	1,744.7	1.0	0.5
Total Employment (000)	1,684.5	1,687.7	1,681.2	0.2	-0.2
Unemployment Rate (%)	4.4	3.8	3.7	--	--
Wage and Salary Employment (000)	1,609.6	1,591.6	1,590.6	1.2	1.1
Manufacturing	149,000	150,533	150,767	-1.2	-1.0
Mining	52,633	53,200	49,033	7.3	-1.1
Construction	76,300	77,367	72,767	4.9	-1.4
Retail Trade	175,100	172,767	175,200	-0.1	1.4
Government	334,700	314,533	330,133	1.4	6.4
Average Weekly Hours (Per Worker)					
Manufacturing	41.2	41.4	40.6	1.5	-0.5
Average Weekly Earnings ($ Per Worker)					
Manufacturing	617.52	611.67	588.81	4.9	1.0

Note: Includes revisions in some previous months.
[a]Figures are for 3rd Qtr 2008 and 3rd Qtr 2007.
[b]Sales of larger private owned utility companies.
[c]Labor Force refer to place of residence, non-agricultural wage and salary employment refers to place of work.

OKLAHOMA GENERAL BUSINESS INDEX

	Preliminary Forecast Mar '08	Mar '07	Mar '06	Percentage Change '08/'07 Mar	'08/'06 Mar
State	144.4	142.7	141.8	1.8	1.2
Oklahoma City MSA	142.6	140.9	143.3	-0.5	1.2
Tulsa MSA	147.5	144.6	143.4	2.9	2.0

ADJUSTED RETAIL TRADE FOR METRO AREAS AND STATE ($ Seasonally Adjusted)

	4th Qtr '08	3rd Qtr '08	4th Qtr '07	Percentage Change '08/'07 4th Qtr	Percentage Change 4th Qtr '08 3rd Qtr '08
OKLAHOMA CITY MSA					
Durable Goods	803,199,982	791,360,888	763,704,884	5.2	1.5
Lumber, Building Materials and Hardware	290,458,916	281,906,333	268,014,472	8.4	3.0
Auto Accessories and Repair	110,401,123	110,558,341	106,582,780	3.6	-0.1
Furniture	92,339,679	93,574,400	93,482,696	-1.2	-1.3
Computer, Electronics and Music Stores	117,235,442	113,809,203	116,733,613	0.4	3.0
Miscellaneous Durables	174,169,873	172,753,632	161,922,708	7.6	0.8
Used Merchandise	18,594,950	18,758,978	16,968,614	9.6	-0.9
Nondurable Goods	2,074,246,979	2,278,095,574	2,154,160,636	-3.7	-8.9
General Merchandise	739,561,164	746,356,363	722,996,362	2.3	-0.9
Food Stores	255,819,064	254,502,846	242,021,230	5.7	0.5
Apparel	144,546,071	129,000,043	127,558,702	13.3	12.1
Eating and Drinking Places	478,063,157	487,712,267	471,280,864	1.4	-2.0
Drug Stores	50,206,398	49,396,589	47,065,516	6.7	1.6
Liquor Stores	33,138,450	32,998,654	31,983,628	3.6	0.4
Miscellaneous Nondurables	97,717,487	114,835,921	109,784,799	-11.0	-14.9
Gasoline	275,195,188	463,292,891	401,469,535	-31.5	-40.6
Total Retail Trade	2,877,446,961	3,069,456,462	2,917,865,521	-1.4	-6.3
TULSA MSA					
Durable Goods	575,874,722	570,642,717	553,147,765	4.1	0.9
Lumber, Building Materials and Hardware	224,406,633	217,592,790	172,896,089	29.8	3.1
Auto Accessories and Repair	72,375,642	75,143,726	67,117,479	7.8	-3.7
Furniture	60,025,981	60,059,629	62,020,259	-3.2	-0.1
Computer, Electronics and Music Stores	88,647,091	88,366,241	110,333,578	-19.7	0.3
Miscellaneous Durables	115,426,889	115,534,216	126,280,392	-8.6	-0.1
Used Merchandise	14,992,486	13,946,115	14,499,968	3.4	7.5
Nondurable Goods	1,617,108,407	1,741,343,224	1,722,565,074	-6.1	-7.1
General Merchandise	541,125,322	511,570,258	555,118,755	-2.5	5.8
Food Stores	241,915,288	232,938,477	222,987,730	8.5	3.9
Apparel	97,867,236	92,353,987	104,751,306	-6.6	6.0
Eating and Drinking Places	326,116,695	324,932,077	305,232,902	6.8	0.4
Drug Stores	40,987,022	39,444,980	41,153,196	-0.4	3.9
Liquor Stores	25,793,799	24,297,068	25,866,531	-0.3	6.2
Miscellaneous Nondurables	80,842,685	76,739,767	84,474,889	-4.3	5.3
Gasoline	262,460,360	439,066,611	382,979,765	-31.5	-40.2
Total Retail Trade	2,192,983,130	2,311,985,942	2,275,712,839	-3.6	-5.1
LAWTON MSA					
Durable Goods	53,955,537	54,164,571	51,757,608	4.2	-0.4
Lumber, Building Materials and Hardware	21,476,902	22,321,250	23,281,246	-7.8	-3.8
Auto Accessories and Repair	8,593,456	8,491,955	6,773,536	26.9	1.2
Furniture	6,183,777	6,311,099	5,271,250	17.3	-2.0
Computer, Electronics and Music Stores	6,204,717	5,445,765	6,047,635	2.6	13.9
Miscellaneous Durables	10,022,269	10,063,429	8,836,936	13.4	-0.4
Used Merchandise	1,474,416	1,531,073	1,547,005	-4.7	-3.7

ADJUSTED RETAIL TRADE FOR METRO AREAS AND STATE ($ Seasonally Adjusted)

				Percentage Change	
	4th Qtr '08	3rd Qtr '08	4th Qtr '07	'08/'07 4th Qtr	4th Qtr '08 3rd Qtr '08
LAWTON MSA					
Nondurable Goods	195,842,274	206,616,002	178,632,957	9.6	-5.2
General Merchandise	88,397,409	87,369,371	76,294,636	15.9	1.2
Food Stores	19,880,352	18,739,785	16,401,690	21.2	6.1
Apparel	11,480,337	11,483,785	10,167,385	12.9	0.0
Eating and Drinking Places	40,444,819	40,162,285	34,107,698	18.6	0.7
Drug Stores	3,201,176	3,139,719	2,636,715	21.4	2.0
Liquor Stores	2,636,327	2,499,409	2,369,251	11.3	5.5
Miscellaneous Nondurables	9,902,242	9,520,267	7,629,362	29.8	4.0
Gasoline	19,899,612	33,701,381	29,026,218	-31.4	-41.0
Total Retail Trade	249,797,810	260,780,573	230,390,564	8.4	-4.2
ENID MICROSA					
Durable Goods	36,307,354	35,926,120	36,282,928	0.1	1.1
Lumber, Building Materials and Hardware	15,409,486	15,102,322	13,779,988	11.8	2.0
Auto Accessories and Repair	7,165,859	7,213,751	6,406,695	11.8	-0.7
Furniture	3,659,826	3,636,954	3,179,706	15.1	0.6
Computer, Electronics and Music Stores	2,740,165	2,749,108	5,890,855	-53.5	-0.3
Miscellaneous Durables	6,481,584	6,435,813	6,154,372	5.3	0.7
Used Merchandise	850,435	788,172	871,311	-2.4	7.9
Nondurable Goods	112,322,565	122,164,203	112,404,516	-0.1	-8.1
General Merchandise	40,988,580	40,453,817	37,959,910	8.0	1.3
Food Stores	18,092,475	18,425,932	17,487,021	3.5	-1.8
Apparel	4,654,722	4,778,007	5,274,091	-11.7	-2.6
Eating and Drinking Places	22,279,328	21,324,688	19,005,531	17.2	4.5
Drug Stores	3,269,470	3,126,734	2,839,187	15.2	4.6
Liquor Stores	1,391,581	1,277,632	1,280,682	8.7	8.9
Miscellaneous Nondurables	5,471,680	5,384,311	4,965,115	10.2	1.6
Gasoline	16,174,728	27,393,082	23,592,980	-31.4	-41.0
Total Retail Trade	148,629,918	158,090,323	148,687,443	0.0	-6.0
OKLAHOMA					
Durable Goods	2,181,971,864	2,159,012,090	2,096,372,981	4.1	1.1
Lumber, Building Materials and Hardware	810,072,026	805,127,960	747,942,969	8.3	0.6
Auto Accessories and Repair	390,537,207	393,334,569	368,677,104	5.9	-0.7
Furniture	226,731,850	229,298,890	218,786,796	3.6	-1.1
Computer, Electronics and Music Stores	296,792,800	279,791,060	337,654,913	-12.1	6.1
Miscellaneous Durables	405,614,502	402,759,538	371,530,326	9.2	0.7
Used Merchandise	52,223,479	48,700,074	51,780,873	0.9	7.2
Nondurable Goods	5,959,185,199	7,137,790,082	6,311,255,996	-5.6	-16.5
General Merchandise	2,405,269,413	2,454,973,958	2,052,680,909	17.2	-2.0
Food Stores	769,077,202	895,266,062	869,492,109	-11.5	-14.1
Apparel	251,202,283	302,559,700	299,117,467	-16.0	-17.0
Eating and Drinking Places	1,062,944,955	1,238,159,539	1,180,524,632	-10.0	-14.2
Drug Stores	113,261,062	129,925,745	125,875,618	-10.0	-12.8
Liquor Stores	73,790,499	87,763,819	79,709,381	-7.4	-15.9
Miscellaneous Nondurables	303,538,808	369,266,531	274,249,123	10.7	-17.8
Gasoline	980,100,977	1,659,874,728	1,429,606,758	-31.4	-41.0
Total Retail Trade	8,141,157,063	9,296,802,172	8,407,628,978	-3.2	-12.4

ADJUSTED RETAIL TRADE FOR SELECTED CITIES ($ Seasonally Adjusted)

				Percentage Change	
	4th Qtr '08	3rd Qtr '08	4th Qtr '07	'08/'07 4th Qtr	4th Qtr '08 3rd Qtr '08
Ada	78,369,849	80,821,228	76,602,209	2.3	-3.0
Altus	53,838,626	55,174,425	50,051,961	7.6	-2.4
Alva	19,457,542	19,583,859	17,724,409	9.8	-0.6
Anadarko	18,197,623	18,370,531	16,757,156	8.6	-0.9
Ardmore	105,151,099	108,260,365	99,051,660	6.2	-2.9
Bartlesville	113,142,852	114,320,870	114,210,075	-0.9	-1.0
Blackwell	17,887,236	19,086,768	17,081,096	4.7	-6.3
Broken Arrow	201,066,478	202,840,778	198,443,168	1.3	-0.9
Chickasha	50,492,362	51,548,813	49,549,607	1.9	-2.0
Clinton	25,329,456	26,074,371	24,368,791	3.9	-2.9
Cushing	27,440,054	27,428,798	22,756,659	20.6	0.0
Del City	53,653,988	54,094,199	51,875,575	3.4	-0.8
Duncan	68,822,947	71,023,009	66,419,345	3.6	-3.1
Durant	77,944,060	75,014,927	60,916,198	28.0	3.9
Edmond	253,173,054	254,849,932	242,569,639	4.4	-0.7
El Reno	40,422,136	40,497,749	35,995,288	12.3	-0.2
Elk City	63,063,796	63,882,500	56,088,529	12.4	-1.3
Enid	150,342,674	150,690,587	135,433,063	11.0	-0.2
Guthrie	29,117,611	29,897,643	28,063,744	3.8	-2.6
Guymon	37,049,921	38,106,492	33,991,624	9.0	-2.8
Henryetta	17,505,768	18,501,049	16,661,486	5.1	-5.4
Hobart	8,296,179	8,634,691	7,873,070	5.4	-3.9
Holdenville	12,572,900	12,982,522	11,744,928	7.0	-3.2
Hugo	20,634,125	20,936,205	19,266,726	7.1	-1.4
Idabel	22,560,187	23,190,115	21,871,752	3.1	-2.7
Lawton	182,432,719	188,751,371	200,105,072	-8.8	-3.3
McAlester	94,489,467	98,345,516	90,170,215	4.8	-3.9
Miami	38,817,668	40,225,741	37,928,089	2.3	-3.5
Midwest City	164,256,676	163,930,152	154,433,537	6.4	0.2
Moore	130,115,508	130,131,484	118,620,956	9.7	0.0
Muskogee	130,812,508	133,611,517	124,468,110	5.1	-2.1
Norman	355,783,168	333,437,740	319,833,828	11.2	6.7
Oklahoma City	1,559,822,593	1,596,060,830	1,533,558,553	1.7	-2.3
Okmulgee	35,747,358	36,709,648	36,457,033	-1.9	-2.6
Pauls Valley	29,155,352	30,165,991	28,699,132	1.6	-3.4
Pawhuska	8,612,455	9,021,920	8,167,568	5.4	-4.5
Ponca City	81,548,941	83,762,387	80,019,052	1.9	-2.6
Poteau	41,577,619	41,980,253	39,001,347	6.6	-1.0
Sand Springs	71,924,164	71,353,022	69,056,245	4.2	0.8
Sapulpa	58,525,096	61,420,809	59,248,783	-1.2	-4.7
Seminole	29,185,903	29,734,144	27,007,983	8.1	-1.8
Shawnee	115,186,971	116,818,215	111,918,572	2.9	-1.4
Stillwater	148,776,685	151,389,596	142,815,864	4.2	-1.7
Tahlequah	69,205,276	72,206,986	67,419,289	2.6	-4.2
Tulsa	1,411,512,951	1,433,871,003	1,359,031,349	3.9	-1.6
Watonga	7,354,635	7,129,129	6,378,551	15.3	3.2
Weatherford	38,577,130	39,519,781	36,774,115	4.9	-2.4
Wewoka	4,530,369	4,881,684	4,201,533	7.8	-7.2
Woodward	63,709,444	65,443,928	59,141,234	7.7	-2.7
Total Selected Cities	6,437,193,184	6,525,715,276	6,189,823,764	4.0	-1.4

SELECTED INDICATORS FOR THE ENID AND LAWTON MSA'S AND MUSKOGEE MA

	4th Qtr '08	3rd Qtr '08	4th Qtr '07	Percentage Change '08/'07 4th Qtr	Percentage Change 4th Qtr '08 3rd Qtr '08
ENID MSA					
Employment (Number)					
Labor Force[a]	31,275	31,123	29,647	5.5	0.5
Total Employment	30,292	30,286	28,708	5.5	0.0
Unemployment Rate (%)	3.1	2.7	3.1	--	--
LAWTON MSA					
Employment (Number)					
Labor Forcea	46,479	46,135	46,526	-0.1	0.7
Total Employment	44,483	44,431	44,565	-0.2	0.1
Unemployment Rate (%)	4.3	3.7	4.2	--	--
Permit-Authorized Construction					
Residential-Single Family					
Dollar Value ($000)	7,139	5,506	10,738	-33.5	29.7
Number of Units	39	35	73	-46.6	11.4
Residential-Multi Family					
Dollar Value ($000)	0	660	340	--	--
Number of Units	0	18	4	--	--
Total Construction ($000)	7,139	6,166	11,078	-35.6	15.8
MUSKOGEE MA					
Employment (Number)					
Labor Forcea	30,500	29,999	28,926	5.4	1.7
Total Employment	28,741	28,611	27,325	5.2	0.5
Unemployment Rate (%)	5.7	4.6	5.5	--	--
Water Transportation					
Port of Muskogee					
Tons In			166,146	-100.0	#DIV/0!
Tons Out			32,731	-100.0	#DIV/0!

Note: Includes revisions.
[a]Civilian Labor Force.
E = Exceeds 600 percent.

SELECTED INDICATORS FOR THE TULSA MSA

	4th Qtr '08	3rd Qtr '08	4th Qtr '07	Percentage Change '08/'07 4th Qtr	Percentage Change 4th Qtr '08 3rd Qtr '08
Employment (Number)					
Labor Force[a]	441,057	437,790	446,023	-1.1	0.7
Total Employment	420,942	421,137	427,875	-1.6	0.0
Unemployment Rate (%)	4.6	3.8	4.1	--	--
Wage and Salary Employment	439,433	433,300	432,633	1.6	1.4
Manufacturing	53,267	53,167	52,533	1.4	0.2
Mining	7,333	7,433	7,033	4.3	-1.3
Construction	23,033	23,400	22,333	3.1	-1.6
Wholesale and Retail Trade	65,100	63,367	63,900	1.9	2.7
Government	56,067	49,767	54,167	3.5	12.7
Air Transportation					
Passengers Enplaning (Number)	376,533	408,562	398,304	-5.5	-7.8
Passengers Deplaning (Number)	371,969	412,773	395,666	-6.0	-9.9
Freight (Tons)	15,429	16,194	15,902	-3.0	-4.7
Water Transportation					
Tulsa Port of Catoosa					
Tons In	155,332	178,347	213,034	-27.1	-12.9
Tons Out	283,339	352,636	383,986	-26.2	-19.7
Permit-Authorized Construction					
Residential-Single Family					
Dollar Value ($000)	72,046	131,525	149,132	-51.7	-45.2
Number of Units	405	736	869	-53.4	-45.0
Residential-Multi Family					
Dollar Value ($000)	2,746	11,583	3,255	-15.6	-76.3
Number of Units	116	282	48	141.7	-58.9
Total Construction	74,792	143,108	152,387	-50.9	-47.7

Note: Includes revisions.
[a]Civilian Labor Force.
E = Exceeds 600 percent.

SELECTED INDICATORS FOR OKLAHOMA CITY MSA

	4th Qtr '08	3rd Qtr '08	4th Qtr '07	Percentage Change '08/'07 4th Qtr	Percentage Change 4th Qtr '08 3rd Qtr '08
Employment (Number)					
Labor Force[a]	574,447	567,822	574,672	0.0	1.2
Total Employment	548,907	546,393	550,895	-0.4	0.5
Unemployment Rate (%)	4.4	3.8	4.1	--	--
Wage and Salary Employment	581,200	572,533	578,067	0.5	1.5
Manufacturing	36,700	36,833	37,233	-1.4	-0.4
Mining	16,567	16,500	15,233	8.8	0.4
Construction	28,033	28,200	26,967	4.0	-0.6
Wholesale and Retail Trade	85,733	85,200	86,533	-0.9	0.6
Government	119,833	111,533	119,200	0.5	7.4
Air Transportation					
Passengers Enplaning (Number)	404,033	635,310	482,981	-16.3	-36.4
Passengers Deplaning (Number)	412,272	651,780	472,124	-12.7	-36.7
Freight Enplaned (Tons)	4,385	5,892	4,025	8.9	-25.6
Freight Deplaned (Tons)	4,808	6,535	5,344	-10.0	-26.4
Permit-Authorized Construction					
Residential-Single Family					
Dollar Value ($000)	107,098	161,422	192,651	-44.4	-33.7
Number of Units	636	903	1,076	-40.9	-29.6
Residential-Multi Family					
Dollar Value ($000)	3,277	6,541	22,291	-85.3	-49.9
Number of Units	51	95	329	-84.5	-46.3
Total Construction ($000)	110,375	167,963	214,942	-48.6	-34.3

Note: Includes revisions.
[a]Civilian Labor Force.

SELECTED INDICATORS FOR OKLAHOMA

	2008	2007	Percentage Change '08/'07
Crude Oil Production (000 bbl)[a]	55,493	51,279	8.2
Natural Gas Production (000 mcf)[b]	1,302,361	1,294,848	0.6
Rig Count (Average)	200	188	6.4
Permit-Authorized Construction			
Residential Single Family			
Dollar Value ($000)	1,307,973	2,019,525	-35.2
Number of Units	7,425	11,186	-33.6
Residential-Multi Family			
Dollar Value ($000)	107,045	136,068	-21.3
Number of Units	1,554	2,609	-40.4
Total Construction ($000)	1,415,018	2,155,593	-34.4
Employment			
Total Labor Force (000)[c]	1,748.4	1,738.0	0.6
Total Employment (000)	1,681.9	1,667.5	0.9
Unemployment Rate (%)	3.8	4.1	--
Wage and Salary Employment (000)	1,595.4	1,568.4	1.7
Manufacturing	150,692	150,475	0.1
Mining	51,817	46,642	11.1
Government	325,358	322,683	0.8
Construction	75,550	71,308	5.9
Retail Trade	173,050	171,225	1.1
Average Weekly Hours (Per Worker)			
Manufacturing	41.3	39.8	3.8
Average Weekly Earnings ($ Per Worker)			
Manufacturing	608.57	580.01	4.9

Note: Includes revisions in some previous months.
[a]Crude oil includes condensate. Natural gas includes casinghead gas. Figures are for 10 months.
[b]Sales of larger private owned utility companies.
[c]Civilian Labor Force. Labor Force employment and unemployment rate refer to place of residence, non-agricultural wage and salary employment refers to place of work.

OKLAHOMA GENERAL BUSINESS INDEX

	2008	2007	Percentage Change '08/'07
State	143.2	142.5	0.5%
Oklahoma City MSA	142.7	140.7	1.4%
Tulsa MSA	146.6	145.6	0.7%

ADJUSTED RETAIL TRADE FOR METRO AREAS AND STATE ($ Seasonally Adjusted)

	2008	2007	Percentage Change '08/'07
OKLAHOMA CITY MSA			
Durable Goods	3,106,098,777	2,979,488,902	4.2
Lumber, Bldg. Mat. & Hardware	1,095,282,085	1,036,935,248	5.6
Auto Accessories and Repair	439,665,744	419,466,532	4.8
Furniture	373,316,413	376,162,939	-0.8
Computer, Electronics and Music Stores	438,876,523	437,670,859	0.3
Miscellaneous Durables	684,618,036	638,005,513	7.3
Used Merchandise	74,339,977	71,247,811	4.3
Nondurable Goods	8,727,009,292	8,222,724,917	6.1
General Merchandise	2,934,811,257	2,834,946,945	3.5
Food Stores	1,009,035,335	956,398,420	5.5
Apparel	556,868,936	494,759,132	12.6
Eating and Drinking Places	1,906,677,687	1,817,879,384	4.9
Drug Stores	197,054,000	184,438,713	6.8
Liquor Stores	129,801,475	123,720,257	4.9
Miscellaneous Nondurables	406,015,730	438,342,857	-7.4
Gasoline	1,586,744,871	1,372,239,207	15.6
Total Retail Trade	11,833,108,068	11,202,213,819	5.6
TULSA MSA			
Durable Goods	2,260,124,984	2,130,249,276	6.1
Lumber, Bldg. Mat. & Hardware	818,708,288	725,339,850	12.9
Auto Accessories and Repair	297,468,363	269,273,975	10.5
Furniture	244,069,789	242,328,159	0.7
Computer, Electronics and Music Stores	374,652,906	375,631,707	-0.3
Miscellaneous Durables	468,858,606	464,893,412	0.9
Used Merchandise	56,367,033	52,782,174	6.8
Nondurable Goods	6,734,361,039	6,309,938,494	6.7
General Merchandise	2,072,392,135	1,973,380,901	5.0
Food Stores	936,811,331	867,774,081	8.0
Apparel	383,459,264	367,139,268	4.4
Eating and Drinking Places	1,294,396,739	1,216,523,171	6.4
Drug Stores	161,788,726	149,152,729	8.5
Liquor Stores	98,917,575	93,454,546	5.8
Miscellaneous Nondurables	281,808,353	332,104,091	-15.1
Gasoline	1,504,786,916	1,310,409,706	14.8
Total Retail Trade	8,994,486,024	8,440,187,770	6.6
ENID MICROSA			
Durable Goods	140,719,573	138,754,629	1.4
Lumber, Bldg. Mat. & Hardware	57,370,767	54,182,337	5.9
Auto Accessories and Repair	27,875,758	25,011,788	11.5
Furniture	14,284,682	13,507,161	5.8
Computer, Electronics and Music Stores	13,099,904	18,266,990	-28.3
Miscellaneous Durables	25,212,348	24,973,969	1.0
Used Merchandise	2,876,114	2,812,383	2.3

ADJUSTED RETAIL TRADE FOR METRO AREAS AND STATE ($ Seasonally Adjusted)

	2008	2007	Percentage Change '08/'07
ENID MICROSA			
Nondurable Goods	469,948,448	434,223,082	8.2
General Merchandise	159,052,233	152,604,246	4.2
Food Stores	75,619,629	67,820,848	11.5
Apparel	20,767,178	20,388,818	1.9
Eating and Drinking Places	82,087,839	74,792,912	9.8
Drug Stores	12,385,921	11,276,626	9.8
Liquor Stores	4,580,370	4,717,068	-2.9
Miscellaneous Nondurables	21,735,537	21,436,324	1.4
Gasoline	93,719,742	81,186,241	15.4
Total Retail Trade	610,668,021	572,977,711	6.6
LAWTON MSA			
Durable Goods	225,023,461	198,616,135	13.3
Lumber, Bldg. Mat. & Hardware	97,232,473	88,510,310	9.9
Auto Accessories and Repair	33,519,165	28,824,588	16.3
Furniture	24,941,396	20,968,493	18.9
Computer, Electronics and Music Stores	22,436,643	21,208,025	5.8
Miscellaneous Durables	40,658,580	33,538,921	21.2
Used Merchandise	6,235,204	5,565,799	12.0
Nondurable Goods	797,437,632	683,415,135	16.7
General Merchandise	344,727,333	298,112,123	15.6
Food Stores	75,899,941	62,665,179	21.1
Apparel	46,919,661	38,843,893	20.8
Eating and Drinking Places	159,035,612	131,173,242	21.2
Drug Stores	12,213,282	10,046,058	21.6
Liquor Stores	9,984,549	8,519,636	17.2
Miscellaneous Nondurables	33,354,827	33,416,803	-0.2
Gasoline	115,302,428	100,638,200	14.6
Total Retail Trade	1,022,461,093	882,031,270	15.9
OKLAHOMA			
Durable Goods	8,462,557,068	8,002,291,643	5.8
Lumber, Bldg. Mat. & Hardware	3,119,978,441	2,890,834,772	7.9
Auto Accessories and Repair	1,545,345,284	1,413,911,918	9.3
Furniture	903,453,117	886,528,189	1.9
Computer, Electronics and Music Stores	1,143,586,128	1,139,433,383	0.4
Miscellaneous Durables	1,562,411,782	1,487,127,196	5.1
Used Merchandise	187,782,315	184,456,186	1.8
Nondurable Goods	26,216,232,118	24,159,840,912	8.5
General Merchandise	9,126,421,163	8,097,959,362	12.7
Food Stores	3,430,178,232	3,369,710,596	1.8
Apparel	1,156,565,927	1,177,292,620	-1.8
Eating and Drinking Places	4,682,519,432	4,556,098,238	2.8
Drug Stores	501,246,334	482,500,931	3.9
Liquor Stores	331,003,835	315,851,066	4.8
Miscellaneous Nondurables	1,309,385,793	1,223,562,065	7.0
Gasoline	5,678,911,403	4,936,866,034	15.0
Total Retail Trade	34,678,789,186	32,162,132,555	7.8

ADJUSTED RETAIL TRADE FOR SELECTED CITIES ($ Seasonally Adjusted)

	2008	2007	Percentage Change '08/'09
Ada	326,483,685	297,380,501	9.8
Altus	218,096,215	197,881,234	10.2
Alva	76,536,564	67,169,619	13.9
Anadarko	73,467,079	67,004,222	9.6
Ardmore	432,256,192	393,767,959	9.8
Bartlesville	453,589,574	436,879,169	3.8
Blackwell	73,798,257	62,227,181	18.6
Broken Arrow	804,808,171	757,085,071	6.3
Chickasha	204,496,722	188,375,420	8.6
Clinton	104,290,263	92,277,313	13.0
Cushing	107,281,636	86,191,305	24.5
Del City	218,308,593	196,616,107	11.0
Duncan	279,101,536	258,103,124	8.1
Durant	285,556,556	238,088,815	19.9
Edmond	1,011,803,568	952,360,780	6.2
El Reno	158,043,190	138,108,097	14.4
Elk City	249,906,097	217,024,933	15.2
Enid	601,337,758	530,703,733	13.3
Guthrie	117,772,669	100,267,503	17.5
Guymon	152,631,996	129,754,437	17.6
Henryetta	71,123,006	64,085,423	11.0
Hobart	34,503,688	29,536,138	16.8
Holdenville	51,585,336	43,374,462	18.9
Hugo	83,385,305	75,566,187	10.3
Idabel	92,409,609	85,902,663	7.6
Lawton	763,273,716	776,045,107	-1.6
McAlester	390,306,058	344,528,854	13.3
Miami	161,606,281	145,709,764	10.9
Midwest City	644,299,216	587,616,308	9.6
Moore	515,158,210	451,125,963	14.2
Muskogee	534,628,671	500,768,441	6.8
Norman	1,333,105,280	1,215,342,058	9.7
Oklahoma City	6,327,139,797	5,967,831,126	6.0
Okmulgee	147,001,095	138,938,849	5.8
Pauls Valley	119,196,946	103,260,832	15.4
Pawhuska	36,281,176	31,683,398	14.5
Ponca City	328,377,221	304,921,927	7.7
Poteau	173,161,142	153,525,750	12.8
Sand Springs	287,751,100	263,508,831	9.2
Sapulpa	246,573,434	228,941,002	7.7
Seminole	117,607,237	105,168,280	11.8
Shawnee	471,264,043	432,935,481	8.9
Stillwater	595,841,979	551,916,507	8.0
Tahlequah	287,885,456	259,756,646	10.8
Tulsa	5,727,039,140	5,351,259,711	7.0
Watonga	26,946,836	24,381,955	10.5
Weatherford	157,157,266	141,097,536	11.4
Wewoka	20,959,500	15,946,907	31.4
Woodward	259,475,407	231,073,638	12.3
Total Selected Cities	25,954,609,469	24,033,016,269	8.0

SELECTED INDICATORS FOR THE ENID AND LAWTON MSA'S AND MUSKOGEE MA

	2008	2007	Percentage Change '08/'09
ENID MICROSA			
Employment (Number)			
Labor Force[a]	30,767	29,583	4.0
Total Employment	29,936	28,640	4.5
Unemployment Rate (%)	2.7	3.2	--
LAWTON MSA			
Employment (Number)			
Labor Forcea	45,815	45,971	-0.3
Total Employment	44,062	43,970	0.2
Unemployment Rate (%)	3.8	4.4	--
Permit-Authorized Construction			
Residential-Single Family			
Dollar Value ($000)	26,624	29,788	-10.6
Number of Units	149	259	-42.5
Residential-Multi Family			
Dollar Value ($000)	740	34,526	-97.9
Number of Units	20	596	-96.6
Total Construction ($000)	27,364	64,314	-57.5
MUSKOGEE MicroSA			
Employment (Number)			
Labor Force[a]	29,855	29,001	2.9
Total Employment	28,390	27,276	4.1
Unemployment Rate (%)	4.9	5.9	--
Water Transportation			
Port of Muskogee			
Tons In		623,496	-100.0
Tons Out		182,243	-100.0

Note: Includes revisions.
[a]Civilian Labor Force.
E = Exceeds 600 percent.

SELECTED INDICATORS FOR THE TULSA MSA

	2008	2007	Percentage Change '08/'07
Employment (Number)			
Labor Force[a]	436,597	446,186	-2.1
Total Employment	419,950	427,780	-1.8
Unemployment Rate (%)	3.9	4.1	--
Wage and Salary Employment	435,083	427,575	1.8
Manufacturing	53,142	51,767	2.7
Mining	7,250	6,717	7.9
Construction	22,992	21,792	5.5
Wholesale and Retail Trade	63,500	62,950	0.9
Government	53,117	52,383	1.4
Air Transportation			
Passengers Enplaning (Number)	1,591,703	1,608,583	-1.0
Passengers Deplaning (Number)	1,589,062	1,609,962	-1.3
Freight (Tons)	65,170	60,103	8.4
Water Transportation			
Tulsa Port of Catoosa			
Tons In (Number)	734,795	852,372	-13.8
Tons Out (Number)	1,315,599	1,158,133	13.6
Permit-Authorized Construction			
Residential-Single Family			
Dollar Value ($000)	496,945	744,944	-33.3
Number of Units	2,823	4,399	-35.8
Residential-Multi Family			
Dollar Value ($000)	57,917	28,652	102.1
Number of Units	848	772	9.8
Total Construction	554,862	773,596	-28.3

Note: Includes revisions.
[a]Civilian Labor Force.
E = Exceeds 600 percent.

SELECTED INDICATORS FOR OKLAHOMA CITY MSA

	2008	2007	Percentage Change '08/'07
Employment (Number)			
Labor Force[a]	564,660	571,166	-1.1
Total Employment	542,864	546,479	-0.7
Unemployment Rate (%)	3.9	4.3	---
Wage and Salary Employment	575,267	568,600	1.2
Manufacturing	36,950	37,042	-0.2
Mining	16,025	14,442	11.0
Construction	27,775	26,550	4.6
Wholesale and Retail Trade	85,133	84,900	0.3
Government	116,208	115,808	0.3
Air Transportation			
Passengers Enplaning (Number)	1,823,814	1,895,935	-3.8
Passengers Deplaning (Number)	1,851,417	1,877,200	-1.4
Freight Enplaned (Tons)	18,513	17,439	6.2
Freight Deplaned (Tons)	19,167	23,011	-16.7
Permit-Authorized Construction			
Residential-Single Family			
Dollar Value ($000)	656,587	950,604	-30.9
Number of Units	3,608	5,531	-34.8
Residential-Multi Family			
Dollar Value ($000)	22,956	52,588	-56.3
Number of Units	338	785	-56.9
Total Construction ($000)	679,543	1,003,192	-32.3

Note: Includes revisions.
[a]Civilian Labor Force.