

Koch weighs in on economy



Regional business leaders are watching economist Jim Koch's forecasts for the military and housing as the national economy flounders. Koch is shown here at his office at Old Dominion University in Norfolk (Sangjib Min, *Daily Press* / November 8, 2007)

By CHRIS FLORES 247-4738
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Since moving from his job as president of Old Dominion University in 2001, Jim Koch has become one of the main economists Hampton Roads business leaders turn to when they want to peer into the regional crystal ball.

Koch has returned to his old love of economics, and he helps the university produce an annual State of the Region report that forecasts the regional economy and closely examines specific topics. The report sometimes has generated controversy by tackling tough topics like regional boat taxes and sand replenishment projects.

When he's not prognosticating or teaching in Hampton Roads, Koch spends part of the year living in Montana. Koch and his wife keep busy with outdoor activities like hiking, kayaking and cross-country skiing in the state where he was formerly president of the University of Montana.

Q: Do you still expect Hampton Roads to outperform the national economy next year?

A: I don't think we've ever suggested outperform. What we've said is it should perform about as well as the nation and the state, and I think we're going to come very close to that.

Q: Why do you think home sellers in Hampton Roads held on to price increases all year in the face of declining sales and increasing inventory?

A: I don't think they actually have if you take into account all the concessions sellers are making now that the real price actually is declining. Nobody likes to accept a lower price for their house. And sellers — in particular if they are realtors — don't want to disclose if they've sold at a lower price, so they'll say I'm going to sell to you at \$250,000, but by the way, I'm going to take your first month's mortgage, I'll give you a granite tabletop and various things like that because then they can say to other people, this house sold at \$250,000 even though the actual price is lower.

Q: Why are real estate professionals so aggressive in their complaints about economists and media?

A: They feel that what we have to say influences buyers. That may be true, but I've never seen any empirical study that what an economist had to say was more important than incomes and interest rates. So if we're talking statistically, 90 percent-plus of the ups and downs of the home sales have to do with things other than what guys like Jim Koch have to say.

Q: Do you think there will be significant differences in what happens in the South Hampton Roads and Peninsula housing markets over the next year?

A: That's quite possible because about two-thirds of the BRAC effect is on the Peninsula. Since the Peninsula's economy is only about half the size of Southside, the Peninsula's going to feel that much more. If that translates to housing markets, and I would expect it to do so, then the Peninsula is going to hurt in a way that Southside won't.

Q: Has ODU's economics department made it a point to be more actively involved with the region's business community than other colleges?

A: I think so. That's part of what we perceive to be our mission. Our economics department is larger than most of the other ones, and therefore we have more people to allocate to various tasks. Departments are like people. They tend to specialize, and we've found that that's what works for us.

Q: Over the long term, do you expect more regional impact from changes at the ports and shipyards or with the military?

A: That's hard to say. The military is more important quantitatively by far — about three

times more important than the port. What's going to happen to the military expenditures is less predictable because those decisions are made politically. Some will depend, for example, on whether they send another carrier to Florida or the West Coast. It may relate also to what happens in Iraq and Afghanistan, but it's difficult to predict that. The port continues to expand — not at outrageously large rates — but it's a nice percentage increase of 4 to 5 percent a year or more, and the port just keeps getting bigger.

Q: Do you think economists' — professional and academic — paid consulting work is increasingly expected to prove the hiring firm or group's thesis? Has that changed much over the years?

A: Yes. It's increasingly true that someone will come to me and say I think "X" is true and I'd like you to show that. Typically, I don't do things like that. Just as companies nationally have become a little more short-run in their outlook, there's been a tendency for CEOs and other people to say I need evidence to demonstrate something that I think is true and you can do that. I'm not naive enough to believe that my name doesn't mean something and that having been a former president I would lend credibility to something that they would like to demonstrate. I try to avoid doing projects where they've already decided what the result is.

Q: What do you see in the future for the Williamsburg and Virginia Beach tourism industries?

A: Tourism overall is going to do very well. Virginia Beach has been easily doing better than Williamsburg, Yorktown and Jamestown, but they have been kind of coming back. That's really very encouraging. But tourism has been growing faster than the economy as a whole in the region.

Q: Do you think economists in the region support the current long-term transportation plan?

A: We support the notion that there ought to be expenditures on transportation. The particular plan that was put forward, I think, would attract a few naysayers. It impresses me as being a type of grab-bag of different taxes. An economist would prefer to see a gas tax increase because gas taxes are user fees. They come from the people that are actually using the roads and tearing them up. They also discourage people slightly from driving more. Both of those things make more sense than focusing a tax on one particular area like real estate or something like that where you might get some distortion and actually cause us some problems.

Q: What is the most interesting consulting study you have ever done?

A: Back in the '70s, I did a bunch of sports economics things for player and agents. Bobby Hull, the hockey player, was trying to get away from the Black Hawks and break the reserve clause in hockey. I was the primary economic consultant on that. He won and so, to be very honest, Bobby Hull furnished my basement.

Jim Koch

Family: Wife, Donna. Children, Beth and Mark.

Born: 1942

Education: Bachelor of Arts from Illinois State University; doctorate in economics from Northwestern University.

On the Web: www.odu.edu/forecasting