

IN THE RED

Pressure on Local Blood Markets

Had a tattoo done recently? Visited the United Kingdom for more than a few months between 1980 and 1996? Prospective blood donors who answer “yes” to these questions could be temporarily disqualified because they could harbor certain infections.

Such screening is necessary to reduce the spread of disease, but it also reduces the donor pool. Meanwhile, blood usage continues to climb due to the increasing quantity and complexity of surgical procedures, notes Dr.

Jonathan Waters, a blood conservation advocate who directs autotransfusion services at The Cleveland Clinic Foundation in Ohio. These are just a few factors that have contributed to regular shortages in some communities.

Blood is perishable — red blood cells last only six weeks refrigerated — so ensuring that hospitals always have the right amount is difficult. The quantity

demanding by local hospitals remains steady during the year, with occasional jumps in emergencies. But the quantity supplied fluctuates because it depends on the

level of donations.

For instance, fewer donors give blood during the summer and the holiday season. The Southeast is no exception, even though it ranks near the top in terms of number of blood banks, says Marian Sullivan, executive director of the National Blood Data Resource Center. “The region tends to be challenged in supplying red blood cells during the months that are typically lower for donations.”

Also, bad weather can keep donors away. East Coast storms last winter reduced blood collection in parts of North and South Carolina, leaving some blood banks with only a day’s supply.

Even on sunny days, blood shortages can develop in some areas while surpluses are occurring elsewhere. For example, Sally Foister says that her organization, The Blood Connection Inc., collects enough blood for the eight counties it serves in upper South Carolina and Georgia. But Virginia Blood Services imports 15,000 units a year to supplement what it collects for hospitals in central Virginia.

Economist Paul Haas of Bowling Green State University offers some possible explanations for differences in local blood markets. On the demand side, metropolitan areas with denser populations and regions with well-known hospitals usually need more blood. On the supply side, some blood banks are better at solicit-



VIRGINIA BLOOD SERVICES

Virginia Blood Services processes donations, then sends them to Dallas for testing.

ing donors than others.

It’s hard work to win the hearts — and blood — of potential donors. Foister says some people dislike needles, while others loathe answering personal questions during the screening process. Yet blood banks don’t pay for blood because they worry about attracting too many people from the low-end of the socioeconomic scale. “You would get more donors through your doors that are at a higher risk of being deferred,” notes Foister.

More importantly, individuals don’t have to donate to a blood bank to benefit from it during times of need. “People say, ‘I don’t need to do it because somebody else will,’” explains Haas. “This is a basic economic principle called the ‘free rider syndrome.’”

Blood markets illustrate another economic rule — when prices rise, buyers normally curb their consumption. As the increased cost of screening has been passed along to hospitals, medical researchers have found ways to reduce the need for transfusions and to recover lost blood.

Facts About America’s Blood Supply

► Collection centers accounted for 93 percent of the 15 million units of whole blood and red blood cells donated in 2001. The American Red Cross is the single largest collector, with community blood banks like Virginia Blood Services, The Blood Connection, and hospitals accounting for the remainder.

► U.S. hospitals transfused nearly 14 million units of whole blood and red blood cells to 4.9 million patients in 2001. The volume of blood transfused is increasing at a rate of 6 percent a year.

SOURCE: National Blood Data Resource Center, Food and Drug Administration

Anticoagulants like heparin reduce bleeding during surgery, while lasers seal off blood vessels as they cut tissue. Blood suctioned from the surgical field is filtered and packaged for reuse instead of being discarded.

Blood conservation has made a big difference with certain surgical procedures, according to Dr. Waters. A liver transplant performed a decade ago would have required 200 to 300 units of blood. The same procedure requires only two to three units today.

A widespread reduction in blood usage would require changing how doctors practice medicine, notes Dr. Waters, but it also would save money and improve surgical outcomes. “Patients [who receive fewer transfusions] generally experience lower operative infection rates and shorter hospital stays, which gives hospitals more available beds.”

—CHARLES GERENA

RESERVISTS DEPLOYED

Businesses Hold Own — Fill Voids

The call-up of reservists over the past several months hasn’t had much effect on business operations, or has it? The answer depends on whom you ask.

Large businesses shuffled workloads or hired temporary workers to cover responsibilities while those serving were gone. “At Capital One, the call-up peaked in late February and early March,” says Hamilton

Holloway, media relations manager at the financial services company. “Each area pulled together and spread out the work.”

Small businesses and the self-employed had a much harder time filling the void. But few reservists own their own companies. A 2000 survey by the Department of Defense (DOD) indicated that, of the 75 percent of reservists who work in civilian jobs, “30 percent of reservists worked for government at the federal, state, or local level; 63 percent worked for a private sector firm; and 7 percent were self-employed or worked without pay in their family business or farm.”

Businesses are required by law to rehire those who serve in the reserves and National Guard. Yet many went one step further and made up any difference between military and civilian wages.

As of April 16, approximately 25,000 National Guard members and reservists were deployed from the Fifth District, according to the DOD. “The reservists’ numbers are so small that they’re not having an impact on employment,” says William Metzger, chief economist at the Virginia Employment Commission. The latest figures show a slight drop in civilian employment in the Hampton Roads area — which has a large military presence — but some of that is due to the absence of full-time military personnel who were moonlighting in civilian jobs, according to Metzger.

While companies have seemed to handle personnel shortages well for now, the need for reservists has not necessarily ended. The verdict is still out as to whether longer or multiple call-ups may adversely affect business operations in an already sluggish economy.

—ELAINE MANDALERIS

WATER RESOURCES UPDATE

Rainfall Cures Drought, But Other Issues Remain

After much of the Fifth District suffered from drought last summer, above-average precipitation in the fall and winter months replenished reservoirs and helped communities remove water-use restrictions. As usual with Mother Nature, however, her bounty was a mixed blessing.

Drought conditions had plagued the region periodically since 1998. Therefore, it would take many more months of heavy rain to make up for the deficits accumulated over that period, notes Gloria Forthun, regional climatologist for the Southeast Regional Climate Center.

Still, the fall and winter deluges helped alleviate the region’s long-term drought. State officials in Virginia, Maryland, North Carolina, and South Carolina have indicated that groundwater sources are being replenished. “The Southeast is fairly lucky because the recharge rate is faster than in other parts of the country,” explains Forthun.

“When we have rains like this, groundwater sources are quick to respond.”

While the rainfall helped groundwater levels recover in the Fifth District, it was too much at the wrong time for the region’s agriculture industry. “We’ve gotten too much rain,” notes H. V. Mangum, information coordinator at the North Carolina State Office of the federal Farm Service Agency. “The fields are so wet that farmers have had to wait to plant their crops for 2003.”

Wet conditions delayed the planting of tobacco and peanuts in the Tar Heel State by several weeks and prevented tobacco planters from fumigating their land.



Winter storms helped replenish reservoirs, enabling communities to remove water-use restrictions.

Some farmers in South Carolina also couldn’t tend to their soggy fields. The only “crops” that appear to have benefited from all of the rain are pastures, which had been dry for years. Now, there is more food for poultry and cattle.

While communities cope with the abundance of rain, they’re continuing to struggle with the financial fallout of the five-year drought. In April, Gov. Mike Easley

approved \$432,000 in grants to Statesville and Eden in North Carolina to reimburse them for increased spending on their water supplies. Likewise, Mangum says his agency is still providing financial assistance to drought-stricken farmers.

Ultimately, the legacy of the five-year drought is that it “woke everybody up,” says Forthun, prompting state and local officials to re-evaluate their management of water resources.

—CHARLES GERENA

ECONOMIC FREEDOM

Report Measures Impact of Government Regulation on Free Markets

What influences economic prosperity and growth? That’s the \$64,000 question for development officials and business leaders. Their answers range from proximity to transportation to the availability of relocation subsidies.

In a 2002 report, The Fraser Institute in Canada and the National Center for Policy Analysis in Dallas, Texas, explored another set of influences on business activity. They used a 10-point scale to score U.S. states and Canadian provinces on their “economic freedom,” or how much government interferes with the ability of buyers and sellers to make mutually beneficial transactions.

“The freest economies operate with a minimal level

How the Fifth District Stacks Up

Scores on All-Government Index, 2000

	SIZE OF GOV'T.	LEVEL OF TAXATION	LABOR MKT. FREEDOM	TOTAL SCORE	NATIONAL RANK
Maryland	6.9	5.8	6.1	6.3	41
North Carolina	8.1	6.3	6.7	7.0	15
South Carolina	7.0	5.8	8.1	7.0	15
Virginia	6.9	6.2	6.5	6.5	35
West Virginia	5.4	4.8	6.5	5.6	50

NOTE: Scores are based on a 10-point scale, with 10 being the best score for a particular set of economic freedom variables.

SOURCE: “Economic Freedom of North America,” The Fraser Institute/National Center for Policy Analysis, 2002

of government interference, relying upon personal choice and markets to [determine] what is to be produced, how it is to be produced, how much is produced, and for whom production is intended,” wrote Amela Karabegović, Fred McMahon, and Dexter Samida in the report. “As government imposes restrictions on these choices, the level of economic freedom declines.”

Some would argue that it’s the government’s responsibility to intervene in the marketplace when businesses aren’t playing fair or producing desirable goods and services such as parks. “While government can fulfill useful roles in society, there is a tendency for [it] to undertake superfluous activities as it expands,” argues the report’s authors. “Government spending ... reduces economic freedom once [it] exceeds what is necessary to provide a minimal level of protective and productive functions.”

Since the size of government influences economic freedom, it was one of the variables analyzed in the report. The authors also analyzed the level of taxation in

communities and legal requirements on labor markets, including minimum wage laws and occupational licensing. The result was economic freedom scores for U.S. states and Canadian provinces for each year between 1981 and 2000.

Over that period, Maryland, North Carolina, South Carolina, and Virginia improved their scores on an all-government index, which captured the effects of federal, state, and local government activity on economic freedom. Maryland improved the most, going from a score of 4.8 in 1981 to 6.3 in 2000.

West Virginia’s score on the all-government index didn’t improve, however. Fred McMahon, director of the Centre for Trade Globalization Studies at The Fraser Institute, says the Mountain State’s score for size of government “came behind six provinces, which is remarkable given how much smaller government is on average in the United States.” The state’s taxation score was a little better, coming ahead of most Canadian provinces and one state. “On the labor market

side, West Virginia comes ahead of all provinces and at least some states, though it remains in the bottom third of the rankings.”

While many factors affect local economies, McMahon and the report’s other authors found that states like West Virginia with a low level of economic freedom tend to be less wealthy, on a per capita basis, than their neighbors. This link also has been demonstrated by The Fraser Institute’s *Economic Freedom of the World* studies, which have scored nations around the globe for the last 20 years.

—CHARLES GERENA

TRAVEL AND TOURISM INDUSTRY

Fifth District Does Well in a Difficult Year

For the travel and tourism industry, 2002 was a challenge, to say the least. “We had to battle a recession, the aftereffects of the Sept. 11 terrorist attacks, the threat of terrorism, and conflict in the Middle East,” recounts Greer Beaty, director of public

relations for the North Carolina Division of Tourism, Film, and Sports Development. "These factors have influenced people to take shorter trips, stay closer to home, and drive rather than fly."

In response, tourism officials in the Fifth District have focused on strengthening their existing market of regional travelers. "Our advertising focused more on close-in markets to encourage people in the suburbs to make a trip to Washington, D.C.," says Rebecca Pawlowski, media relations manager of the city's Convention and Tourism Corporation.

In recent years, fewer people have flown in and out of the United States. Overseas arrivals dropped 12.3 percent in 2001 and 8.3 percent in 2002, while overseas departures fell 6 percent in both years. Security concerns weigh heavily on everyone's minds, while apprehension over the state of the economy weighs on wallets and checkbooks.

State travel and tourism markets have weathered these changes differently. Those that rely on air traffic, foreign visitation, or business travelers have faced greater challenges, while those with mostly regional tourists have done better. Much of the Fifth District fell into the latter category, according to state tourism officials.

Traditionally, most travelers to the region arrive by car, ranging from about 50 percent of travelers in the District of Columbia to 95 percent in West Virginia. Visitors tend to come from within the region and north-

ern states like New York.

As a result, tourism officials in the Fifth District say they have fared relatively well during the travel downturn. Several states managed to increase their visitor flow in 2002, including North Carolina (up 3.2 percent), Virginia (up 6.4 percent), and West Virginia (up 8.5 percent). Maryland and the District of Columbia saw slight declines in visitation for 2002 (down 1.6 percent and 3.6 percent, respectively). (South Carolina hadn't released their 2002 numbers as of press time.)

Officials aren't sure how much of these increases were due to people choosing domestic destinations over foreign travel. But they're confident that focusing on travelers within driving distance paid off. "Our equity in these markets came to fruition when people wanted to drive more," notes Martha Steger, public relations director at the Virginia Tourism Corporation.

Some states will continue to focus on regional tourism, partly because of the challenges of developing air service in small markets. "We fish where the fish are," notes Chris Canfield, West Virginia's tourism and marketing director. Others are widening their net, though. Virginia wants to attract Europeans to the state during Jamestown's 400th anniversary in 2007, while North Carolina hopes that the centennial of the Wright Brothers' flight in Kitty Hawk will be a global draw this December.

—CHARLES GERENA

PAYING AT THE PUMP

War, Winter, and Unrest Spike Gas Prices

Gas prices fluctuated last spring, spiking up to an average price of about \$1.71 per gallon at the pump just about the time U.S. troops invaded Iraq. It wasn't just wartime uncertainty that helped drive prices, though. Contributing to the price hikes were an abnormally cold winter, especially in the Northeast, and a strike in Venezuela, which provides 10 percent of the United States' crude oil. Civil unrest in Nigeria has also constricted supply, as oil companies have pulled out personnel because of fears for personal safety.

"There are still a lot of 'ifs' out there," says Lon Anderson, director of public and government relations for AAA Middle Atlantic. In late April, the Organization of the Petroleum Exporting Countries increased its production quotas. Also, the United States is working to return Iraqi oil fields to full production.

Summer gas prices are expected to average \$1.46 per gallon, 7 cents higher than 2002 summer prices and above the average of 2000 and 2001, according to the Energy Information Administration's short-term energy outlook.

Price increases typically are passed on to the consumer, says Anderson. "The tough thing about oil and gas prices is they're a component of virtually every-

thing — clothing, food, everything that comes to market has a price built in."

Gale Ellsworth, president and CEO of Fairfax, Va.-based Trailways Transportation System, says the firm's charter bus companies offset the fuel costs.

"When they price those trips, they calculate in a surcharge for increased fuel prices," she says. "And scheduled route operators are buying in bulk, but they have to pass along the rate hike to the passenger as well." Typically, the sur-



Trailways Transportation System's charter bus companies use a surcharge to offset increased fuel costs.

charge is roughly the same percentage as the price increase, she says. The charge is removed when prices drop, she notes.

Someone has to absorb the price increase. Pity the poor pizza delivery driver, though. Pie Works of Greensboro, N.C., says its pizza prices are stable and its delivery drivers, who use their own vehicles and are paid a per-trip fee, have absorbed the increase.

Oh well, maybe they get good tips.

—BETTY JOYCE NASH