

# The Short Run

Student News & Views from the Humboldt State Economics Department

## TSR News

Welcome returning students and new students alike! In this edition of The Short Run (TSR) we will touch on the topics of Double Dip Recession and the Paradox of Thrift. We will also have, for your reading pleasure, an interview with one of our new additions to the staff, Professor Norman Maynard, and an interview with senior economics major Erica Blake. Also in this issue, you will find important deadlines and upcoming events. BB

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## Feature

### Double Dip Recession

Everyone knows that the recession we are experiencing is a great one. But what everyone might not know is that large recessions sometimes come in pairs. This is what those in the economics world like to call a double dip recession. Just as things begin to look up, the economy takes another dive.

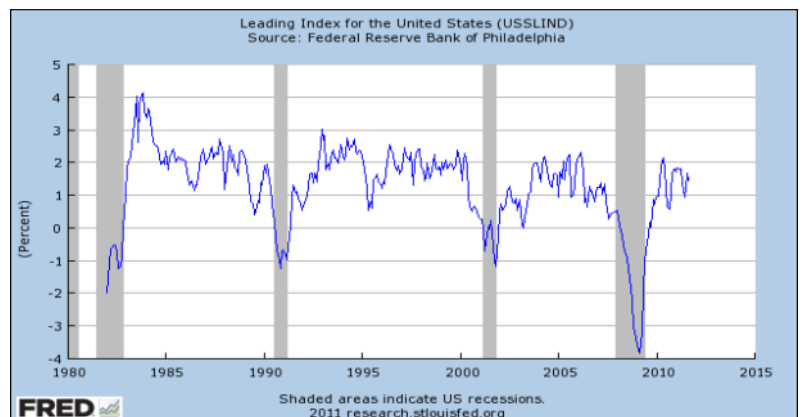
Right now, we are in the eye of the storm, trying to see whether we are experiencing recovery or setting up for another fall. With Europe in economic turmoil, it would seem that this global recession is far from over, double dip recession may be inevitable. However, the U.S. economy has been experiencing a few promising changes. GDP has returned to pre-recessionary levels, job creation has gone up slightly, and unemployment has been experiencing slow declines since the peak of 10.1% in October 2010. Note, some of this decline may be attributed to an increase in discouraged workers (people who have stopped actively looking for a job).

It would seem that the Federal Reserve is doing all that they can to prevent us from falling victim to decreases in growth. By keeping interest rates low over the next few years, they are attempting to lower the unemployment rate. With lower interest rates comes less saving and more spending. That said, more spending leads to higher demand and when demand increases so does employment.

The best suggestion this author has for speeding up the recovery process for the U.S. economy is that the Federal Reserve stop paying interest on reserves. By keeping interest rates low but continuing to pay interest on reserves kept at the Fed it greatly lowers banks' incentives to lend money. Small business loans may be a very important factor to pulling us out of this economic rut. -BB

Sources:

- Federal Reserve Beige Book
- Federal Reserve Economic Data
- Bureau of Labor Statistics



## Interview with Professor Norman Maynard



One of the newest additions to the Economics Department staff here at HSU is Professor Norman Maynard. Having taken a class with him this semester, I've gotten to know Norman a little, seeming like a well-rounded intelligent guy, I wanted to learn more about this new character, so we met up for a little Q&A.

### Where are you from?

I was born and raised in Oklahoma. Central Oklahoma.

### What do kids in the plains states do for fun?

As a kid I spent a lot of time outdoors. We didn't have Nintendo or fun computer systems back then; we could play outdoors or sit. The G.I. Joe was very popular.

### What was your most memorable road trip?

One of my earliest memories of a road trip, I was 1 year old, and we went to Pikes Peak CO, I remember this distinctly because the trees were at a funny angle. We were on a mountain and they were growing up.

### How is Oklahoma different than Humboldt?

1) It's Flat 2) The Climate 3) Oklahoma has a different kind of crazy, no more, no less, just different. Let's just say, there's probably not much of an occupy movement in Oklahoma.

### How are you enjoying Humboldt thus far?

I really like it. I'm glad I got here in August and it wasn't 100 degrees, which it was in Oklahoma. I've really enjoyed the different experience with crazy, very different ideas than I'm used to hearing. I like the fact that I can ride my bike wherever I want to go. It's not as spread out.

### When you were a kid, what did you want to be when you grew up?

Are we talking beyond the Batman phase? I especially wanted to be Batman because my older brother was always Batman and I was Robin. When I got a little bit older I realized I wanted to be a stock broker, until I realized that business is kind of interesting, but that the job sounds terrible.

### What made you choose Economics as your field?

I actually basically picked Economics out of a hat. It kind of sounds businessy... I went with it, and loved it. I liked that it was business type stuff without taking accounting.

### What did you dislike most about Economics as an undergrad?

Hmmm... early on I was surprised it was quite difficult. It took some time to realize the level of work that was going to be involved. But for the most part I liked the whole thing, I liked working with data, theory, and interpreting the news; what I didn't like was calculus.

### Who was the worst professor you had in college, and what made him/her so terrible?

I mostly had good professors in college, because if I heard someone was terrible I didn't take their class. It was probably my Gen. Ed. archeology instructor who was a grad student. The reason he was terrible was because he told everyone on the first day that he knew we were all there for the general credit, and that no one really cared about archeology. So we do our work and he'll do his and we'll all make it out. He had no enthusiasm. He didn't want to do any extra work.

### How would you describe "college you"?

Are you allowed to print the word smart-ass? I was a smart-ass. I was very aware that my IQ was higher than that of my friends, which matters so little in life. I was a jerk, over time I became less of a jerk. If my wife had met me in high school, I'm pretty sure she would have known better than to marry me.

### What is your favorite thing to do in your down time?

I'm mostly a homebody. I like to watch various television programs. I watch movies on the Netflix. If I'm feeling energetic I take my two-year-old to the park... I read a lot of blogs.

### What is your all time favorite movie?

I really don't know how to answer that question, there are so many good movies out there... I will go with the Indie-Hipster answer and say "Once". Mostly because it has one of the best soundtracks of any movie ever.

### And, to satisfy my own curiosity, is David Tennant your personal fashion icon?

Hahahaha. Dr. Who in general is my personal fashion icon. I've got the suspenders, I have yet to do the bow tie, love the shoes. In general I think Dr. Who is a good person to emulate, strong moral figure, an inspiring figure, also silly and child-like. It's good to not take yourself too seriously I think.

## Interview with Economics Major, Erica Blake



Erica Blake is a senior double majoring in economics and political science. She is set to graduate in the spring, so I sought her out to see if she would be willing to share some of her infinite wisdom with us.

### What made you choose Econ as your major?

I like... to problem solve. I like looking at a real world problem and finding logical solutions.... and I want to make money, haha.

### What suggestions do you have for anyone considering a major in Econ?

Having a strong background in math is definitely helpful. Also, there is a significant difference between studying in a group and studying alone. It's really beneficial to join a study group. And teachers office hours are really helpful. Plan ahead, make sure the classes double count, and which ones are only offered in the fall. You can't plan semester by semester, you have to plan ahead.

### What difficulties did you encounter in pursuing this major?

Finding upper division Econ classes that I was interested in taking. A lot of them are directed toward Environmental Econ, which isn't my focus.

### You are involved in the economics index here at HSU, can you tell us a little about what that's like?

On a day to day basis I have developed and maintained relationships with data providers, as well as found alternative ways to collect new data. Once I collect the data, someone else involved in the index interprets the data. It's technically a sort of internship, for anyone who's interested. I think the index is important because it takes a macro-economic concept and brings it down to our local scale.

### I hear you're involved in the entrepreneur survey also, what is that all about?

I'm continuing a project created by Jessica Lamb, which involves collecting information from Humboldt County's local entrepreneurial businesses in an attempt to evaluate and understand the cycles of small businesses. It will help us to understand which, if any, common trends are involved in the successes and failures of these businesses. By monitoring the same businesses annually we get a comprehensive picture of entrepreneurial cycles.

### What do you plan to do after graduation?

Graduate School. In San Diego, or Colorado. I'm going to work toward a PhD in Economics with an emphasis in Political Economy.

### What is your ideal job after graduation?

There are so many. Working for a consulting firm for small businesses... I guess a business consultant or working for the Presidential Economic Advisory Council...

## Economics Department Events & Deadlines

### Economics Forum:

When: December 2nd at 5pm

Where: Plaza Grill on the second floor of the Jacoby Storehouse

Topic: The title of the article being discussed at this economic forum is "Valuing Ecosystem Services." The article can be found online and hard copies are available at the Economics office.

### Scholarships:

Homer Balabanis Memorial Economic Scholarship  
\$1000 annual scholarship awarded based on academic achievement.

Bob R. Kittleson Economic Scholarship  
\$1000 annual scholarship awarded to an economic student who demonstrates outstanding ability.

Bob R. Kittleson Economic Education Project Award  
\$1000 award to whomever presents the best proposal for a K-12 Economic education project. It is not limited to economics students.

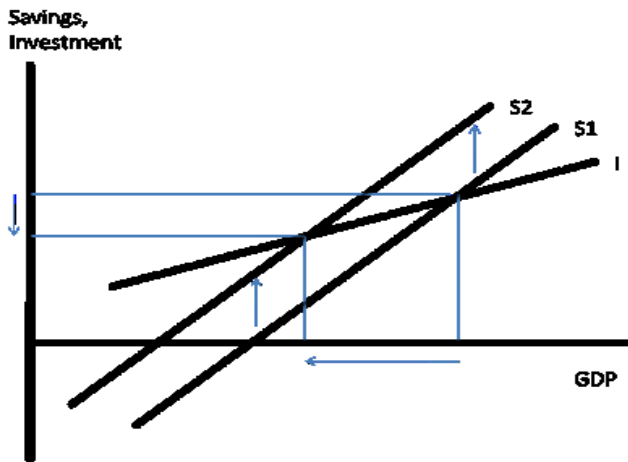
Applications will be available online from January 5th through February 17th. Look out for e-mails from Jan or check the Economics website periodically for updates on the scholarships.

### Internships:

Check with the Econ Department for internship opportunities. Now's the time start applying, and they look great on a resume!

**Paradox of Thrift**

The paradox of thrift is a concept of Keynesian economics that claims the more you save the poorer you actually become. This is explained through a reduction in demand which slows down the economy. We see this in the investment-savings graph below.



The graph shows that with increased savings comes a decrease in investment, resulting in a decrease in GDP. Therefore, saving in an attempt to cushion the blow of a recession is really counterproductive to the cause in this theory.



Above are three photos taken from the South Park episode “Margaritaville” from Season 13 in which Randy Marsh (top) urges his fellow consumers to save during the period of recession, while Kyle (bottom), tries to convince Randy’s followers that spending is really what will get them out of the recession. All the while Stan (middle) is trying to return the Margaritaville that his dad bought on a payment plan. This episode presents a fairly accurate (and hilarious) portrayal of the paradox of thrift.

