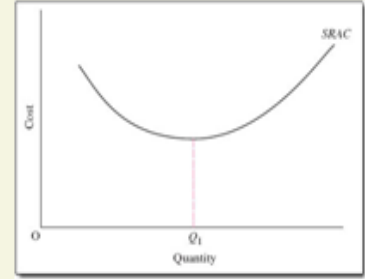


The Short Run

News & Views from the Humboldt State Economics Department



T S R

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Economy Update

The Short Run is back and hot off the press. As always we bring you the latest economic data to stay informed and equipped to answer those tough questions. We know where the economy has been, but is there light at the end of the tunnel? Unemployment rates held steady at 9.7% in January and February. The seasonally adjusted CPI remained steady in February. GDP in the fourth quarter is estimated to rise at 5.6%. Perhaps the

TSR News

FOMC sees some dim light in the far distance as it stated, "the pace of economic recovery is likely to be moderate for a time." On March 16th the committee decided to maintain the funds target range at 0 to 1/4 percent. Although the outlook may seem bleak, the economy has seen an increase in household and commercial spending. If this is any indication of investment strategy, it may be wise to invest in comic books. A rare 1938 copy of Action Comics featuring Superman's first appear-

ance just sold for \$1.5 million dollars. The lucky investor purchased the comic for a mere \$.10, which is approximately \$1.54 in today's terms. That's an astounding 1.5 billion% ROI. ~KL~

Sources:
data.bls.gov
Finance.yahoo.com
Federal reserve.gov
bea.gov



Special Acknowledgement

The TSR torch has been passed! I would personally like to thank Keith Rice, founder of The Short Run, for his past service to this newsletter. Keith will be graduating this spring with a major in Economics and minor in

Business. In addition to his studies, Keith is busy raising his 1st grade cub scout. Keith also serves as the Chartered Organization Representative in liaison with the local Kiwanis group. The Kiwanis Club nurtures leadership at

every age through community service projects. To top it off Keith has a courier business that he says, "keeps me on the road with a feeling of going places." I wish you the best of luck in your future ventures. ~KL~

Gung Ho! For Recalls

The recent Toyota recalls have led many consumers to believe that they were perhaps a little too Gung Ho! to manufacture and sell their automobiles. Have they really acquired a lackadaisical attitude towards quality control or perhaps is this an exaggeration of the media to increase the demand of the domestic automobile industry? In spite of their accelerator malfunction, Toyota is unstoppable regarding sales growth. Recently, the company's sales in-

creased as much as 35%. The tremendous price discounts caused an increase in demand. Historically, recalls have had a negative short-run effect on prices. Companies often lower prices to ensure business will continue after consumers start turning to substitutes. What does this mean for the already struggling US companies? Domestic companies are starting to recover from the worst downturn in over 25 years as they have seen five straight months of

increased sales. Ford and GM are reporting record sales gains of up to 39% and 25% respectively. Financial incentives such as "Cash for Clunkers" and reduced financing have consumers flocking to the car lots. In addition, the demand might shift outward due to changes in consumer preferences. Many other foreign car companies are experiencing the same sales in-



Film poster of 1986 movie Gung Ho!

Source: www.businessweek.com

~KL~

"We have been working to ensure that we have the tools to reverse, at the appropriate time, the currently very high degree of monetary stimulus."

~Bernanke~

Fighting Inflation: A Path To Recovery

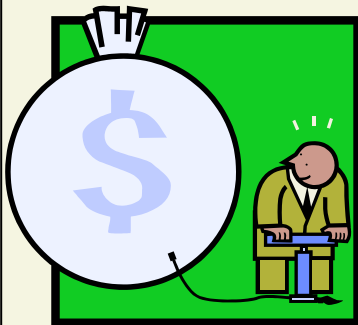
Any good economist knows that a low and steady inflation rate can nurture economic growth. Predictable inflation creates stability for the labor market, which bases wage contracts on an extended period of time. The recent corporate bailouts and increase in reserves have many worried about the threat of hyperinflation in the future as well as the strength of the US dollar. However, the Federal Reserve has an exit strategy. Chairman Bernanke addressed Washington last week and de-

tailed the methods of retreat. The Fed will use the method of reverse repurchase agreement, reverse repos, as they have done in the past. This will absorb reserves from the banking system by selling securities that will be paid back in the future. They are also trying to expand the cliental able to purchase these reverse repos in hopes to drain a substantial amount of reserves. Secondly, the Fed is offering depository institutions term deposits. This is similar to the CD's the public can invest in with their local bank. This method converts the reserves into long-term deposits, which shrinks the money supply in the short-run. Together these strategies have

the power to "...drain hundreds of billions of dollars of reserves from the banking system quite quickly." Bernanke states. Another threat that lingers in the near future is deflation. (See economics term on page 4). This could induce a greater challenge to the American debtors. However, many of the programs implemented during the financial crisis expired this month and the financial market is stabilizing. The Fed assured congress it is confident this exit strategy will lead the economy along the path to recovery.

~KL~

Source: www.federalreserve.gov
www.bea.gov



W e l c o m e D o r e e n H a n s e n !



Doreen Hansen hard at work explaining the fundamentals of economics.

TSR welcomes Doreen Hansen to the Economics Department! Doreen is a wonderful example of how economics infiltrates many subjects of interest in today's society. She graduated from UC Santa Cruz in Marine Biology and continued on to UC Davis to

earn a Masters in Natural Resource Economics. Doreen's passion for economics and fisheries brought her to HSU four years ago where she worked as an associate researcher with Professor Steven Hackett. Together they created an Economic Structure and Impact of California's Fisheries for the Dept. of Fish & Game. She also created an Economic Structure of the Salmon Troll Fishery in Oregon and California. Doreen is gearing up for another large study regarding PG&E's wave energy project. She hopes to provide adequate economic data for the upcoming proposal along the coast. "Economics is a critical tool for affecting policy," she states. In addition to her commitment to fisheries,

she teaches Principles of Economics. She believes it is essential that all students learn about economics regardless of their area of study. Macroeconomic topics are in the news everyday and microeconomic topics of the local area affect people as well. "It is important students understand they are consumers and affect demand," she says. Doreen enjoys working on the ocean view campus and meeting new people. She also stays very busy raising her five year old daughter with her husband. We welcome you and wish you the best of luck on your upcoming project!
~KL~



"Economics is a critical tool for affecting policy."

~Doreen Hansen~

E c o n o m i c S t u d e n t s I n A c t i o n

Humboldt State University boasts a "hands-on" approach to learning. Economic students are doing exactly that and helping the community in the process. Through service learning projects, students enrolled in courses such as ECON 470, Sustainable Rural Economic Development, are bridging the gap between academic theory and realistic practice. Nick Craig conducted research for Prosperity!, a business development group, by interviewing local businesses. Then he advertised the success stories of the local businesses that received consultation from SBDC. "It was a good experience because I was able to see what kind

of help was out there for entrepreneurs and how that help was utilized." he says. Kristy Lindquist worked with the City of Arcata in the Environmental Services Department. She helped implement several phases of the new Universal Curbside Recycling program. Arcata is trying to reduce, reuse, and recycle in goals of becoming a "zero-waste" community. Arcata's policy parallels the course's focus of sustainable development through economic policy. Nathan Wiseman also worked with Prosperity! analyzing survey data and survey structure for the Quality Improvement Cycle. He reported his findings to ten different directors

from Aptos, CA to Eureka, CA. "It was a good experience because it allowed me to put some of the concepts from class into a real world perspective," he explained. Nathan and Nick are both active economic students. Currently, they organize a monthly economic forum that is open to the community, faculty, and students. They create a stimulating atmosphere for a in-depth discussion on preselected articles. (See economic events on page 4.) It is important for students to incorporate realistic examples into classroom models to fully understand the complexity and splendor of our economy.
~KL~

Economic Department Events

Monday, April 5

Guest Speaker Christopher Thornberg
4-5pm KBR

Thursday, April 22

Final Econ Forum "Fast Food Zoning"
5pm Carmella's, Arcata

Tuesday, May 4

Economics Department Senior Dinner
& Awards Ceremony
5:30pm Carmella's, Arcata

Saturday, May 15

Graduation Ceremony at

Economic Department Awards

Homer Balabanis Scholarship

Charlie Wills

Bob Kittleson Scholarship

Jonathan Ashbach

Adam Smith Award

Vivian Helliwell

Academic Achievement Award

Jing Cao

Economics Term

Deflation

A decrease in the overall level of prices.

Source: Mankiw. Macroeconomics 6th Ed.

C o n g r a t u l a t i o n s G r a d u a t e s !

On behalf of the Economics department and Humboldt State University, I would like to congratulate our Economics graduates this Spring 2010. Our journey is far from over, but thanks to the amazing faculty and staff in our department we will be well-equipped to conquer the challenges that lie ahead.

"He will therefore have to use what knowledge he can achieve, not to shape the results as the craftsman shapes his handiwork, but rather to cultivate a growth by providing the appropriate environment, in the manner in which the gardener does this for his plants."

~Friedrich August von Hayek~



- Michael Byers
- Jing Cao
- Bryan Castillo
- Nick Craig
- Matt Gish
- Dina Haigounian
- Vivian Helliwell
- Kristy Lindquist
- Alex Mitra
- Keith Rice
- Nate Wiseman