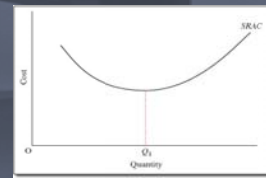


# The Short Run



Student News & Views from the Humboldt State Economics Department

Spring 2009

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*We are here to serve you within the scope of this newsletter and any comments, suggestions, or submissions are welcome. Please include your name & major with correspondence.*

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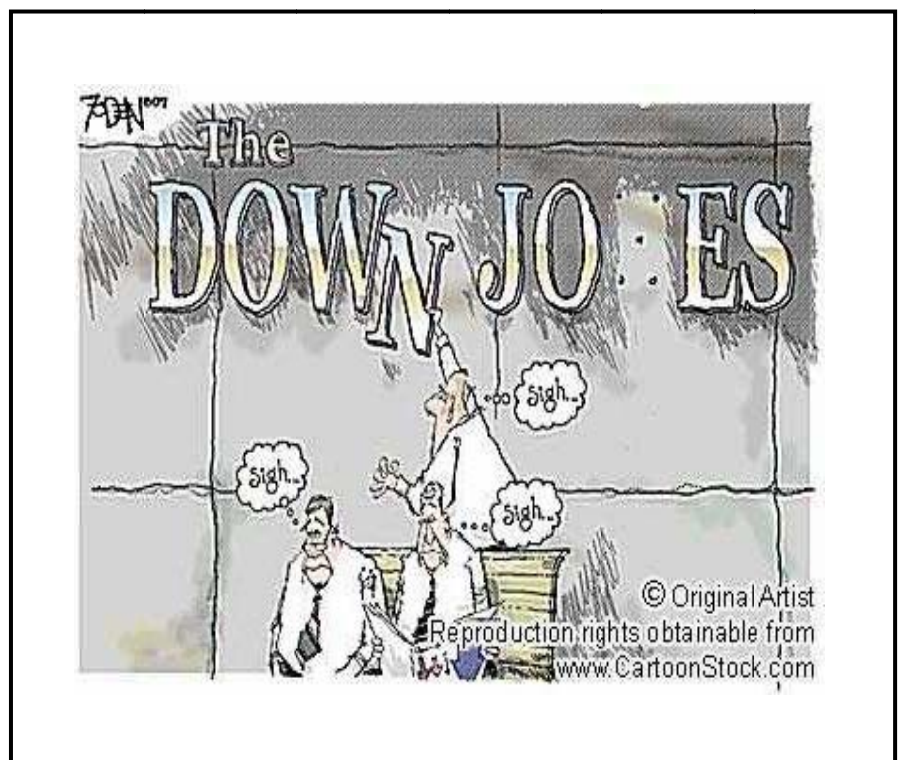
## TSR News – Launch! ✌

You are reading the very first issue of TSR (The Short Run). We are a student driven newsletter to keep current and prospective students, as well as educators and alumni, abreast of issues and ideas affecting the department as well as local and global economics. We will strive to keep you informed of events sponsored by the HSU Economics Department, club meetings and events, HSU economic issues, and relevant county, state, national, and world economic news. We are here to serve you within the scope of this newsletter and any suggestions or comments are welcome.

We will be published at least twice per semester and plan on putting up a companion web-site that will include multi-media, chat, and discussion boards.

Please take the opportunity to e-mail us with your comments or articles of interest to: [theshortrun@humboldt.edu](mailto:theshortrun@humboldt.edu) ✉

## So You Say! 😊😞



## Economic News

### It's an ill wind that blows nobody any good

Lately economic news has been dominating headlines as the global economic crisis continues to deepen. A recent Marketwatch.com headline read "No light in sight amid data" citing new unexpected lows in jobs, housing, and factory numbers. It appears that the more dire predictions from months past were generally the most accurate. Even Wal-Mart, normally a stalwart in lean times, is showing less profit than expected - though for most companies such a failure would be highly desirable. Both General Motors and Chrysler are floating the issue of bankruptcy and this will have a huge impact not only on primary market jobs but on the multi-billion dollar secondary auto market industries that rely on new auto sales.

On the positive side, auto mechanics and other after-market business will likely find a blessing in people keeping their cars longer. Not everyone is in dire danger, though it seems most everyone will be affected. We have been living large for the past two decades even while seeing bubble after bubble burst. Now with increasing reticence by foreign investors the new bubble is more like a category 4 hurricane, so if you can remain in the eye you might experience relative calm. - KR

*"It has become clear the state will have a greater return in tax revenues and pay less for government programs such as prisons, healthcare, and welfare for citizens with a college degree. The research on this subject indicates that investing in the CSU as well as other forms of higher education pays for itself. In cutting the education budget, the state can expect to see a significantly greater long-run expense from welfare programs and incarceration than its short-run savings."*

## Feature

### It's Education, Stupid!

For the past six years, California has attempted to solve its budget problems with cuts to the California State University system. For the 2008/2009 academic years, the CSU was cut by over \$312 million. While these cuts may seem to be a quick solution to an ever-growing budget deficit, when we look deeper, we see that California's decision to cut education is in fact a decision that will forever scar the future of our state.

This year Chancellor Charles Reed was forced to make a "declaration of impaction", meaning the CSU will turn away nearly 20,000 qualified students at the door. These are graduating high school seniors who were given a promise; if you get the grades, the test scores, and take the right classes, you are guaranteed a seat in the CSU. Students who followed through with their end of the deal are now being taught an undesired lesson: the cost of their education was not considered a good investment by the state of California.

A study released in May 2008 by the Blue Sky Consulting Group shows on average a college graduate will earn nearly 73% more than a high school graduate. By investing in higher education, the state could expect on average, \$47,602 more in state income taxes and more than \$11,033 in state and local sales taxes from every college graduate over their lifetime. The study shows a 1% increase of people with a Bachelors degree, along with a 2% increase of those with Associate degrees result in \$20 billion in additional economic output, \$13 billion in value added, \$1.2 billion more in state and local tax revenues annually. It would also create 174,000 new jobs.

The Public Policy Institute of California found that by 2020, 39 percent of California jobs require college-educated workers. However only 33 percent of the state's working population would have a college education, and that number is declining. This statistic, along with the realization that non-skilled labor jobs have begun to be shipped overseas, adds up to a scenario of a growing unemployable population, who will become dependent upon government social welfare programs. The average California, college graduate is 78 percent less likely to use welfare, 74 percent less likely to use SSI, and 87 percent less likely to be incarcerated, relative to a high school graduate. For correctional costs, it is estimated the state saves \$25,000 per person per year of incarceration.

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Tony Snow is a history/ poli sci major and will graduate HSU this spring.  
He can be reached at: [your\\_voice\\_humboldt@yahoo.com](mailto:your_voice_humboldt@yahoo.com)

### Student Profile: Skye Frison

Skye is a political science/econ major from Anchorage, AK and transferred to HSU from the University of Wyoming. Her favorite class at HSU, so far, has been The Economic History of the United States because it provided a new perspective on historic motivation and behavior. Last year she spent a semester abroad, in Prague, Czech Republic, where she learned of the inner workings of the failed communist regime. Keynesian economic theory makes the most sense to her in that it allows for free market activity, but tempered by government regulation. She is currently the managing editor of The Short Run and plans to graduate in the Spring of '09 after which she'll take a year off to work and contemplate a possible future in business law. - KR



### Professor Interview: Dr. Beth Wilson

See Dr. Wilson's bio at:  
<http://www.humboldt.edu/~econ/faculty/wilson.html>

**KR:** Dr. Wilson, you've been at HSU for about 8 years, what changes have you seen?

**BW:** Among the most significant are the budget cuts that result in class size increasing.

**KR:** What kind of changes would you like to see?

**BW:** I'd like to see this prioritization process work. Our strength is in small class size allowing for more one-on-one contact. So we need to prioritize and concentrate on our strengths. But those in low priority departments, and students in those programs, are going to be hurt, it's going to be difficult. We ranked all the programs on



campus, and econ was ranked 1 (top), but some programs were at 4 (bottom) and for them it's going to be hard.

**KR:** As an econ student I'm glad to hear that. So what is your economic

emphasis?

**BW:** Basically international and development, I teach the 3<sup>rd</sup> World Development course, and usually the International Econ course, and I also teach a service learning course on rural economic development.

**KR:** Can you tell us more about the service learning course?

**BW:** It's a great course, I'm teaching it in the fall. It's four units, 3 units of course content and 1 unit of service. Students work with people in the community development field here in Humboldt County. What is neat about this course is that students learn the theory in the classroom and when they are out working with these organizations, they see these theories in action. It's our only service learning course and it's very exciting.

**KR:** What's your favorite class to teach?

**BW:** I like different classes for different reasons. Right now I'm teaching the Intermediate Micro class, which I love

because it's so mathematical – I get to do all this great math stuff that you can't do with the general education students. The development course I enjoy as well because it's deals with 3<sup>rd</sup> world development. My experience with Peace Corps in Niger was one of my major motivations for going to graduate school to delve more in to these development issues. So many people around the world live in poverty and it's really important to address these issues. I've also been teaching a course for the International Studies majors (INTL 310) which is an international political economy course. I like that because it takes me out of straight econ for a broader perspective.

**KR:** Do you find the students in International Studies are more suspicious of economics?

**BW:** Especially on this campus, the students get a lot of neo-Marxist perspective, structuralism, and they don't get near enough of the liberalism perspective and the value of free markets. It does make it challenging to teach econ courses on this campus because there is that bias. But whether or not they believe [liberalism], it's important that they learn it so they understand the perspective. Lacking this understanding, people remain on the fringe and aren't taken seriously enough outside their own groups to affect the change they see as important.

**KR:** What tips for success do you have for students?

**BW:** Just broadly; strong writing skills, strong critical thinking skills. If you're able to solve problems and convey that knowledge, you will be incredibly valuable.



### Who is an Economist?: Amartya Sen

See Dr. Sen's autobiography at:  
[http://nobelprize.org/nobel\\_prizes/economics/laureates/1998/sen-autobio.html](http://nobelprize.org/nobel_prizes/economics/laureates/1998/sen-autobio.html)

Born in Bengal, India (later Bangladesh) in 1933 to a renowned family, Amartya Sen earned his economics Ph.d. in 1959 from the University of Cambridge, U.K. His



relationship with Rabindranath Tagore (Nobel Prize in literature, 1913) helped instill in him the appreciation of cultural diversity so evident in his works. But the potential horror of intolerance was not simply theoretical to Sen. In his youth

he was witness to the victim of a stabbing: a Muslim who had sought meager work in a Hindu neighborhood and was stabbed in the back by local thugs. Sen refers to this kind of intolerance as "economic unfreedom". His numerous books and papers addressing a host of inequalities have had considerable influence on development economics. For example he takes a comprehensive view of inequality economics, including the misfortune of meteorological and natural phenomenon, for example, as forms of inequality. He is still active - teaching economics ethics at Harvard University, and has recently shown concern with the consequences of the current economic downturn on development issues. - KR

## Book Review

The Age of Turbulence

Alan Greenspan

The Penguin Press - 2007

### Apparently Not So Turbulent

Compared with today's economic volatility, what could be more boring than Alan Greenspan's autobiography? Lots of things, really! This book actually turns out to be an engaging, entertaining, and informative read. Greenspan wanted to be a ballplayer as a youth but was inspired to learn the clarinet and join a jazz band, ultimately becoming a saxophone sideman. Yet, even with the band he was considered an intellectual and while the other guys were getting high in the back room, he was busy doing their taxes. He drops lots of interesting names, people who influenced him or he knew personally. Jazz great Stan Getz, the libertarian goddess, Ayn Rand (who dubbed Greenspan "the Undertaker"), as well as a host of thinkers and world leader who play parts on the stage of Greenspan's personal drama.

Throughout the first half of the book you see how a regular kid from New York is shaped into a high-powered agent of economic policy. The second half of the book is a very readable study in economics. He begins chapter 22 with concerns of a "demographic abyss", the retirement of the baby-boomers and a huge shift in dependency ratios. While citing examples of this problem already manifesting in Germany and Japan, he notes that while our Social Security system is in trouble, Medicare is in crisis – with costs rising at twice the rate of GDP over the past decade. He expresses grave concern (as an undertaker might) that we will, in fact, be unable to provide the level of government sponsored services that have been promised to retirees.

While he didn't foresee the current economic crisis he does ask in 1996 "How do we know when irrational exuberance has unduly escalated asset values, which then become subject to unexpected and prolonged contractions?" Up until this latest market collapse he was often made to eat these words of concern. Greenspan coined the term "irrational exuberance" to describe the fever that grasps those seeking immediate maximum yield on their investments. He contrasts this with Warren Buffett's philosophy: "My favorite holding period is forever." In that he is a two-handed economist, Greenspan does tend to hedge his bet; and in his belief that we will likely never develop a model to predict fluctuations he takes the long view – noting about 2% average annual growth over the past 150 or so years.

Greenspan turns out to be a fascinating fellow, a bit on the conservative side to be sure, but with a real flair. His stewardship of US monetary policy as head of the Federal Reserve from 1987 to 2006 contributed to the greatest economic expansion in history and you would do well to make the excursion into his head by giving this autobiography a read. - KR

*From the KHSU interview*

*Beth Wilson: "... there are so few details about how [the bank bailout] will work ... the question is: 'How are they going to create enough incentive for the private sector to be able to purchase these [toxic assets] at prices that will make it worthwhile for the banks to sell them. Right now they're worth virtually nothing.'"*

### Economics Department News & Events

- Professors Steve Hackett will talk about the economic crisis on Tuesday, March 10 at 7:30pm on KHSU. Also listen to Steve and Beth Wilson talk about the banking crisis at [http://www.khsu.org/audio\\_archives](http://www.khsu.org/audio_archives) (under "Conversation with Paul Mann").
- The Econ Forum was hosted at Carmela's in Arcata at 5:00 pm on February, 13.
- Econ Forum - Friday, March 6th, 4:00pm at Rita's in Arcata. We will be discussing "The Road to Serfdom" based on Hayek. Pick up a copy of the article in the Economics Department Office-SH 206
- On Tuesday, March 10 from 5-7pm in Science B 135 guest speaker Dr. Paul Zarembka from SUNY Buffalo will talk on "The Economics of 9/11 and Insider Trading."
- Awards Ceremony – Thursday, April 23, 2009

Get current information on events at:  
<http://www.humboldt.edu/~econ/>

### Business & Economics Club

#### Meetings:

*Mondays - 12:00 PM Siemens Hall 117*

#### Events:

*March 24, 7:00 PM*

*Movie: The Corporation*

### Entrepreneur Club:

#### Meetings:

*Wednesdays - 2 PM NHE 113*

#### Events:

*Feb 18: Banking Workshop in KBR at 6pm*

*Feb 22: Entrepreneurship Club v. Paper*

*Hat Society Kickball game*

*Feb 25: Sustainable Business Tour of Emerald City*

*Laundromat at 2:30pm*

*February 25: Emerald City Laundromat Tour*

*March 6: Humboldt Creamery Business Tour*

*March 27-29: Club Trip to Seattle Green Festival*

### Economic Term: "Short run"

The short run is a period of time in which the quantity of *at least one input* is fixed and the quantities of the other inputs can be varied. The long run, in contrast, is a period of time in which the quantities of *all inputs can be varied*.  
source: economics.about.com