

Winter 2006

Department of Economics Newsletter, v13, Winter 2006

University of Northern Iowa. Department of Economics.

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University of Northern Iowa. Department of Economics., "Department of Economics Newsletter, v13, Winter 2006" (2006). *Department of Economics Newsletter*. 2.

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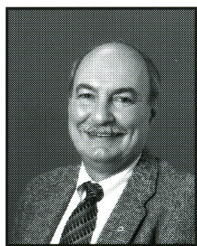
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UNI • DEPARTMENT OF ECONOMICS

NEWSLETTER

COLLEGE OF BUSINESS ADMINISTRATION ♦ VOLUME 13 ♦ WINTER 2006



Fred Abraham

A MESSAGE FROM THE DEPARTMENT HEAD

The biggest news on our campus is the appointment of Dr. Ben Allen to serve as the ninth president of UNI. He comes to us from Iowa

State University where he served as Provost and before that as dean of the College of Business. You may recall that UNI's basketball coach, Greg McDermott, left us to take the job at Iowa State. In announcing President Allen's appointment, president of the Board of Regents, Michael Gartner jokingly said that we had traded the basketball coach for the president—and UNI got the better end of the deal! I won't disagree.

President Allen Earned a Ph.D. in economics from the University of Illinois and his entire academic career was spent in our field. I worked well with departing president Bob Koob and I look forward to working with president Allen. And, won't it be nice to have an economist in that job?

Adding to our good news is the announcement of the awarding of tenure to Dr. Shahina Amin and Dr. Lisa Jepsen in our department. During their pre-tenure period, they both demonstrated excellence in teaching, research and service. They are welcome permanent additions to our department and will continue the tradition of outstanding people who are dedicated to fulfilling the mission of university professors.

Tenure is so important to university life not because of the security it provides as much as the freedom to explore new, perhaps unpopular ideas. I cringe when I hear of faculty on other campuses being ostracized for espousing radical concepts. The university is the one place where controversy should not only be accepted but encouraged. Tenure is the best way to ensure this. On page 8, economics professor Hans Isakson has written a nice piece on tenure and its importance.

More nice things: Professor Ken McCormick's book, *Veblen in Plain English* was published this summer by Cambria Press. As you may know, Ken is a researcher in the area of the history of economic thought and has done considerable reading and writing about Thorstein Veblen. This book represents Ken's effort to make Veblen understandable and he has done a remarkable job of it. You can find the book on Amazon and I'll bet you could get Ken to autograph it for you!



I recently accompanied a friend and her daughter on a visit to a small private college in Iowa. Many of you have probably gone on these visits with your own children as they try to select a college. As you would expect, Cedar Falls kids seem to be greatly interested in getting far away from home and this young girl was no exception. Anyway, as part of the tour, we had an opportunity to talk to the campus placement director. He explained all of the things that they go through to prepare students for their job search but I was especially impressed by one thing he said. He indicated that one of the first things they do is try to get their alumni and the graduating students together. Apparently, one of the best opportunities for employment for new graduates is with their alumni.

This idea makes a lot of sense to me. Alumni know the kind of education that the school provides, having gone through it themselves. They can also better evaluate letters of recommendation because in many cases, they know the professors who write the letters. This process reduces uncertainty for potential employers and makes a job search more efficient for the graduates. Clearly, a win-win situation.

It got me to thinking that this might be a stone we have left unturned. We graduate anywhere from 30-40 students each year and while many go on to

further their education, a sizable number enter the labor force. Also, many of you are in the market for good employees and you have a clear understanding of what an economics major from UNI has done and can do—you've been here. We need to get you together with our graduates. If this makes sense to you, please let us know if you would be willing to help. It wouldn't take much on your part. Just let us know if you have openings or if you would be willing to look at resumes of our graduates.

In addition, if you have an intern program, we would like to hear about that. Many companies are now using internships as kind of a "looking at" period. It gives them an opportunity to gather longer term information about potential future employees. This too is a great deal for our students: real world experience. Please let me know if this is something that works for you.



A problem that the three regents schools have is that we have a presence in only three of Iowa's 99 counties. While we help and educate students from all over the state, the visible impact is only in Black Hawk, Johnson and Story counties. We need legislators from all over the state to recognize that one of Iowa's greatest assets is its higher education system. If you live in Iowa, please help preserve this asset by encouraging your legislators to support better funding for the regents schools.

Our department is stronger than ever. As our quality improves, so does the prestige associated with being a graduate of the UNI economics department. You carry that wherever you go.

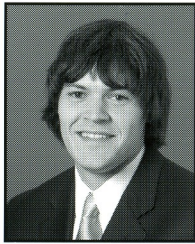
As always, stop by and we'll buy you lunch. But remember to call first!

—Fred Abraham

Scholarship News

When we make scholarship awards, we consider a variety of factors and some of our scholarships have different objectives. Some are given to our best students, some to those with the greatest need, and some to those with an excellent work ethic. In 2006 we were able to help seven students.

The Mahmood Yousefi Scholarship was awarded to **Eric Marshall** from Sabula, Iowa. Eric is in the business analysis emphasis and is planning to attend law school after graduation. He has a 3.93 GPA. Eric is also a tutor in the Economics Department.



Eric Marshall



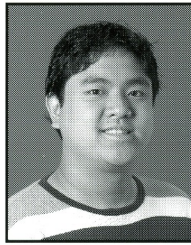
Jenny Ruser

The oldest scholarship we have, the Leavitt Scholarship, was awarded to **Jenny Ruser**. Jenny is from Holstein, Iowa and her future plans are to

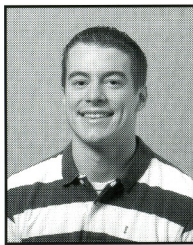
pursue a career in financial services. She is in the general economics emphasis and has a 3.87 GPA. An active member of the Economics Club, Jenny currently serves as President. She is also a tutor for the department.

Wei-erh Chen is the recipient of the Glasener Scholarship. Chen is from Cedar Rapids, majoring in the general economics emphasis with a 3.8 GPA.

He is a member of the Economics Club, Navigators Campus Ministry and serves as an RA at ROTH. His plans for after graduation are undecided, however, he offers that he would like to teach English in China or do humanitarian work with a non-government agency and then attend graduate school for Theology or Law.



Wei-erh Chen



Jake Ferguson

Jake Ferguson from New Sharon, Iowa, was awarded the Alumni Scholarship. Majoring in the Quantitative Techniques emphasis, Jake has accepted an offer to work as an

actuary for Principal Financial Group after graduation.

Sara Rouse received the Emeritus Faculty Scholarship established to honor our retired faculty. From Emmetsburg, Iowa, Sara is in the Business Analysis emphasis with a 3.75 GPA and plans to pursue a

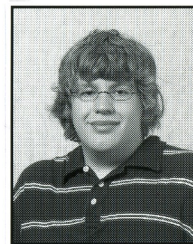
a career as an investment analyst.

The second annual Van Nostrand scholarship was awarded to **Wade Summers** from Milford, Iowa. Wade is in the Business Analysis emphasis



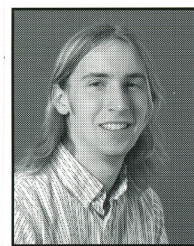
Sara Rouse

and has a 3.75 GPA. Wade is involved in the Economics Club as well as serving as a tutor for the Economics Department. His future plans are to seek employment in the Cedar Falls/Waterloo area.



Wade Summers

Bill Suppes of Elburn, Illinois, was awarded the Economics Endowment scholarship. Bill has a 3.73 GPA and is majoring in the Quantitative Techniques emphasis. After graduation, he plans to attend graduate school for either Philosophy or Economics.



Bill Suppes



Alicia with her parents Steve and Betty Irons, and Fred Abraham at the reception held in her honor on May 24, 2006

McElroy Award

Alicia Irons, '06 was awarded the McElroy Trust PhD Fellowship to aid in graduate school expenses. The award of \$10,000 per year for three years recognizes Alicia's potential as a graduate student.

The McElroy Fellowship is awarded annually to two graduates of the ten colleges in northeast Iowa. Alicia is the sixth recipient from UNI in the history of the fellowship and fourth graduate from the Department of Economics. Previous awardees are Ted Juhl ('93), Adam Galambos ('98) and Nick Sly ('04).

As an undergraduate, Alicia was a Provost Scholarship recipient and a member of the UNI Women's basketball team, playing at the point guard position. She was a member of the Student Advisory Committee for UNI athletes.

Scholarship News

ADAM SMITH CIRCLE

Fred Abraham
Scott Broshar
Ron Giddings
Charles Gillette
David Hakes
Jacquelyne Joens
Gregg & Chandra Lutz

Barb Mardis
Thomas Rietz
Janet M. Rives
Marti Rodamaker
Charles Strein
Bulent Uyar
James Van Nostrand

J.M. KEYNES CLUB

David Altman
Craig Chase
Peter & Amanda (Eddy)
Hosch
Mark Miller
Deborah Nestor
Charles Phillips
Kathryn Quinn
Ernest Raiklin
Christopher Riley

PROFESSORS' CLUB

Kevin Bracker
Lisa (VerMulm) Dreyer
Terrence & Lois Lindell
Ronald Rolighed
Jeffrey Williamson

SCHOLARS' CLUB

David Adams
Stanley C. Benz
Marshall Blaine
Melissa Edsill
Robert Gettemy
Maris Boyd Gillette
David Gingerich
Steffanie Guess-Murphy
Rebecca Huss
David Jones
Bryce Kanago
Allison (Falor) Larson
Gregor MacDonald
Rick Massa
Katsuyuki Ohbayashi
Mike Paar
Kevin Pearson
Jerry Peterson
Scott Rowsell
Jon Shepherd
Steve Veit-Carey
Mark Willard
Mahmood Yousefi

OTHER CONTRIBUTORS

Aaron Adkins
Gay Duroe
Robert Engrav
David Gingerich
Ray Loehr
Mark Milder
John Pantazis
Thomas Quinlan
Jeff Scudder
Megan (Swanson) Thiel
Barry White



ESTIMATED COST OF ATTENDING UNI (PER ACADEMIC YEAR)

Undergraduate Tuition	\$5,086
Mandatory Fees	\$1,026
Room and Board	\$5,740
Books & supplies	\$878
Personal Expenses	\$2,672
Transportation	\$602
Total Costs	\$16,004

Recently, we have been hearing that since so many graduates leave the state never to return, higher education might be more of a private good than a public good. One of the reasons so many students leave is because of the huge debt burden they have. The average debt of a UNI graduate is about \$22,000 and that number is increasing. Good, well-paying jobs are a must to help these young people handle the load. Until our state economy is capable of generating sufficient quality job opportunities, we will continue to have this brain drain.

One way of stemming this outflow would be to reduce the debt burden on these young people. This means that we must increase state support of higher education. We have gone from financing 75% of a college education when many of you were here to about 50% today. Also, in actual dollar terms, UNI's total appropriation has *gone down* since 2001. We need all the help we can get!

—Fred Abraham

In the past 10 years, 46 students have received scholarships from our department awards

DID YOU KNOW...?

The UNI Foundation says that donations of stock to our scholarship program can usually be deducted at market value from your income taxes. Of course, you should consult your tax practitioner to be sure, but this is an opportunity to make a gift of stock on which you have a large potential tax liability. As I understand it, if you donate stock which you purchased for \$1000 that now has a market value of \$3000, you can deduct \$3000 as your charitable donation. If interested in going this route, please contact me at f.abraham@uni.edu.

Alumni News

Adams, David, '94. Works for Sara Lee Bakery Group. He lives in Mount Pleasant, Iowa with his wife, Marci and daughter, Kylee.

Altman, David, '84. Director of Vantage and Voice Operations for CSG Systems, Inc. Lives in Lavista, Nebraska with his wife, Sharon and children Molly, Sarah and Nicholas.

Armbrrecht, Steve, '91. Marketing Associate for Providence Transportation in Cedar Rapids, Iowa. Also serves as Chairman of the Fiscal Management Committee, which assists the Sioux City Council with issues like water rates, creating enterprise funds, etc. He and his wife, Sue live in Sioux City.

Blaine, Marshall, '98. Lives in Seattle, Washington.

Broshar, Scott, '77. Co-founder of Absolute Title, Inc., which just celebrated 12 years in business. Scott lives with his wife and daughters in Chelsea, Michigan. He continues to swim, but has expanded his athletic interests into windsurfing, skiing, kiteboarding, golf, and tennis. Both his daughters swam competitively with daughter Sarah playing water polo at Northwestern.

Holtkamp, David, '05. Currently in France completing a master's degree in international finance.

MacDonald, Gregor, '81. Executive Vice President - Credit Risk Analytics, Countrywide Bank, Washington, D.C.

Miller, Mark, '83. Lives in Norwalk, Iowa.

Nielsen, Eric, '87. Pastor, First Presbyterian Church, Eau Claire, Wisconsin. In January 2006, Eric was elected as Moderator of the Synod of Lakes and Prairies in the Presbyterian Church (USA). The Synod encompasses all Presbyterian congregations in North Dakota, South Dakota, Nebraska, Iowa, Minnesota, Wisconsin and part of Michigan's Upper Peninsula.

Peterson, Jerry, '73. Lives in Waukesha, Wisconsin.

Pantazis, John, '03. Law Student (2nd year) at University of Iowa College of Law. I worked for a year at a bank in Madison, Wisconsin before starting law school at Iowa. I am currently in my second year at Iowa and will be working in Boston after graduating although I might be clerking for a judge before starting work. I am on Law Review and have another UNI econ graduate, Jeff Scudder, as my editor. I got married this past summer in Iowa City. I play racquetball and enjoy baseball, camping, and home brewing. On a side note, UNI economics

graduates are all doing very well at Iowa Law and it is one of the most represented colleges/majors at the school. Keep up the great work!

Reimer, Andrew, '98. Andrew traveled the world extensively after graduation. In 2002, he settled down in his hometown of Garnaville, Iowa and is working for New York Life.

Rolighed, Ronald, '89. Managing Director at Harris Alternatives L.L.C., Chicago. He and his wife, Gloria live in Northfield, Illinois.

Schabillon, John, '06. Works in the research department of Harris Alternatives in Chicago.

Scudder, Jeff, '03. Attending law school at the University of Iowa.

Shepherd, Jon G., '90. Recently started his own law firm in Dallas, focusing on business litigation.

(Swanson) Thiel, Megan, '02. Attorney, Snell & Wilmer, L.L.P. Graduated from University of Iowa College of Law in May 2005. She and her husband, Andy, '01, live in Phoenix, Arizona.

Tobin, Jeff, '86. Sales representative, Edwards Lifesciences, Des Moines. Jeff writes, "my Economics education was the best thing I took away from my college experience. You all challenged us, pushed us, drove us crazy at times with IS-LM curves. But you also taught us to think...to be analytical...to dig into a problem and solve it. After graduating in '86, I took a position as an analyst for the Equitable Financial Cos. in New York City. I worked with a group of 15 other trainees, many from Stanford, Michigan, and other prestigious schools. And me from UNI. I did very well during my stay in NYC, in large part to the skills I learned from the faculty in the Economics department. I remember the time we had to present our preliminary data for Econometrics and my computer model fell apart. I had bad data, and Fred helped me solve the problem. It was the most rewarding class I had at UNI. I greatly enjoyed working with Mahmood and Ken as well. I 'morphed' into sales along the way, but have not forgotten the great education I received and skills I took away from UNI. Thank you to the department. I owe a great deal of my success to the foundations you all gave me."

Wittmaack, Nate, '06. Nate is working as a team leader at the Target Distribution Center in Cedar Falls.



New Display Case

Some of our recent graduates might recall the display case we have outside the office containing the plaques listing all of the Economics scholarship recipients. Well, as the number of scholarships has increased, we needed more space. Gregor MacDonald, '81 and Scott Broshar, '77 stepped up and generously provided funding which doubled our existing space. Support like this from our alumni is incredibly important in maintaining a high-quality program in these austere times.

Many thanks to Gregor and Scott!

ALUMNI-IN-RESIDENCE

The Alumni-in-Residence program has continued to be quite well received by our students. Started in 1992, the program brings an alum on campus for a day, usually in April, to visit with students and faculty. The alum shares post-graduate experiences with students by visiting classes and discussing what the real world is like and also how important undergraduate preparation is for a successful career.

A variety of events throughout the day provide the opportunity for the alum to share experiences and also offer insights into our program that we on the inside can not obtain. The day culminates with the Alumni-in-Residence assisting the department head in recognizing our top students at the annual Spring Recognition Banquet. We really enjoy the day and welcome the chance to hear the perspective of our graduates. If any graduates are interested in being an Alumni-in-Residence, please contact the department office.

Reflections by Ron Rolighed

I believe there are four major ways in which my UNI Economics education left me well-prepared me for my subsequent career. First, I learned a great deal about how to evaluate complex problems. My first recollection in this area was in Fred Abraham's Macroeconomics course. His lectures were some of the first that I'd experienced which described interesting, multifaceted problems in a way that "clicked" with me and challenged me to think about different ways in which those problems might be solved. It helped me to develop the sense that things are not always as simple or complex as they may appear and that the "tools" of economists could help diagnose problems and provide solutions. The classroom discussions motivated me to independently study how other "thinkers" (e.g., economists, philosophers, political leaders, scientists, entrepreneurs) approached different problems in their fields and to try to apply their lessons to my own life.

Second, I gained a great introduction to the different tools economists used to solve such problems. I'm referring specifically to all the different quantitative techniques that I was introduced to through many different Economics courses--Micro Economics and Econometrics in particular. After UNI--in graduate school and in the earliest stages of my career--I discovered that my familiarity with these tools was much stronger than those of my peers from other schools and it has made a huge difference in my career.

Third, the UNI Economics program gave me invaluable experience in the art of communicating solutions. Written communication skills were constantly emphasized and were another area in which I felt I had a leg up on my peers because of the mentoring I received at UNI. Publishing in "Major Themes in Economics" was a great and unique learning experience. I also recall many opportunities/requirements to speak and make presentations in class. They weren't always fun at the time--and caused me great embarrassment on a few occasions--but they prepared me for a career in which presenting solutions to colleagues and clients in face-to-face meetings has meant everything.

Finally, the informal interaction I had with the UNI Economics faculty was incredibly important. I thought then that I wanted a career in the financial markets arena but I had no clue about what that involved or how to get there. The UNI Economics faculty were the first people I'd ever known who could help with real world experience and offered me an open door. I took full advantage of their generosity with their time and got great advice in return. When trying to make the difficult decision between getting a job and going to graduate school, Janet Rives once advised me to continue my education until I was "so sick of going to school that you can't imagine going one more day". I listened to her and her advice served me well.

One of my favorites quotes is from Ernest Hemingway, who said:

"In going where you have to go, and doing what you have to do, and seeing what you have to see, you dull and blunt the instrument you write with. But I would rather have it bent and dull and know I had to put it on the grindstone again and hammer it into shape and put a whetstone to it, and know I had something to write about, than to have it bright and shining and nothing to say, or smooth and well-oiled in the closet, but unused."

I've always felt that the UNI Economics department not only helped me to find my "writing instrument", but taught me how to put it on the grindstone and hammer it into shape.



2006 Alumni-in-Residence Ron Rolighed (center), Fred Abraham, and CBA interim dean Farzad Moussavi (left). Ron is currently Managing Director at Harris Alternatives, L.L.C., in Chicago. He graduated in 1989 and it was really great having him back.

Major Themes in Economics

Over the years, some of you may have published articles in *Major Themes in Economics* aka *Draftings in Economics*. The link, www.cba.uni.edu/economics/Themes can take you to the recent issues. This is a great publication but expensive. We wish to thank Ron Rolighed for a generous contribution which helped defray some of the costs. Once again, our alumni have come through for us with great support!

A Beautiful Mind

John Nash, 1994 Nobel Prize winner in Economics was on campus last spring making a presentation to an overflow crowd in Lang Hall. Before the presentation, I had an opportunity to have dinner with him and his wife (picture below). I found him to be witty, charming and extremely down-to-earth. He has a quick mind and wit to match. It was quite an honor to meet him and share some ideas with him—which he listened to politely and then raised some counter points. I’m clearly not ready for the Nobel Committee!

—Fred Abraham



Lisa Jepsen, Shahina Amin, Imam Alam, Ken Brown, John Nash



John Nash, dark suit and tie, along with selected dinner guests from across campus.

COMMUNITY COLLEGE CONNECTIONS

As tuition has increased at the Regents’ schools, an increasing number of students are electing to take courses at some of the state’s fifteen community colleges rather than at UNI. The tuition is substantially lower and in theory it would seem to be an efficient use of resources. However, we are becoming concerned by what we fear may be a perception that economics courses taught at a CC are easier, less rigorous and yield high grades.

In years past, we have had students who took their principles courses at CC’s, transferred to UNI and went on to become highly successful economics majors. Our concern is that may be more difficult now, not because of any changes we have made at UNI but because of changes at the CC’s. We are seeing more students taking online economics courses and earning credit which transfers to UNI. Further, there has been a proliferation of “short” courses offered by the CC’s during semester breaks. These courses are usually about eight to ten class days of six to eight hours per day and purport to enable students to learn economics equivalent to a regular semester class at UNI.

It is not my intention to denigrate anybody’s teaching or learning and I am not interested in starting a war but I believe these online courses and short courses have the potential for shortchanging students. In my 30+ years at UNI teaching over 13,000 students,

I am convinced that it is impossible for even the top students to master difficult economics concepts in either of these formats. Think about your macro or micro course. Could you have done it?

Last spring, we invited the teachers of economics at the state’s CC’s to come to campus for a day of discussion and exchange of ideas. Bryce Kanago did a fine job of organizing the day and even arranged some presentations on some economics topics. It turned out to be a great day! We had 14 attendees from 12 community colleges and 10 of our own economists were there.

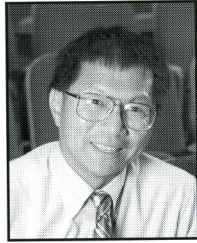
I found the CC’s teachers to be dedicated and concerned about the quality of education they were delivering. We gained an appreciation for the pressures they face and I think they also realized that our concern for quality and standards was not meant to be punitive but rather in the best interest of the students. It was clear that everyone in attendance cared deeply about students’ learning. Ultimately, the goal is simple: a student who takes economics at a CC should receive the same education and appropriate grade as a student who takes it at UNI. We intend to continue these meetings in the future with the hope of closely aligning the CC objectives and ours.

—Fred Abraham

IF YOU BUILD IT, WILL THEY COME?

Most Iowans will recognize the title with, perhaps, a little confusion. In "The Field of Dreams," the phrase was uttered as an imperative. Here, I wish to switch two words and use it as a question.

Using public funds to build sports stadiums occurs frequently. The issue is similar to proposals to host a World's Fair, Olympics, or other tourist-driven event. Proponents paint rosy pictures of throngs of tourists coming to our fair town, tourists with pockets bulging with cash or credit cards. Similar to a biblical plague of locusts, these tourists will come to our town, buy our restaurant meals, groceries, and gasoline and sleep in our motel beds, leaving behind empty shelves but overflowing cash registers.



David Surdam

However, the operative word in our title question is, "they." Who are "they?" Will they really be tourists? Or will the locals comprise the bulk of the attendees? If primarily locals attend the events, then there is largely a re-arrangement of consumer spending within our town. Owners of other recreational venues may suffer as locals patronize the new stadium instead of their establishments.

Suppose we are optimistic, and many of the attendees are, indeed, from out-of-town. Let us further assume that they come from a day's drive away. Take a typical out-of-towner, Ima Fann. Ima drives to Cedar Falls to attend a football game, staying overnight at the Bates Motel and eating a couple of meals at the ballpark and motel diner. She spends \$250 while attending the game.

You might recall the "multiplier" concept from macroeconomics. Suppose Ima spent \$100 at the Bates Motel. The motel's proprietor, Norman, takes the \$100 and goes to the local Food-n-Stuff grocery. The grocer then spends the \$100 at, say, the local hardware store, and so forth. Eventually Ima's original \$100 purchase spurs a greater than \$100 increase in the local economy.

Of course, as with the macroeconomics multiplier, there can be "leakages." If Norman sends \$25 to a mail-order taxidermist supply store, that money no longer stimulates the local economy. In the more likely event that the Bates Motel is part of a national chain, the leakage will be significant. If, heaven forbid, the grocer spends \$40 on a nice meal in Waverly, that also reduces the multiplier. Estimating the multiplier may well depend upon the optimism of the statistician.

In addition, some locals, fearing crowded game-day conditions, may leave town. Had they stayed in town, some of these people might have spent money at the local restaurants, so the tourist dollars are not a complete net gain.

Pundits also cite the stimulating effects of having highly-paid athletes playing for the local team. There's nothing like having a bunch of free-spending, young millionaires to jolt the local economy. However, the multi-million dollar salaries may not remain in the local economy. Players may not live in the Cedar Falls/Waterloo area. After all, most probably grew up in cities and towns far, far away.

Moreover, sports teams are notorious for having high mean salaries but also very high variances. A university, such as UNI, generates similar amounts of revenue and payrolls as do many major league franchises, but the university's payroll has much smaller variance. The university generates many more good-paying jobs than does a sports franchise, with its lopsided distribution of salaries.

What's the evidence regarding stadium construction? Economist Rob Baade has conducted several studies on the economic impact of building stadiums. His findings suggest that there were no real effects on a city's economy from building a new stadium. Two Federal Reserve economists claimed that having a professional sports franchise boosted real estate values, which they used as a proxy for an "amenity" factor. However, other economists disputed their findings. At this point, most economists do not believe that building a stadium or having a major league franchise is particularly beneficial to an economy. Given the size of big-city economies, a medium-size business, such as a sports franchise, is unlikely to greatly affect the economy.

So, if stadiums are not beneficial, why have so many owners gotten the public to foot the bill? There are two key factors. First, the "winners" in the stadium-funding game are concentrated: the owner, the franchise's employees, and related complementary businesses. Because the gains are concentrated, these parties have the requisite incentives to devote effort to getting the stadium funded. They can easily coordinate efforts to persuade legislators of the desirability of building such stadiums. The losers, the taxpayers and businesses providing substitute services, are diffuse. Each taxpayer may cough up only a few dollars, so there isn't much incentive to devote time to fighting the stadium. Second, politicians love "creating" jobs. They crave having the local television crews on hand for the ribbon cutting, where the mayor announces, "We're creating one thousand jobs." The local media does not cover all of the other businesses that may each lay off a few workers or never hire additional workers because of the loss of business or higher taxes. These job losses are "abstract" and certainly not the drama on which television news thrives. You're not likely to hear the story, "Joe's Bar & Grill (on the other side of town from the stadium) lays off two workers. Film at eleven."

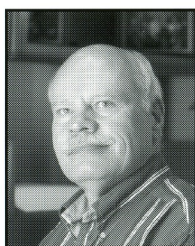
Finally, even if building sports stadiums were a net economic benefit, one must still ask that most basic of economic questions, "What are the opportunity costs?" What else could the taxpayer dollars have been used for? A hospital? Better schools? Or, goodness gracious, a tax rebate? Would these alternatives have been more beneficial than a stadium?

Fortunately, taxpayers are beginning to catch on. Stadium-funding legislation has been defeated in a number of cities, and highly-paid consultants with their enthusiastic multipliers no longer receive the automatic credibility they once did. For students, this issue is an example of the difference well-trained (and, occasionally, well-paid) economists can make—rescuing taxpayers in distress from dubious projects.

—David Surdam

An Economist Looks at Tenure

Many people have a distorted view of academic tenure. A positive (as opposed to normative) economic analysis of academic tenure shows that it is a rational solution to problems shaped by the unique nature of academic employment. Efforts to minimize cost, reduce a particular moral hazard, and deal with the unique nature of academic employment explain why tenure exists.



Hans Isakson

The most popular myth about tenure is that it is a guaranteed job for life. However, tenured professors can be and have been fired by many universities. Tenure does guarantee professors due process rights in their jobs. Basically, tenured professors can be fired for only two reasons: cause and financial exigency. Many corporate employers also provide workers an effective job for life, usually following a probationary period, subject to the same two conditions for firing tenured professors: cause and financial exigency.

The original purpose of tenure, as stated by the American Association of University Professors, was to protect professors from those outside the university who did not agree with what the professor professed. Today, university professors rarely find their research/teaching attacked from outside the university. Yet, academic tenure is still the norm in virtually all American universities. Economic analysis reveals why this practice is still so entrenched within academia today.

Because universities are labor intensive, non-profit organizations that produce a public good using a limited budget, academic tenure represents an attractive means for universities to minimize production cost, specifically the cost of labor. Some have reported as much as a 300% differential between the salaries of faculty in medicine and similarly qualified counterparts in the private practice. But, on average for all professors the differential is about one-third. That is, similarly credentialed professionals in the private sector earn salaries about one-third higher than their counterparts in academia. In general, any business can decrease the cost of maintaining a labor force by reducing the involuntary turnover of employees. Both businesses and workers benefit from an environment that provides stable, long-term employment in order to reduce the transaction cost of less stable, short-term jobs. The particular nature of professorial work leads to even greater transaction costs than in a typical business. Professors perform work that is highly specialized whose outcomes are difficult to measure. Subsequently, as McPherson and Winston observe, the usual strategies to avoid mismatches between wages and productivity are limited for universities. For example, adjusting professorial wages to reflect the productivity of each professor requires costly monitoring of the performance of every professor. Also, the dismissal of low productivity professors increases the cost of monitoring and turnover. It is far less costly for universities to adopt intensive initial screening, long probationary periods (up to six years), and peer driven evaluation as their primary strategies for matching wages to productivity. The screening process begins during the professor's education and continues to initial hiring. The screening process and lengthy probationary period are very costly for the worker, and require a commensurate compensation to attract the very best professors possible. An efficient way to

reduce the pecuniary cost of the professorial compensation required to entice qualified candidates is with additional job security, namely, tenure.

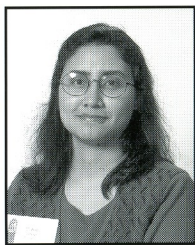
The extensive involvement of professors in the hiring and evaluation process provides universities another rationale for tenure. As Carmichael observes, tenure is useful as a solution to the moral hazard problem inherent in selecting new faculty. Universities are unique in their dependence upon faculty, especially tenured faculty, in the hiring process. In most organizations, management decides who to hire and promote. But, in universities these tasks are heavily influenced by the incumbent members of the faculty in a particular academic department, because management does not have full knowledge about the abilities and potential productivity of candidates for a particular faculty position. Therefore, universities must either bear the high cost of hiring knowledgeable managers or depend upon incumbent faculty to assist them in evaluating which candidates have the best potential to perform and succeed in academia. The problem is that without job security, incumbents have an incentive to never hire anyone more productive than themselves for fear that an incumbent will lose his or her job to a more productive, newly hired professor. Tenure provides incumbents the job security needed to solve this moral hazard problem.

Tenure can also be explained as a rational response to the special problems created within an academic democracy. As McKenzie observes, professors heavily influence the type of work they perform, who performs what jobs among them, and how their work is evaluated. In this view, the purpose of tenure is to protect faculty from the vagaries of university policies that emerge within an academic democracy. An authoritarian-hierarchical governance structure, as found in many corporations, simply does not work well in universities, because the work performed by faculty is highly sophisticated, involving the search for new knowledge, and extremely difficult to measure. Subsequently, universities rely on faculty, who know much more than management, for information in their particular areas of expertise. Without tenure, the work of professors would be full of strife, because one way a professor can improve his or her lot is to thwart the productive efforts of others. The combination of no tenure and academic democracy would be disastrous for universities. Thus, tenure can be seen as a solution to the moral hazards inherent in an academic democracy.

In summary, academic tenure exists for some very sound and rational reasons. Without tenure, the costs of operating a university with no offset in quality would increase substantially. Additional 'unintended consequences' of abolishing tenure include a reduction in long-term risky research, less specialization of faculty skills, and more standardization of both teaching and research. Tenure allows universities to hire well educated junior professors at below-market wages, who will subject themselves to intense competition for a limited number of tenured positions over an extraordinary long period of time. Tenure also reduces the cost of monitoring the productivity of professors, while simultaneously enhancing the quality of the public good that professors produce.

—Hans Isakson

The Minimum Wage



Shahina Amin

The minimum wage has been the source of a long standing controversy in labor economics as well as in the political arena ever since it was first established in 1938 by the Fair Labor Standards Act. The minimum wage has little direct effect on skilled workers, so we would focus on its impact on unskilled workers.

According to the *Current Population Survey* for 2004, about 59.8 percent of all wage and salary workers were paid hourly wages. These workers tend to be young. About half of all hourly-paid workers are under age 25, and a quarter between 16-19 years of age.

The minimum wage was last increased almost 10 years ago, in 1997, from \$4.75 per hour to \$5.15 per hour. The current proposal is to increase the minimum wage to \$7.25 by 2008, gradually over the next 26 months. According to the Economic Policy Institute, this increase in the minimum wage will affect about 11 percent of the workforce. Those affected would include about 1.4 million single parents with children under 18 and would affect 14 percent of working women.

In the labor market, employers are buyers, workers are sellers, and the wage paid is the price. In a perfectly competitive model, the equilibrium wage is found at the intersection of the demand for labor and the supply of labor curves. Competitive economic theory predicts that when the government sets a price floor, such as a minimum wage above the equilibrium wage, the quantity supplied of labor becomes greater than the quantity demanded for labor. As a result, there is excess supply of labor or unemployment. The winners from the minimum wage law are the workers who keep their jobs at higher wages than before. The losers are the workers who lost their jobs and the workers who are not interested in working at the current minimum wage but would be drawn into the labor force if the minimum wage was increased. Some might find jobs, but some may not, resulting in unemployment. Also, another group of losers are the consumers who have to pay higher prices for the goods and services produced by the minimum wage workers.

The proponents of the minimum wage agree that unemployment will result. But, how much unemployment? The answer depends on the elasticity of the demand curve. If labor demand is *inelastic*, the percentage decline in employment is smaller than the percentage increase in the wage, causing total wage income paid by firms to low-wage workers to increase. Thus, more workers are better off, and the decrease in employment is not large.

Minimum wage legislation can also be analyzed in the context of a monopsony market. A monopsony is defined as a market with one employer. In a monopsony market, the minimum wage law can actually *increase* employment. Even in this market, however, if the government raises the minimum wage above a certain level, employment will decline.

Note that the above theories rest on the assumption that workers' productivity levels are unaffected by the wage level. According to efficiency wage theory, higher wages can lead to higher worker productivity. In a perfectly competitive market setting, when the wage increases above the market equilibrium wage, the demand curve is unaffected. According to efficiency wage theory, however, higher wages induce workers to work harder because workers have greater physical strength through better diet and health. Because of greater physical strength, marginal product of each worker is higher, which increases the marginal revenue product of each worker. That, in turn, *shifts* the demand for labor curve to the right. The new demand curve, as a result of higher wages, *increases* employment. Opponents of a higher minimum wage argue that this argument applies to poor countries, not the U.S.; and whether employment will increase or not would depend on the magnitude of the shift of the demand curve.

Theories, however, need to be tested empirically. Some of the findings of empirical research are presented here. A significant rise in the minimum wage decreases employment; but a small to modest increase sometimes has little or no negative effect on employment. The negative employment effect is greatest for teenagers and least for adult men. Even in a perfectly competitive model, an increase in the minimum wage results in higher incomes for some workers. The higher incomes would increase the demand for goods and services, and this greater demand for products would increase the demand for workers. Thus, eventually total employment may increase. It is difficult to say, however, whether the new employment would be enough to fully offset the initial employment losses. Another result is that higher minimum wages increase product prices and reduce profits to firms that use minimum wage.

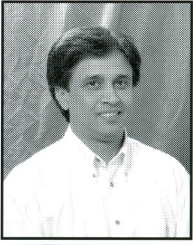
So what should be done? Proponents of a higher minimum wage argue that inflation continually erodes the minimum wage as an effective floor on wages and the purchasing power of low income workers. Thus, one prescription is to peg the minimum wage to inflation, so that the real value of the minimum wage is preserved as prices go up. In economic theory, however, a worker's wage is supposed to reflect that worker's level of productivity. An alternative solution would be to peg the minimum wage to some measure of productivity. Economists disagree on this approach also.

Opponents of the minimum wage ask if having a minimum wage achieves the intended goal of helping the poor. They find that the minimum wage fails to pull people out of poverty. They suggest expanding programs, such as the earned income tax credit, that target the working poor directly and the labor market work efficiently.

Thus, the debate continues. Both sides have strong points. Almost every action will have people who gain from it and those who lose. To say that the outcome is good or bad would require more empirical research.

—Shahina Amin

The Russia Trip - 2006



Imam Alam

I always dreamed about visiting the land of Dostoevsky and Tchaikovsky, Tolstoy and Chekhov, so I was delighted to hear that I was selected to do just that last summer. In May I went to Moscow with five of our best economics students and Professor Mir Zaman from the Finance department. The trip was extraordinary in every respect. From the moment we landed until we left we were always accompanied by at least three friendly Russian students from our

host institute Plekhanov Russian Academy of Economics. On several occasions professors from the institute also were with us.

My initial impression of Moscow was based on what I observed on my way to the hotel from the airport. I noticed that unlike big cities in the US, Moscow was very green. The buildings looked remarkable. I saw Byzantine era structures standing side by side with modern architecture and old classical and medieval style buildings punctuated by works from the Soviet era. Obelisk buildings from the Stalinist period gave the impression of being solid, strong, and lonely. The structures are separated by enough empty space so that the uniqueness and beauty could be enjoyed without being distracted by the surrounding buildings. One cannot avoid the bold presence of a multi-layered history in every direction of this nearly thousand year old city of the Russian people. Most of the structures looked enormous. Streets were crowded with mostly European and Japanese built cars. They were very clean and in some cases wider than a football field. Most people on the streets were formally dressed, especially the women. High quality sculptures and friezes decorated every important corner of the city, the walls and important buildings. Neatly manicured flower gardens dominated our views from the bus.

Our days in Moscow were tightly packed with visits to some of the main historical attractions of the city. But as part of the program, our students presented their papers at the Institute to an audience composed mostly of undergraduate students. I was particularly impressed by the quality of their work and how they responded to audience questions. They were very knowledgeable about their topics and very respectful to the Russian students and professors. They were also very curious about Russian history and culture. They made us feel very proud of our department and UNI. I cannot imagine a better group to represent our university. Professor Zaman and I also presented papers at the Institute. The rest of the days we visited some of the most wonderful places.

Let me start with the most dominant structure in the city of Moscow—the Kremlin. It's also the most popular tourist attraction. Located at the top of a hill, the Kremlin can be viewed from almost anywhere. It's a city within a city with its own magnificent palaces and cathedrals, a huge shopping center and an armory. It was and still is the center of the Russian political world. Within the Red Square, we visited the Lenin Mausoleum. Lenin's mummified body is still there but it looked more like a figure from Madame Tussaud's wax museum. The serious atmosphere and security at the Mausoleum and the surrounding area show that Lenin is still firmly rooted in the Russian psyche.

We also visited Zagorsk, a historical place about 50 miles from Moscow. The monastery at Zagorsk was founded in the 14th century and still serves as the largest religious center of Russia. The inside of the large cathedral within the monastery contains many Russian religious paintings and traditional religious icons. The outside is dominated by numerous onion-shaped domes

which are a very distinguishing feature of almost all Russian churches and cathedrals. The monastery was crowded and one could feel from the expressions on the faces of the people that this place is very revered by the Russians.

Tretyakov Art Gallery contains the best and largest collection of works by the greatest of Russian artists from different eras. Our guide at the gallery very passionately described and interpreted the classical works and gave us an overview of the history behind each work of art. It was a magical moment standing right in the middle of such a magnificent collection of wonderful masterpieces.

We were all amazed by what we saw at the Borodino Panorama Museum. Inside the museum is a 400 feet long and 50 feet high circular painting depicting the 1812 war between Napoleon's army and the Russian army under Field Marshall Kutuzov. I had never seen anything like this before. The impressive depiction of life-sized soldiers, horses, and burning houses accompanied by Tchaikovsky's classic 1812 overture in the background, the realistic sounds of horse's neighs, canons and guns made me feel like I was in the middle of the battleground. Our guide at the museum did an excellent job describing the history of that famous war.

The highlight of our tour in Moscow was the rare opportunity to visit three great rooms of one of the Kremlin palaces. It was an awe evoking moment when we first entered the palace. The walls and columns and twenty feet tall colossal doors were all covered in gold and other precious metals and stones. The intricate and beautiful designs on them were done by the best Russian craftsmen. There were many gigantic chandeliers in every room. Most Russians never get an opportunity to enter in this palace which is exclusively reserved for dignitaries from



Rae True, Michael Gleason, Gwyn VanderWeerd, Alicia Irons and Reece Oleson-King in front of St. Basil's Cathedral.

around the world. Our guide at the palace did a wonderful job describing the history of the palace. The same guide also accompanied President Bush when he visited Russia. We were later informed that one of the professors from the Plekhanov institute arranged this trip for us through a high ranking Russian military officer. This was a unique experience to get a first hand knowledge of the excesses of the Russian Tsars and Emperors.

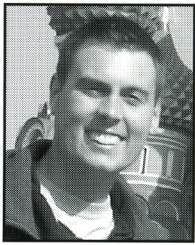
We also spent a very entertaining evening at the Tchaikovsky Concert Hall watching the Russian Folk Song and Dance Ensemble as they performed dance and music from different eras and regions. It was an unforgettable evening. Although we did not visit the famous Bolshoi Theater because of renovation work, we did enjoy a very impressive puppet show at the Puppet Theater and attended a ballet (Don Quixote) at the Palace of Congresses inside the Kremlin.

The hospitality we received by our Russian hosts, students and professors, was remarkable. They were very friendly and made sure that our stay in their city was full of good memories. We are very grateful to them for their kindness, hospitality and generosity. It was an unforgettable experience. I expected to see a monotonous and unexciting place, but what I experienced was a surprisingly dynamic city.

—Imam Alam

The Russia I Saw

by Michael Gleason



Michael Gleason

At the time, it seemed like our trip to Moscow sneaked up on the five of us students. Having just graduated we were all busy making plans for graduate school or spending time preparing for our departures from school into the real world. The trip proved to be a wonderful finale to our undergraduate careers at UNI. I would guess that if I asked any of the four other students, or any of the accompanying faculty if the trip was worth it, they would

all agree with me that it was most definitely a trip to remember.

The sites that we saw throughout our stay in Moscow were absolutely amazing, and the hospitality that the students and faculty from the Plekhanov Russian Academy of Economics showed was wonderful. It seemed that from sunup to sundown our six full days in Moscow were filled with cultural events. The itinerary offered not only site-seeing opportunities, but also a wide-variety of shows including a famous Moscow circus, a ballet performance of Don Quixote at the Palace of Congresses in the Kremlin, and a Russian folk song and dance ensemble in Tchaikosky Concert Hall.

Although we each had our favorite sites on the trip, I think that favorites for many would include our visit to Red Square (including a visit through Lenin's Mausoleum) and Saint Basil's Cathedral. While we were on our visit, it was unseasonably warm, so we also took a river cruise through Moscow. However, for many of us the highlight of the trip was a private visit to the Grand Palace in the Kremlin. The tour, which had to be planned with special permission of governmental officials, came complete with a security guard following us from room to room. We were accompanied on all of our excursions by students from the academy, so it was wonderful to get first-hand information on the sites, but also a chance to chat with students who were living in Russia.

Perhaps one of the most enjoyable aspects of the trip was getting to know some more of the faculty at UNI on a more personal level. Mir Zaman, Iman Alam, and Steve and Linda Corbin, like all of us students, gave presentations at the academy, but also went on all of the excursions with us. One of my favorite nights was tagging along with Dr. Zaman to a BB King jazz club and listening as he and one of the other students talked about their favorite jazz artists. It was wonderful to spend time with the faculty who had accompanied us on the trip.

This synopsis of the trip really can't do it justice, and as you can see we all had plenty of *favorites*. I think that all of us who participated in the trip would go back in an instant. I know that all five of us are grateful for the opportunity to broaden our world views and to meet students and faculty from another side of the world, which we realized isn't really all that different from our own. In conclusion, it seems appropriate to thank the entire faculty and staff that helped make the trip a success. Please know that all of your time is very much appreciated and that your dedication will be remembered for years to come.



Pictured left to right: Reece Oleson-King, Rae True, Michael Gleason, Imam Alam, faculty chaperone, Gwyn VanderWeerdt, and Alicia Irons, in front of Lenin's Mausoleum in Red Square.

Two economists were returning home from a conference. As with all academic travelers, they were assigned the cheapest seats on the plane so they each were occupying the center seat on opposite sides of the aisle. During the flight, they continued their discussion of the knotty problem that had been the subject of their meeting. Finally, one of the passengers in an aisle seat offered to trade places so they could talk and he could sleep. After switching seats, one economist remarked to the other that it was the first time an economic discussion ever kept anyone awake.

From Our Emeritus Faculty

Wylie Anderson is living in Stanley, Kansas with his wife Rosemary.

Don Cummings. He and his wife, Joann live in Green Valley, Arizona.

Charles Gillette. Since I don't do much there is not much to write about. While I am unemployed, I am not counted as being unemployed since I am not looking for employment (remember the official definition of "unemployed?"). I do try to keep informed about current events. I frequently need to go check on Lake Michigan as part of a walking program. Most of my traveling is to see relatives. I spent 4 days last month at Village West on Lake West Okoboji but did not go fishing or swimming. I do end up playing or taking care of our grandchildren that live in the local area. So, there is not much worth writing about for the newsletter. But I am alive, reasonably well and enjoy my family.

Chuck Strein. We just returned from a three week trip to Prince Edward Island, and Nova Scotia. We departed the U.S. through Sault St. Marie, Canada and traveled a northern route, and we returned via Bar Harbor, Maine and a southern route so we could see Niagara Falls. We celebrated our 50th anniversary a year late. We do travel frequently.

We do a lot of fishing; summer off the pontoon, and in winter in the old ice house we drag around the lake. Gardening is one of our passions. We have an increasing collection of perennials, and our tomatoes did well for a change.

I still work for Habitat for Humanity when called, and I

frequently respond to a call for substitute teaching.

Our grandsons, an 8 year old, and a 10 year old are great little hockey players. We love to travel to Wisconsin to see them play.

We are active in the Methodist Church in Emily, Minnesota and this helps keep us busy.

Jan is currently a two year survivor of breast cancer and is enjoying a good life and so am I.

Janet Rives. Last year I continued to split my time between Cedar Falls and Tucson, Arizona, spending from mid-November until mid-April in Tucson. This year I am staying in Cedar Falls a bit longer in preparation for a move to a new house in early December. I love living in Cedar Falls but can't resist the call of the desert during the winter months. For some reason, being able to play golf year round has not helped my game!

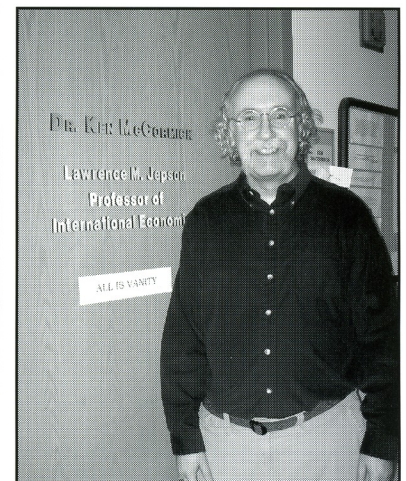
This summer I traveled to Paris with Professor Lisa Jepsen and a former colleague from the University of Nebraska at Omaha. Three economics professors in Paris is probably more than you want to imagine. We accomplished our main goal of spending one day in May at the French Open tennis tournament and our secondary goal of seeing as many art museums as possible in a week's time. The trip was such a success that we are now talking about going to Wimbledon!

I always enjoy hearing from former students and colleagues, so please stay in touch. (Rives@uni.edu)

Dr. Ken McCormick Named Lawrence M. Jepsen Professor of International Economics

With the rise in the stock market, both the value and interest of the Lawrence Jepsen Endowment have increased significantly. As a result, we have been able to designate Dr. Ken McCormick as the Lawrence Jepsen Professor of International Economics. Ken has been with us since 1982 and will do a tremendous job filling this role. He will oversee the offering of various courses in the Economics Department dealing primarily with international topics and issues. In addition, funds provided from the Lawrence Jepsen Memorial Endowment Fund and administered by him provide a lecture series, scholarship opportunities for students to enhance their global understanding and other activities which expand understanding of international economics by students and faculty.

Over the years, the Jepsen endowment has funded a variety of international activities including the Russian bi-lateral seminar and the Jepsen Symposium. We're excited that Lawrence Jepsen's generous gift to us can be expanded to help our students and faculty even more.



Faculty Notes...as they report it!

David Surdam has spent time exploring the Cedar Falls/Waterloo area by foot and by bicycle. He has also published an article in *The Journal of Sports Economics* and had an article accepted in *The Southern Journal of Economics*.

Bulent Uyar continues to teach Business Statistics, Public Finance, and Cost-Benefit Analysis and is working on some research projects as well as empirical analysis on probability distributions.

Ken McCormick's book, *Veblen in Plain English: A Complete Introduction to Thorstein Veblen's Economics*, was published this past April. It is available at amazon.com, barnesandnoble.com, cambriapress.com and elsewhere. He would appreciate any and all comments on his book, and hopes somebody will post a review on amazon.com. Ken has also figured out a legal way to become invincible in the game Oblivion.

Ken Brown reports that his wife, Traci has a job at UNI in the Student Health Center. Mitchell started playing football. Bulent and he had an article published. His family vacationed in South Dakota this summer and he continues to spend a lot of time cheering on the St. Louis Cardinals.

The big news in **Lisa Jepsen's** professional life is that she received tenure last year. She is working with Ken Brown on an article that looks at the salaries of baseball players. She is also working with an undergraduate student, John Fordyce, to consider the factors that affect the GPA's of first-year law students. She looks forward to teaching environmental economics for the first time in the spring semester. Outside the office, she has been hooked on the Harry Potter books and will soon be approaching F. Abraham to offer an "economics of Harry Potter" class!

During the past year, **Jennifer Fuhrman** completed several projects for Thomson South-Western publishing company. In Fall 2006, she started a new UNI student service organization called Panthers Helping Homeless Pets, whose purpose is to support the Cedar Bend Humane Society in a variety of ways. She also endured yet another losing season as a Chicago Cubs fan. There's always next year...

Shahina Amin is very happy to report that the most important thing that has happened this year in my career is that I was tenured and promoted! The good thing about this is that I will continue to be surrounded with curious students and friendly colleagues, but harsh winters on the downside! I continue to do research on child labor and family labor. I will be presenting papers at the Southern and Midwest Economic Meetings. I am teaching Business Statistics for the first time in 6 years. My third

grade son has come out of his dad's soccer camp and is playing flag football this year. His dad relaxes just by watching his son play football, but he himself continues to play soccer.

The real power in the department, secretary **Bev Barber** has just completed her 10th year with us and is ready for ten more. As if her life isn't busy enough, she is preparing for weddings for THREE of her children this year!

Imam Alam says that last year was a remarkably interesting year. I went to Moscow and spent seven wonderful days visiting many historical places and attending some great shows. I also visited Bangladesh and participated in my niece's wedding. And of course, immensely enjoyed our son's orbiting the sun for the eighth time.

Barb Mardis spent a pleasant week of R&R on the Big Sur coast of California in May and 10 days in Tennessee in June, combining a conference with visiting friends. While I was away, my husband rescued a white rat from the animal control folks and so we now have a pet rat who is surprisingly entertaining. And I am actively looking forward to retirement after this academic year!

Dave Hakes enjoyed writing the study guide for a principles book so much that he spent the last year writing one for the leading money and banking text!

Hans Isakson had a fairly quiet year. He traveled to Missouri, Texas, and Wisconsin to visit family. He finally "bit the bullet" and had his bothersome left knee replaced during the summer. He co-authored a paper with a McNair Scholar student that will soon be published and his research into land and housing values continues full tilt.

Bryce Kanago reports: I have been using a new text in Intermediate Macroeconomics and one of its authors is the newly appointed Chair of the Federal Reserve Board of Governors, Ben Bernanke. Last fall I also taught introductory economics for MBA students. During the summer I continued my research on the effects of inflation and discovered some very good examples and illustrations to use in class. This semester I have been doing research concerning changes in the natural rate of unemployment. In the spring, for the second year in a row, I completed the WRC's ironman challenge to finish a triathlon over the course of about seven weeks.

Department head **Fred Abraham** was recently appointed to another five year term. It comes at the right time because he is now an empty-nester: his baby—all 6'3" and 210 pounds of him—started college this fall.

An economist is someone who gets rich explaining to others why they are poor.

The Economics Club



Lisa Jepsen

About 35 students attended our initial meeting on September 19, 2006. Jenny Ruser is the club's president, and Jason Ferguson and John Fordyce are co-vice-presidents. Nan Jungjaturapit is our treasurer, and Chris Atchison and Amy Clemen are co-secretaries. We planned three activities for the fall semester: a picnic, a speaker's night, and a bowling outing.

We held our picnic on September 27th at Seerley Park. About 15 students and faculty attended. On October 26th we had a speaker's night to provide information to students preparing for full-time jobs or summer internships. Laura Wilson from UNI's Career Services and Ed Schaffer from a Cedar Rapids leasing company, GreatAmerica, spoke about job-hunting strategies, writing good resumes and cover letters, and interviewing techniques. The talk provided practical, "real world" help to our students seeking employment after graduation.

Our big event of the school year is our trip to Chicago in the spring. Last year we visited the Board of Trade, Federal Reserve Bank, and Options Exchange. A UNI alum and former student of mine, Joe Engels, works at the Options Exchange and spoke to our group. We began the trip with a visit to the Museum of Science and Industry. On our trip we hosted a group of five exchange students and one faculty member from Moscow, Russia.

Jenny is an experienced leader, as she was our vice president last year. We have an excellent group of members and a very active club. Jenny and I are fortunate to have so many students willing to volunteer for club activities, and we look forward to our future club events.

—Lisa Jepsen



Jenny Ruser

I served as the Economics Club Vice-President last year, and took over as President of the club for the 2006-2007 school year. I have enjoyed being a member of the club throughout school. I have made many new friends and had lots of wonderful experiences.

One of my favorite experiences was to attend the club's annual trip to Chicago.

Last spring we went the Museum of Science and Industry, the Chicago Board of Trade, the Options Exchange, and the Federal Reserve Bank. We were fortunate to see the Board of Trade opening bell and talk to a UNI alumnus who works at the Options Exchange. I am excited to go again this spring.

The Presidents of the organizations in the College of Business also serve on the CBA Presidents' Council. Our group meets bi-weekly to become better leaders and keep up-to-date on events in the college. We also serve as a student advisory committee to the Dean. Each Council member serves on a sub-committee. I am a member of the Graduation Celebration Committee. The Graduation Celebration is held in the spring to honor graduating business students. We began to plan for the event this fall. The event will have a buffet, awards ceremony, and student-provided entertainment. It is a demanding, but worthwhile commitment.

—Jenny Ruser



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By the Numbers

- 13 number of current economics majors who were High School Valedictorians.
- 18 other major fields with students also majoring in economics.
- 25 percent of economics graduates this past year who went to graduate school or law school.
- 25.3 average composite ACT score of current economics majors.

The Economics Challenge

On April 6, 2006, the University of Northern Iowa Center for Economic Education hosted the Iowa State Economics Challenge, sponsored by the Goldman Sachs Foundation and the National Council on Economic Education (NCEE). The college-bowl like competition tests students' knowledge on microeconomics, macroeconomics, and international economics. Dubuque Hempstead and Cedar Rapids Xavier both advanced to the regional competition. The NCEE and Goldman Sachs Foundation created the National Economics Challenge in 2000 to promote students' interests in economics, reinforce classroom instruction, advance academics and school spirit and reward scholarship. Students compete for a chance to win prizes and a trip to New York City to compete in the national finals.



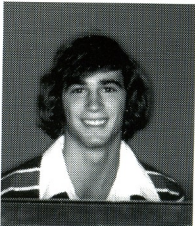
**Adam Smith Division
Dubuque Hempstead**



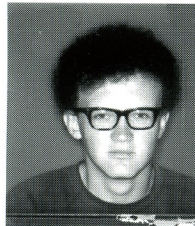
**David Ricardo Division
Cedar Rapids Xavier**

Guess Who?

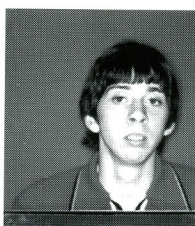
The mystery alumni are revealed!



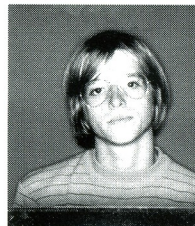
**Mark Long
1979**



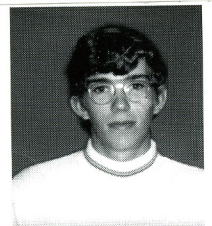
**Michael Paar
1976**



**Thomas Quinlan
1974**



**David Towle
1977**



**Jamie
Van Nostrand
1976**

Three econometricians went out hunting, and came across a large deer. The first econometrician fired, but missed, by a meter to the left. The second econometrician fired, but also missed, by a meter to the right. The third econometrician didn't fire, but shouted in triumph, "We got it! We got it!"

The University of Northern Iowa is an equal opportunity educator and employer with a comprehensive plan for affirmative action.



Seated: Shahina Amin, Lisa Jepsen, Bulent Uyar, Barb Mardis, Jennifer Fuhrman

Standing: Bev Barber, Department Secretary, Ken McCormick, Imam Alam, Fred Abraham, Department Head, Dave Hakes, Bryce Kanago, David Surdam, Hans Isakson, Ken Brown, Lois Lindell