

Major Themes in Economics

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Introduction

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Major Themes in Economics, Spring 2000

Introduction

This is the second issue of *Major Themes in Economics*. It contains five papers written by students in our senior-level capstone course for economics majors.

The first two articles examine the painful economic upheaval that is underway in rural America. **Peter Hosch** argues that over a half-century of misguided government policy insured that the farming industry did not evolve with the rest of agribusiness. As a result, most small and medium-sized farm operations face extinction in the near future. **Jake Hansen** discusses the effect of this upheaval on the size and distribution of Iowa's population. He also looks at the problems faced by small Iowa towns attempting to prevent further population declines.

Steve Schuler econometrically tests the relationship between income inequality and economic growth. He examines both the Kuznets inverted-U hypothesis and Ram's upright-U hypothesis. He concludes that the Kuznets hypothesis holds, but the results are subject to heavy qualification.

Marko Svetina investigates the complex and difficult process by which a command economy makes the transition to a market economy. He focuses on the key role of foreign direct investment in this process. Marko's homeland of Croatia is discussed, and he concludes that Croatia has done reasonably well, especially in light of the brutal war it experienced.

An axiom in economics is that the gains to a nation from free trade exceed the losses. However, the distribution of the gains and losses may be such that some people may suffer net losses. **Mike Hanson** reports on a scheme to compensate the losers from trade, especially workers. By doing so, free trade becomes politically easier to implement.

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