

E-NEWS

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NATIONAL ECONOMY BY: DAVID MANTER

As expected, gross domestic product (GDP) has risen in the United States, increasing in the second quarter of 2007 at an annual rate of 3.8 percent. This was relatively close to the estimate of 4.0 percent. GDP increased 0.6 percent in the first quarter. GDP is defined as the output of goods and services produced by labor and property according to the Bureau of Economic Analysis. This increase in GDP reflects positive contributions from personal consumption expenditures (PCE) for services, exports, nonresidential structures, federal government spending, and state and local government spending. There was a negative contribution from residential fixed investments. Imports are subtracted from the total calculation of GDP.

In the second quarter, real personal consumption expenditures increased 1.4 percent compared with an increase of 3.7 percent in the first. Real nonresidential fixed investment increased 11.0 percent, compared with an increase of 2.1 percent. Nonresidential structures increased 26.2 percent, compared with an increase of 6.4 percent. Real residential fixed investment decreased 11.8 percent, compared with a decrease of 16.3 percent.

Real exports of goods and services increased 7.5 percent in the second quarter, compared with an increase of 1.1 percent in the first. Real imports of goods and services decreased 2.7 percent, in contrast to an increase of 3.9 percent.

The price index for gross domestic purchases, which measures prices paid by U.S. residents, increased 3.8 percent in the second quarter, the same as in the preliminary estimate; this index also increased 3.8 percent in the first quarter. Excluding food and energy prices, the price index for gross domestic purchases increased 1.5 percent in the second quarter, compared with an increase of 3.1 percent in the first.

Another source of concern for the U.S. economy is the rate of unemployment. 4.7 percent was relatively unchanged in September corresponding to the number of unemployed persons, 7.2 million. Last year the number of unemployed persons was 6.9 million and the unemployment rate was 4.6 percent.

The unemployment rates for adult men were 4.2 percent, women were 4.0 per

INSIDE THIS ISSUE:

National Economy	1
Aggregate Savings	3
Personal Savings	4
Budget Review	5
Industrial Production	6
Job Market	7
Housing Market	9
Sub-prime Market	10
Local Economy	13

cent, teenagers were 16 percent, whites were 4.2 percent, blacks were 8.1 percent, and Hispanics were 5.7 percent. All showed little or no change.

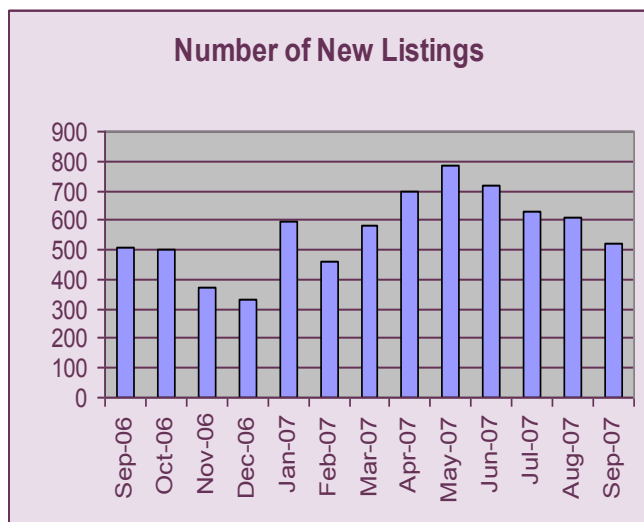
Sources: www.bls.gov

www.bea.gov

THE LOCAL ECONOMY

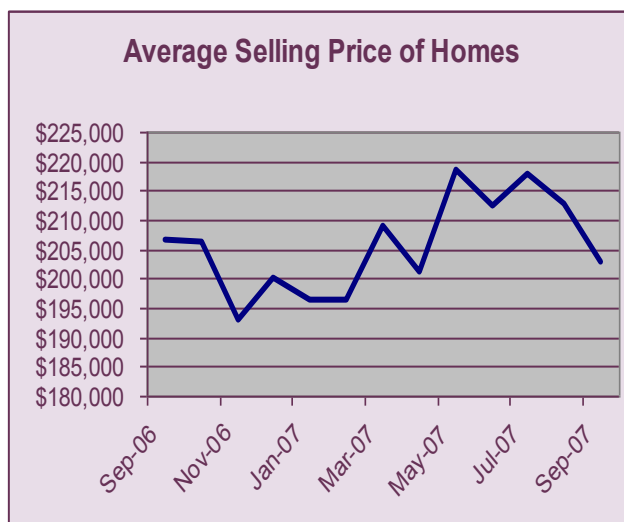
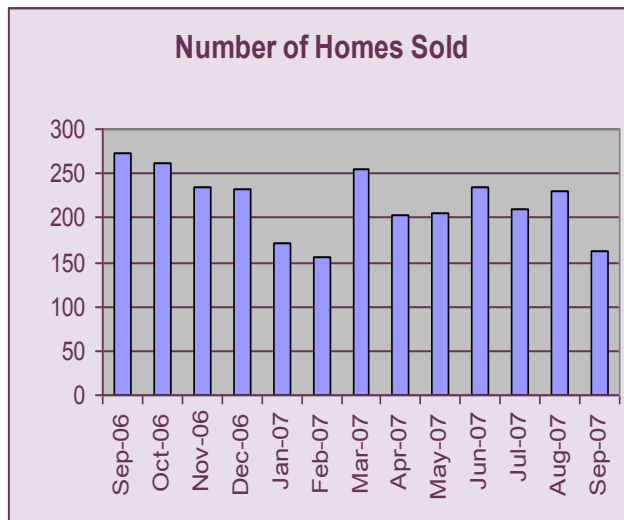
BY: AJA CARIN YOUNG

In September 2007, the number of new residential listings was down for the fourth month in a row. The housing market typically experiences a drop the number of people wishing to list their property as summer winds down. Many factors could contribute to this, including the onset of the school year and the beginning of the holiday season. These conditions preoccupy homeowners who do not wish to take on the burden of putting their house on the market during such a busy time of year. Although new listings declined from August 2007 to September 2007, the number was up almost 3% from the year before. The downward trend will likely continue to through the fourth quarter 2007, but the market will pick up again after the holidays.



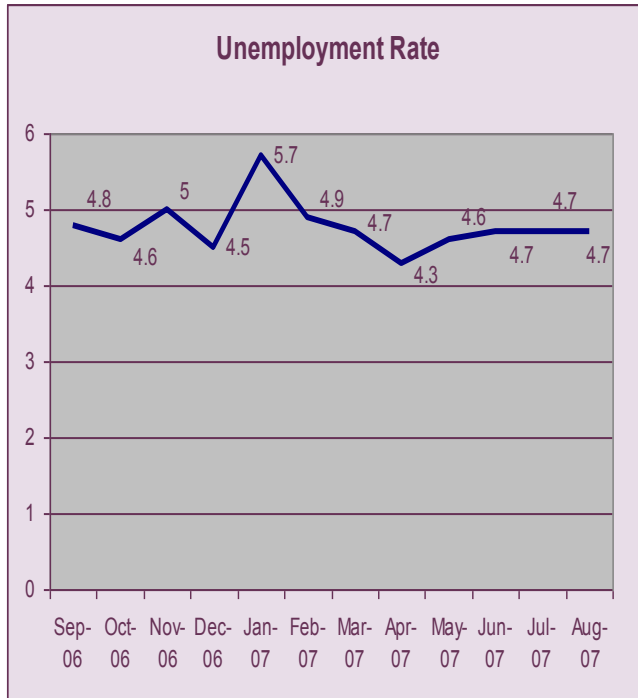
Following the declining number of listings, the number of homes sold in the last month was also down. The

number of homes sold in Monroe County fell 29% between August and September of 2007. The average selling price of homes is also on the decline after reaching a high of almost \$209,000. The average selling price in September was \$203,010. Declining selling prices can indicate a weakening of the local housing market when sellers have to lower their asking price to meet the demands of buyers.



The latest unemployment data for August of 2007 reported the third month in a row of stable unemployment. Since June, the unemployment rate for the county has remained steady at 4.7%. While having risen slightly since April's 4.3%, August's figure represents a 20% drop in unemployment since the year high of

5.7% in January. Despite fluctuation over the past year, unemployment has remained low and at an acceptable rate, and is lower than at the same time last year.



Sources: www.marketwatch.com

www.cnnmoney.com

www.conference-board.org

www.biz.yahoo.com

IMPORTS AND EXPORTS OF THE U.S. BY: KEVIN THOMPSON

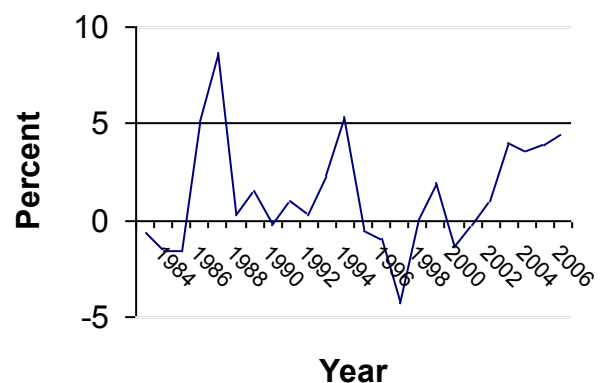
The United States trade deficit is growing once again in September 2007. The Bureau of Labor Statistics has recorded that imports have increased by 1 percent after a 0.3 percent decrease from July to August. The increase in the Import Price Index (MPI) shows the measure of imports and exports of nonmilitary goods and services to/from the United States.

After the 1 percent increase in MPI over the previous month, the MPI has now increased 5.2 percent over the past year. The major cause of this change was not an

unusual sight. The 5.4 percent change in petroleum imports lead the way from August to September and a 40.3 percent jump in petroleum prices since January has helped increase the MPI over the past year. The non-petroleum imports, have only increased 2 percent over the past year which was driven by the lower cost of metals and natural gas. The price index for foods and beverages rose once again 1.2 percentage points in the month of September. This represents an 8.4 percent increase over the past year, due mainly to increasing prices in fruits.

Exports also continued to increase with a 0.3 percent increase in September, which leads to a 4.5 percent increase since September 2006. This is due primarily to the fact that agricultural prices, such as corn, soybeans and wheat increased 4.1 percent. As for the whole year, agricultural prices have risen 23.3 percent. Non-agricultural prices have shown minimal change in September, but has still managed to show an increase of 2.9 percent over the year.

Change in United States Exports, 1984-2007



As the United States continues to increase the imported goods and services over their exported goods and services, the country continues to run itself into a deficit. As the deficit increases, the United States dollar continues to devalue. Devaluation of the dollar means that it loses its value compared to other monetary units such as the British pound, the European Euro, and the Japanese Yen. The devaluation is being driven by the ex-

ceptional increase in the world's supply of dollars. Over the past three years, the growth in the world's supply of dollars has come from two primary sources: a growing U.S. trade deficit and rising international oil prices.

The United States dollar is now at its weakest value versus the Euro since 1999. From November 2006 to September 2007, the Euro has dropped 9 cents to fall to an exchange rate of 71 cents. This decrease has also been visible in the British Pound in a 5 cents decrease over the same time period, and also the Japanese Yen fell 3 cents. These exchange rates will continue to drop due to the factors causing the United States dollar to devalue.

In summary, with the United States increasing their deficit to compensate the increasing prices of imported goods, the U.S. dollar is taking a hit. A negative balance of trade is typically common in many strong growing GDP economies. This is due to excessive borrowing to help fund a nation's consumption. As petroleum imports stay on the rise, the United States has been getting better over the past couple years in decreasing the MPI. Recent increases in the price of agricultural goods have helped boost the exports to other countries.

Sources: www.bls.gov
www.bea.gov
www.federalreserve.com

BRIEF HISTORY AND UNDERSTANDING OF AMERICA'S MAJOR STOCK INDICES BY: ERIC LASSO

The National Association of Securities Dealers Automated Quotations system (NASDAQ) was founded in 1971 by the National Association of Securities Dealers (NASD) as the world's first electronic stock market and the first to advertise to the general public. Today, NASDAQ is one of America's largest stock markets with approximately 3,200 companies; its main competitor being the New York Stock Exchange (NYSE). NASDAQ's main index is the NASDAQ Composite. The NASDAQ Composite Index measures the performance of all common stocks listed on the NASDAQ stock market.

The Dow Jones Industrial Average (DJIA) was created in 1896 by Charles Dow co-founder of Dow Jones and Company. The first published version of the index began with just 10 stocks of America's most influential companies, was expanded in 1916 to 20 stocks, and then to 30 in 1920. Today, the DJIA is still comprised of 30 stocks, including companies such as Microsoft, Disney, and Wal-Mart; only General Electric remains from the original 10 in 1896.

The DJIA is calculated by using the sum of all 30 stocks included in the DJIA and dividing the sum by a divisor. The Wall Street Journal adjusts the divisor for stock splits, and other substitutions to protect the numerical value of the DJIA.

Standard & Poor's 500-stock index was created in 1926, it is now the second most used index after the DJIA. It includes 500 stocks, including stocks from both NASDAQ and the NYSE which are selected by the Standard and Poor Index Committee. The leading companies in the leading industries are selected and value is weighted so that the largest most significant companies are the most influential. The S & P 500 is used as a comparison tool for companies and their managers throughout the U.S.

Stock Basics: How to Read a Stock Table/Quote

52W high	52W low	Stock	Ticker	Div	Yield %	P/E	Vol 00s	High	Low	Close	Net chg
45.39	19.75	ResMed	RMD			52.5	3831	42.00	39.51	41.50	-1.90
11.63	3.55	Revlon A	REV				162	6.09	5.90	6.09	+0.12
77.25	55.13	RioTinto	RTP	2.30	3.2		168	72.75	71.24	72.74	+0.03
31.31	16.63	RitchieBr	RBA			20.9	15	24.49	24.29	24.49	-0.01
8.44	1.75	RiteAid	RAD				31028	4.50	4.20	4.31	+0.21
38.63	18.81	RobtHalf	RHI			26.5	6517	27.15	26.50	26.50	+0.14
51.25	27.69	Rockwell	ROX	1.02	2.1	14.5	6412	47.99	47.00	47.54	+0.24

Column 1

Column 2

Column 3

Column 4

Column 5

Column 6

Column 7

Column 8

Column 9

Column 10

Column 11

Column 12

Columns 1 & 2: 52-Week High and Low – The highest and lowest prices paid for the stock during the past year.

Columns 3 & 4: Company Name, Type of Stock, Ticker Symbol – Includes the company name and/or stock symbol/abbreviation.

Column 5: Dividend Per Share – The amount per share paid to stockholders from the company's annual profits.

Column 6: Dividend Yield – the yield of return on the stockholder's investment.

Column 7: Price/Earnings Ratio – Current stock price divided by earnings per share from the last four quarters.

Column 8: Trading Volume – This figure shows the total number of shares traded for the day, listed in hundreds.

Column 9 & 10: Day High and Low – The highest and lowest prices paid for the stock during the day.

Column 11: Close – The last trading price paid for the stock at the end of the day.

Column 12: Net Change – The difference between the closing price and the previous day's closing price.

Sources: www.djindexes.com

www.investopedia.com

www.nasdaq.com

www.nyse.com

www.standardandpoors.com

www.wallstreetjournal.com

AMERICANS WIN NOBEL PRIZE IN ECONOMICS BY: AJA CARIN YOUNG

On October 15th, the Royal Swedish Academy of Sciences awarded this year's Nobel Memorial Prize in Economic Sciences to three Americans. Leonid Hurwicz, Eric S. Maskin, and Roger B. Myerson were awarded the prize for their work in mechanism design theory. The academy recognized the trio as having laid the foundations of this theory, and their research could play a valuable role in future policy-making.

Hurwicz, emeritus economics professor at the University of Minnesota, began his work on the theory of mechanism design in 1960. The Moscow-born laureate was surprised at having been awarded the prize, saying that he "didn't expect recognition would come because people who were familiar with [his] work were slowly dying off." At 90, Hurwicz is the oldest person to have been awarded a Nobel Prize.

Building upon Hurwicz's work, researchers Maskin and Myerson, respectively of the Institute for Advanced Study at Princeton and the University of Chicago, produced influential work in distinguishing "situations in which markets work well from those in which they do not," the academy stated. The academy credited their

work with having extensively studied and determined efficient trading mechanisms, regulation schemes and voting procedures.

In a release of information for the public, the Royal Swedish Academy of Sciences identified mechanism design theory as being able to analyze and answer which trading mechanisms will realize the largest gains, which will maximize revenue, which decision-making processes will support certain joint projects while denying funds to undesirable ones, and identify which insurance plans will be the most beneficial to subscribers without welcoming abuse.

The mechanism design theory will play a key role in economic and political development in the United States. This theory explores economic transactions in public and private markets, how information is used to allocate resources, and how much, if any, government regulation is appropriate. The Nobel winners' research can help Washington policy makers optimize international trade, control inefficient spending on government projects, and determine whether national health coverage would be efficient, and if not, identify private health insurance coverage that would be most beneficial to both issuers and subscribers.

Sources: www.nytimes.com
www.cnn.com
www.nobelprize.org

E-News

E-News is a publication developed by ESU Students of Economics, Business Management and students interested in these fields. It is a service to ESU and the Local community. We hope you enjoy the articles, and we enjoy providing you with current economic news updates.

If anyone has any comments or suggestions for the newsletter, feel free to e-mail Kristina or Mark, Kristina.Knight@yahoo.com & mtm1387@esu.edu, respectively and we will be sure to attempt to accommodate any requests and/or suggestions.



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