

Fall 2012

GDP Second Quarter 2012

Christine DePalma

Real Gross Domestic Product measures the market value of goods and services produced in the United States and is adjusted for inflation. Each quarter the Bureau of Economic Analysis totals real GDP and estimates the percentage change from the previous year. GDP has increased steadily but modestly since the third quarter of 2009, although the rate fluctuated with both accelerations and decelerations.

According to the Bureau of Economic Analysis, real GDP increased 1.3% in the second quarter of 2012 compared to a 2.0% increase during the first. Personal consumption expenditures, exports, nonresidential fixed investment, and residential fixed investment contributed to this increase that was offset by decreases in private inventory investments, state and local government spending, and an increase in imports. The deceleration this period reflected decelerations in personal consumption expenditures, nonresidential fixed investment and residential fixed investment, which was offset by an acceleration in exports and smaller declines in spending by the federal, state, and local governments.



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Real GDP growth is measured at seasonally adjusted annual rates.

U.S. Bureau of Economic Analysis

The growth of gross private domestic investment declined from 6.1% to 0.7%. Nonresidential fixed spending relative to structures and equipment increased only 3.6% whereas it rose 7.5% in the first quarter. Residential fixed spending experienced a dramatic drop this second quarter to 8.5% compared to 20.5% from the previous quarter.

Exports increased 5.3% this quarter due to an upturn in goods, partially offset by the downturn in services. Imports this quarter increased by 2.8%, less than the previous quarter. This deceleration helps GDP because imports are subtracted. Imported goods slightly rose, but imported services declined.

Government consumption expenditures and gross investment decreased only 0.7% whereas in the first quarter it decreased 3.0%. The decline in State and local, as well as Federal spending was also lower than the previous quarters. Federal national defense spending went from -7.1% to -0.2%, but nondefense spending reversed as it decreased to -0.4% after rising 1.8%

U.S. Bureau of Economic Analysis, "Gross Domestic Product, 2nd Quarter 2012," news release, (27 September 2012),
<http://bea.gov/newsreleases/national/gdp/2012/gdp2q12_3rd.htm>.

October Employment Situation

Derek Schaare

The U.S. Bureau of Labor Statistics show that the unemployment rate in America did not change during the month of October. However, total nonfarm payroll employment increased by 171,000 in October. The employment-population ratio was unchanged at 58.8 %, after an increase of 0.4 percentage point in September.

The civilian labor force rose by 578,000 in October, and the labor force participation rate increased to 63.8 %. Professional and business services added 51,000 jobs in October. Health care added 31,000 jobs in October, retail trade added 36,000 jobs, and employment in leisure and hospitality added 28,000 new jobs. Employment growth has averaged 157,000 per month so far in 2012, and the average monthly gain in 2011 was 153,000. Manufacturing employment changed little in October and has shown little change since April. Mining lost 9,000 jobs in October, and since May of 2012, employment in mining has decreased by 17,000. Employment in other major industries, such as wholesale trade, transportation and warehousing,

information, financial activities, and government, showed little change over the month.

In October, the average workweek for all employees on private nonfarm payrolls was 34.4 hours for the fourth month in a row. The manufacturing workweek decreased by 0.1 hour to 40.5 hours, and factory overtime was still at 3.2 hours. The average hourly earnings in October for all employees on private nonfarm payrolls went down by one cent to \$23.58. During the last year, average hourly earnings have increased by 1.6 %. The average hourly earnings of private-sector production and nonsupervisory employees in October went down by 1 cent to \$19.79.

Overall, the U.S. Bureau of Labor Statistics have shown that more American citizens are employed compared to two or three years ago. The unemployment rate did not drop in October, but 171,000 new jobs were created overall.

U.S. Bureau of Labor Statistics, "The Employment Situation—October 2012," news release (October 2012),
<http://bls.gov/news.release/archives/empsit_11022012.htm>.

Chart 1. Unemployment rate, seasonally adjusted, November 2010 – November 2012

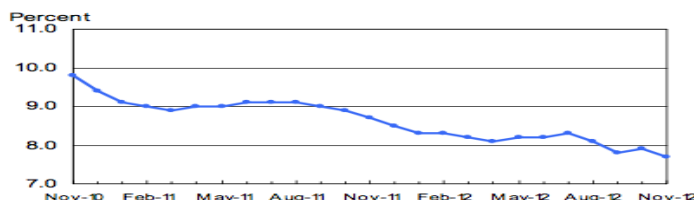
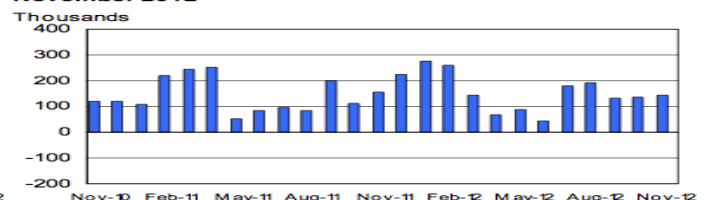


Chart 2. Nonfarm payroll employment over-the-month change, seasonally adjusted, November 2010 – November 2012



November Employment Situation

Michael Eccleston

In the Bureau of Labor Statistics in the month of November, total payroll employment rose by \$146,000 and the unemployment rate edged down 7.7%. Since the beginning of this year, employment growth has averaged 151,000 per month, about the same as the average monthly job gain of 153,000 in 2011. In November, employment rose in retail trade, professional and business services, and health care. Hurricane Sandy hit on the Northeast coast on October 29th, causing severe damage in some states. But their survey response rates in the affected states were within normal ranges. Their analysis suggests that Hurricane Sandy did not heavily impact the national employment and unemployment estimates for November.

Among the major worker groups, the unemployment rates for adult men (7.2%), adult women (7.0%), teenagers (23.5%), whites (6.8%), and Hispanics (10.0%) showed little or no change in November. The unemployment rate for blacks (13.2%) declined over the month. The jobless rate for Asians was 6.4%, changed a little from a year earlier. The number of long-term unemployed stayed pretty much the same at 4.8 million in November. These individuals accounted for 40.1% of the unemployed. Retail trade employment rose by \$53,000 in November and has increased by \$140,000 over the past three months. Over the month, job gains occurred in clothing and clothing accessory stores (+33,000), in general merchandise stores (+10,000), and in electronics and appliance stores (+9,000). Employment in miscellaneous store retailers decreased by 13,000. Employment in construction declined by 20,000 in November. Hospitality employment continued to trend up by 23,000, and over the past year, it has added about 305,000 jobs.

There were 3.7 million job openings on the last business day of October; little changed from September, the U.S. Bureau of Labor Statistics

reported. The hires rate (3.2%) and separations rate (3.1%) were also little changed in October. This release includes estimates of the number and rate of job openings, hires, and separations for the nonfarm sector by industry and by geographic region.

State and local government employers spent an average of \$41.56 per hour worked for employee compensation in September 2012. Wages and salaries averaged \$26.91 per hour and accounted for 64.7% of compensation costs, while benefits averaged \$14.65 per hour worked and accounted for the remaining 35.3%. Total compensation costs for management, professional, and related occupations, which represent approximately half of all state and local government employment, averaged \$50.43 per hour worked. Average hourly compensation costs were 28.97 for office and administrative support occupations.

In September 2012, the average cost for retirement and savings benefits was \$3.68 per hour worked in state and local government, or 8.9% of total compensation. Included in this amount were employer costs for defined benefit plans, which averaged \$3.36 per hour (8.1%), and defined contribution plans, which averaged 32 cents (0.8%) in September 2012. In September 2012, employer costs for retirement and savings averaged \$1.81 per hour worked, or 5.7% of total compensation. Defined benefit plans specify a formula for determining future benefits while defined contribution plans specify employer contributions but do not guarantee the amount of future benefits.

Two components of benefit costs are paid leave and legally required benefits. Paid leave benefit costs include vacation, holiday, sick leave, and personal leave. The average cost for paid leave was \$3.06 per hour worked for state and local government employees. Costs for legally required benefits, including Social Security, Medicare, unemployment

insurance (both state and federal), and workers' compensation, averaged \$2.54 per hour worked.

U.S. Bureau of Labor Statistics, "The Employment Situation—November 2012," news release (November 2012),
<http://bls.gov/news.release/archives/empst_11022012.h

Historical Business Cycle Analysis

Bradley CT Litts

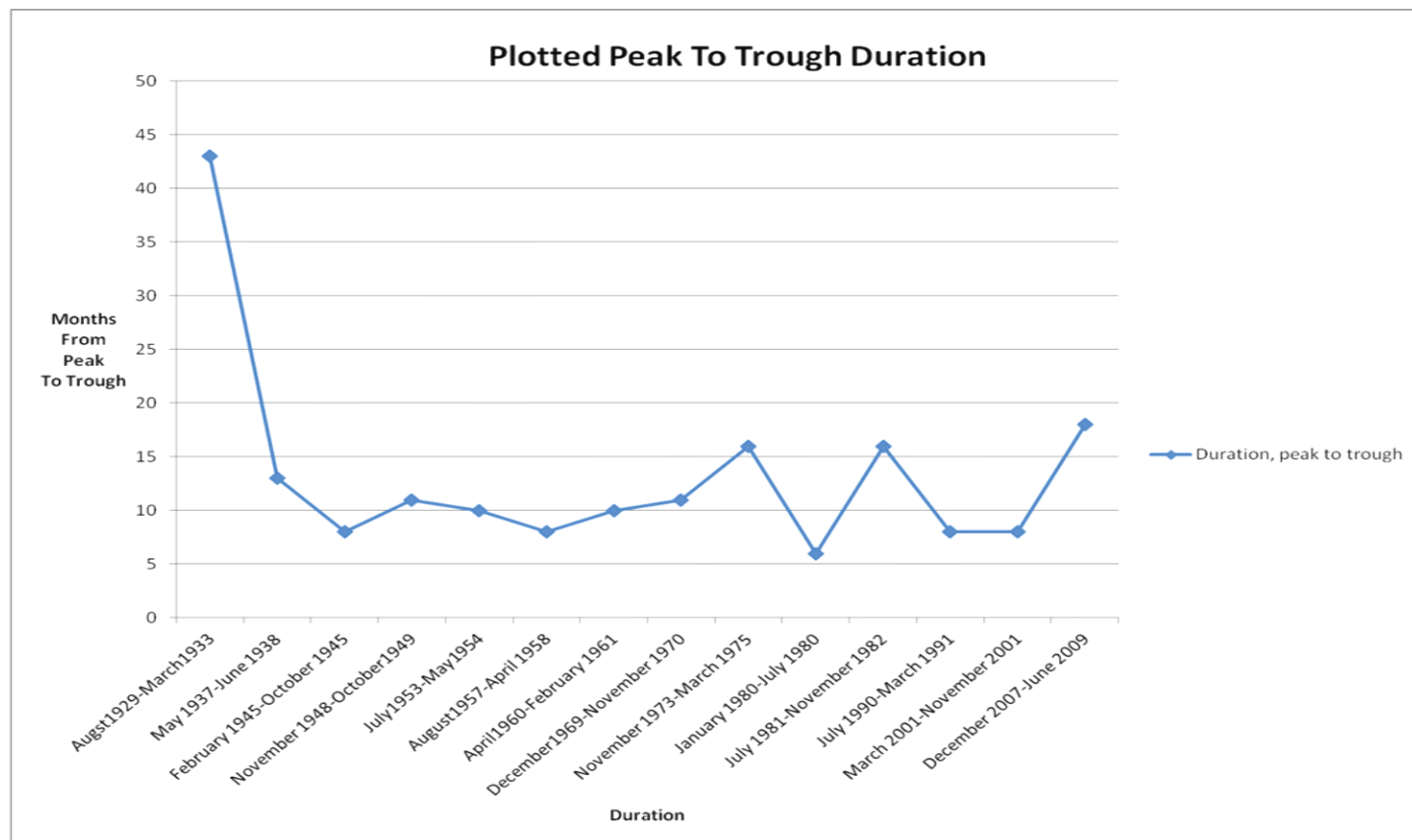
Using the data provided by the National Bureau Of Economic Research (NBER) I am going to conduct analysis upon the historical business cycles and their duration. Going back to August of 1929 and looking at the duration and severity of the business cycle decline and recessions. I took the business

cycle data and compiled it from August of 1929 through June of 2009, looking at the duration of time from the peak of the business cycle to the trough of the cycle and the duration of time from trough to peak. I then took the data provided and created line graphs.

Peaks To Troughs

The results show that during the period from 1945 through 1970 the time it took for the economy to go from a peak in the business cycle to the trough of the cycle was about the same, with an average duration of 10 months for the process. This means that on average it took ten months to go from the peak of the cycle to the trough of the cycle during those years. The graph shows little correlation

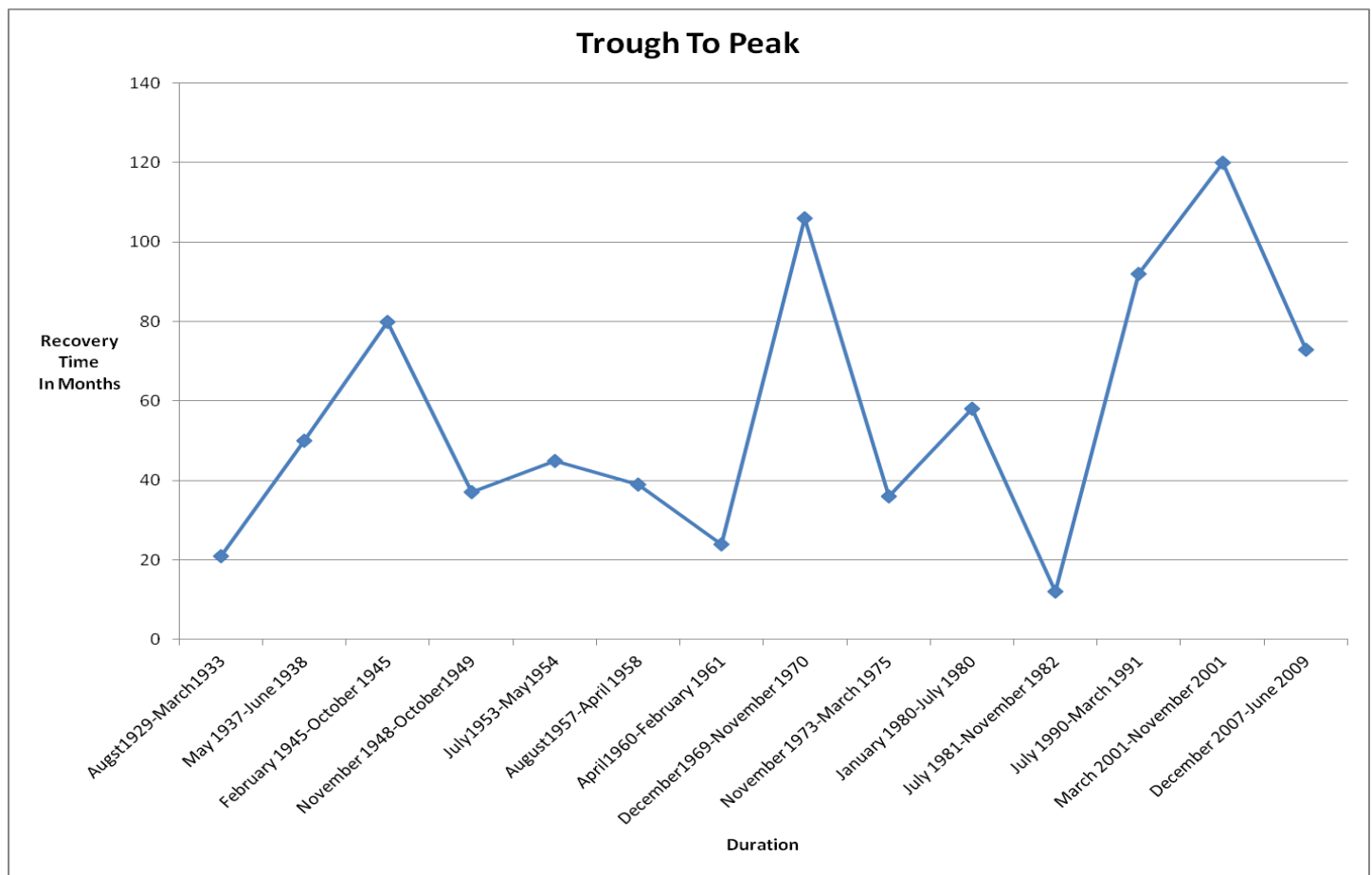
between the amount of months it takes to go from a peak to a trough. There seems to be high volatility after November of 1970 in the amount of time it takes to go from a peak to a trough. Given the information little can be assumed as there seems to be little correlation between the historical data of how long it takes to go from a peak to a trough in the business cycle.



Troughs to Peaks

I took the historical data from NBER about the duration of how long it takes to go from a trough to a peak during the same years, 1929 through 2009 and conducted the same analysis. I created a graphical representation of the data and drew conclusions from it. This can be thought of as the time it takes to recover from a recession or depression, since it measures the amount of time it takes to go from a trough in the business cycle to the peak in the cycle eg. going from recession to high growth. This graph has even less correlation than the first one. It would be difficult to make any assumptions about the recovery time from the historical data. This may be because each recession is different and also that they are caused by different events in the economy. The recovery time also depends upon the actions of government and the federal reserve. The longest recovery time was the recent recession from March of 2001 to November 2001 with a value of 120 months to recover and to go from the trough in November of 2001 to the peak of December of 2007. This could explain why it is taking the economy to recover

from the recent recession. As of recent, the amount of time it takes to recover has jumped to a much higher number of months. This could be due in part to the Federal Reserve's actions not having the amount of effect that they originally thought that their policies would. The shortest recovery time occurred in the span from the trough in July of 1980 to the peak in July of 1981 a fast recovery lasting only one year from the trough to peak. The results show that during the period of years from 1945 through 1970 the time it took for the economy to go from a peak in the business cycle to the trough of the cycle was about the same, with an average duration of 10 months for the process. This is not true about the recovery times though, there are similar recovery times from November of 1948 through February of 1961, however for 1945 the recovery time is 80 months and for 1970 the recovery time was 106 months, a large difference even though they had an average of 10 months to go from peak to trough the average recovery was 55 months. With the years of 1945 and 1970 having much larger recovery times.



Final Thoughts

In conclusion, one can see through the graphs that there is little correlation among different business cycles. Some recessions are more severe and take longer to correct while others are not as severe and take little time to correct. One cannot draw concrete conclusions from the data as to the correlation between the different recessions there is not a clear cut way of knowing how severe a recession is going to be nor how long it will take to recover from it. I did find this research interesting as I thought originally that there may be a link in the history as to the recovery times and the time it takes for the cycle to go from peak to trough. However, I cannot give many concrete conclusions other than the similarities between the recessions and recoveries during the period from 1945 through 1970. I believe that these recessions or troughs in the cycle may have been similar in severity since they all were around ten months from peak to trough, however their recovery times are so different that one cannot

offer concrete reasons for the differences. One thing that did stand out however was the time length of the different phases of the cycle. It always takes more time to recover from a recession versus the time it takes to slip into one. This can be linked to the attitudes of investors and the business community. It takes very little time to lose faith and to become pessimistic about a economy, it seems to happen overnight. On the other hand though it seems to take much longer for them to become optimistic and to begin investing again. Investors are quick to react to bad news and stop investments or to take their money out when they feel something bad is going to happen, this explains how it takes less time to go into a recession and why it takes a significantly more amount of time to recover from the trough.

"The National Bureau of Economic Research." *The National Bureau of Economic Research*. N.p., 12 Jan. 2012. Web. 16 Oct. 2012.
<<http://www.nber.org/>>.

Taking a Look at the Business Cycle and Its Contractions

Evan Baer

The National Bureau of Economic Research is an organization consisting of a number of economists who keep statistics about the economy. Most people might not know that the NBER is the organization that dates each business cycle, including recessions and depressions. On their website, www.nber.org, they have a table dedicated to the business cycles of the United States dating back to 1854.

Under the title "US Business Cycle Expansions and Contractions", the NBER provides a detailed analysis of each business cycle. For example, the first recorded recession lasted from June 1857 until December of 1858, which is a total of 18 months. The economic language used in the analysis of the information is refreshing also; The NBER explains each recession as a "contraction" that is falling from the previous "peak" all the way to the next "trough". When the graph line leaves the trough and begins rising to the next peak, the recession is over and the business cycle is in the "expansion" phase.

Because of the recent Great Recession, there has been a renewed interest in business cycles. In fact,

we can look at the most recent recession dated in the NBER's research. According to the data, the United States began the 66th recession in recorded history in December of 2007. Although many American people will argue that our country is still suffering from this recession, the NBER records this last contraction as ending in June of 2009, spanning a total of 18 months.

The following table provides some interesting comparisons of the recent recession to the previous ones. The average duration of one business cycle was 17.5 months (1854-2009), which tells us that the recession we just experienced was not necessarily long compared to other recessions in US history. Below the table, there is an average of all business cycles from 1854-2009 with some additional statistics.

The statistics show that the average contraction (recession) before World War II was 22 months and has since declined dramatically. Around WWII, the average contraction was 18 months and today it is down to 11 months. Additionally, the frequency of

contractions has increased from approximately 4 years to 6 years today. In conclusion, the “bad” times of today are much less taxing than in the history of the United States. The NBER website has much to offer and provides a wealth of information

about the U.S. economy over the last century.

"The National Bureau of Economic Research." *The National Bureau of Economic Research*. N.p., 12 Jan. 2012. Web. 16 Oct. 2012.
<<http://www.nber.org/>>.

BUSINESS CYCLE REFERENCE DATES

DURATION IN MONTHS

Peak	Trough	Contraction	Expansion	Cycle	
<i>Quarterly dates are in parentheses</i>		<i>Peak to Trough</i>	<i>Previous trough to this peak</i>	<i>Trough from Previous Trough</i>	<i>Peak from Previous Peak</i>
	December 1854 (IV)	--	--	--	--
June 1857(II)	December 1858 (IV)	18	30	48	--
October 1860(III)	June 1861 (III)	8	22	30	40
April 1865(I)	December 1867 (I)	32	46	78	54
June 1869(II)	December 1870 (IV)	18	18	36	50
October 1873(III)	March 1879 (I)	65	34	99	52
March 1882(I)	May 1885 (II)	38	36	74	101
March 1887(II)	April 1888 (I)	13	22	35	60
July 1890(III)	May 1891 (II)	10	27	37	40
January 1893(I)	June 1894 (II)	17	20	37	30
December 1895(IV)	June 1897 (II)	18	18	36	35
June 1899(III)	December 1900 (IV)	18	24	42	42
September 1902(IV)	August 1904 (III)	23	21	44	39
May 1907(II)	June 1908 (II)	13	33	46	56
January 1910(I)	January 1912 (IV)	24	19	43	32
January 1913(I)	December 1914 (IV)	23	12	35	36
August 1918(III)	March 1919 (I)	7	44	51	67
January 1920(I)	July 1921 (III)	18	10	28	17
May 1923(II)	July 1924 (III)	14	22	36	40
October 1926(III)	November 1927 (IV)	13	27	40	41
August 1929(III)	March 1933 (I)	43	21	64	34
May 1937(II)	June 1938 (II)	13	50	63	93
February 1945(I)	October 1945 (IV)	8	80	88	93
November 1948(IV)	October 1949 (IV)	11	37	48	45
July 1953(II)	May 1954 (II)	10	45	55	56
August 1957(III)	April 1958 (II)	8	39	47	49
April 1960(II)	February 1961 (I)	10	24	34	32
December 1969(IV)	November 1970 (IV)	11	106	117	116
November 1973(IV)	March 1975 (I)	16	36	52	47
January 1980(I)	July 1980 (III)	6	58	64	74
July 1981(III)	November 1982 (IV)	16	12	28	18
July 1990(III)	March 1991(I)	8	92	100	108
March 2001(I)	November 2001 (IV)	8	120	128	128
December 2007 (IV)	June 2009 (II)	18	73	91	81

Average, all cycles:

1854-2009 (33 cycles)	17.5	38.7	56.2	56.4*
1854-1919 (16 cycles)	21.6	26.6	48.2	48.9**
1919-1945 (6 cycles)	18.2	35.0	53.2	53.0
1945-2009 (11 cycles)	11.1	58.4	69.5	68.5

* 32 cycles

** 15 cycles

Source: NBER

Behind the Scenes at Bloomberg

Christine DePalma

On November 16th, the East Stroudsburg University Economics Club traveled to New York City for a tour of Bloomberg. The club departed at 8:30am, reaching New York by noon. After a quick stop at Starbucks, the ten students and two professors headed to Bloomberg. The students signed in, and a tour of Bloomberg commenced promptly at 1:30pm, led by Robert Williams. He showed the club the different divisions such as customer service, sales, and the lower level related to IT work. Afterwards, the club was directed to a trading room where John Fox gave a seminar until roughly 3:30pm, training the club on how to use the Bloomberg terminal, and how it is used to conduct financial and economic analysis of the markets. The Bloomberg terminal is extremely helpful for students, especially when it comes to job opportunities and bolstering resumes.

John Fox asserted his willingness to work with the University to bring the Bloomberg terminals to East Stroudsburg University's campus. The Economics professors are in strong favor of attaining Bloomberg terminals for their students and are in the process of presenting the idea to the University.

The Economics Club would like to thank Caroline Bauer for helping to set up and arrange this trip, Robert Williams for providing the club with the tour, and John Fox for the lecture on Bloomberg terminals. The Club also wants to thank Dean Hawkes for his support for the Economics Club and each one of the Economics professors: Dr. Neelakantan, Dr. Booser, Dr. Behr, Dr. Christofides, and Dr. DeCosmo.



Front Row: John Fox, Dr. Neelakantan, Derick Stenlake, Christine DePalma, Dan May-Rawding, Mykel Omowole, Alek Liskov
Back Row: Abdul Kane, Dr. Booser, Evan Baer, Gatlin Garrett, Matt Roselli

The Economics Club welcomes all majors. Meetings are held every Tuesday in Stroud 210 at 2pm. The club plans field trips, works on the ESU Economics Newsletter, hosts seminars and speakers, plans fundraisers, and unifies around events such as fundraisers and movie nights. In fact, on November 8th, the Economics Club hosted Lawrence Sorace from Merrill Lynch, who spoke to the club regarding different opportunities and advised students on various economics-related issues. Before the semester ends, the Club plans to

bring additional speakers in such as Mark Heltzel. Next semester the Economics Club will be traveling to the Federal Reserve Bank for a college seminar and tour.

If you are interested in involvement with the club, please feel free to ask any one of the Economics professors about the club, or contact the Economics Club President, Christine DePalma, at cad5826@live.esu.edu for more information.

Resources in Africa

Idowu Michael Omowole



What comes to your mind when you hear the name 'Africa'? Some people think it is a jungle, some think it is a desert while others perceived it as a place where wild animals can be found. Actually, Africa is the second largest and second most populous continent in the world with population of 1.03 billion (2011 estimate) in 54 different countries and its growth rising to 5.3 % in 2012. Each country across Africa has its own resources that are well recognized across the globe which include; oil, diamonds, gold, iron, cobalt, uranium, copper, bauxite, silver, petroleum and agricultural products. And yet, most of its resources are still untapped.

The mineral industry is an important source of export earnings for many African nations. Almost in every part and side of Africa, there is a high possibility that valuable natural resources exist. Mining in Africa has been a central driving force behind the growth of Africa's economy. The mineral exports are a big part of Africa's Gross Domestic Product.

Five countries dominate Africa's oil production. Together they account for 85% of the continent's oil production; Nigeria, Libya, Algeria, Egypt and Angola. Other oil producing countries are Gabon, Congo, Cameroon, Tunisia, Equatorial Guinea, the Democratic Republic of the Congo, and Cote d'Ivoire.

Ivory Coast leads the world in production and export of the cocoa beans used in the manufacturing of chocolate supplying 30% of the world's cocoa production in 2009. West Africa collectively supplies two thirds of the world's cocoa crop, with Ivory Coast leading production at 1.22 million tons, and nearby Ghana, Nigeria, Cameroon and Togo producing an additional 1.41 million tons.

Sub-Sahara Africa is making progress on reducing poverty. The World Bank's latest global poverty update shows that the region's \$1.25 a day poverty rate has fallen from 58.1 % in 1999 to 47.5 % in 2008, a 10.6 percentage point decline. The decline in poverty accelerated in 2005-2008, with 9 million fewer people living below \$1.25 a day – the first such recorded decline in the number of poor.¹

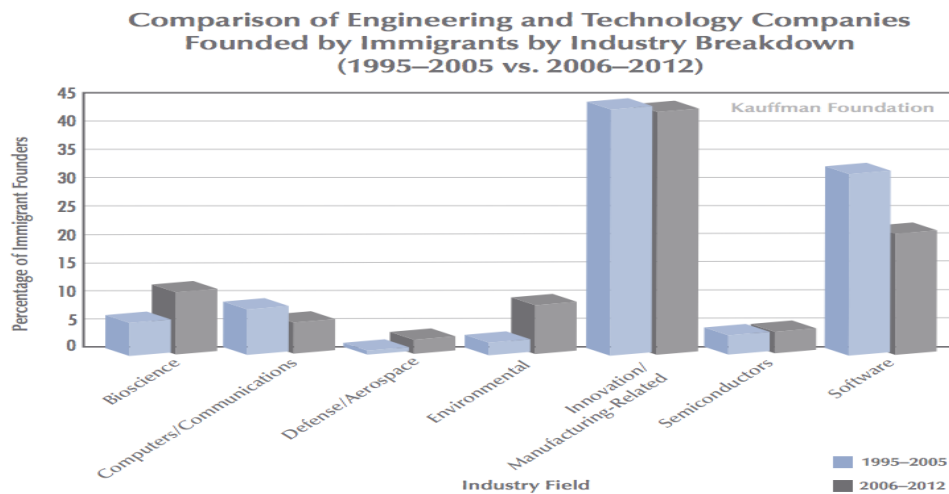
Based on her mineral wealth and other natural resources, the continent should lead the world in inventions, production and manufacturing but there are many challenges faced by African nations which include: the development of local companies, the reform of corrupt political systems and the creation of a more efficient infrastructure.

"Map & Imagery Library at the University of Florida." *Map & Imagery Library at the University of Florida*. N.p., n.d. Web. 04 Dec. 2012. <<http://www.uflib.ufl.edu/maps/mapafricamod01.html>>.

"Resources For." *Africa*. N.p., n.d. Web. 04 Dec. 2012. <<http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/AFRICAEXT/0%2C%2CmenuPK%3A258652~pagePK%3A146732~piPK%3A146828~theSitePK%3A258644%2C00.html>>.

Is Silicon Valley Running Out of Its Secret Sauce?

Alek Liskov



A study by the name of “Silicon Valley’s New Immigrant Entrepreneurs”, published in 1999 by AnnaLee Saxenian, set out to create a quantitative analysis of high-skilled immigrants in Silicon Valley and their contributions to the U.S. economy. In it she examined the transitional circulation of capital and labor that transformed Silicon Valley’s economy during the last two decades of the 20th century. Her findings showed that one third of the engineering workforce was comprised of immigrants. Furthermore, before the peak of the dot com bubble, one-quarter of technology businesses had been founded by Indian and Chinese engineers alone, which accounted for more than 52,282 jobs and \$16.8 billion in sales. The report provided empirical evidence that immigrants greatly contributed to the U.S economy and the trend only seemed to increase, as forecasted by Saxenian herself.

Eight years later, in 2007, a study conducted by Duke University and the Berkeley School of Information used the same concept to reevaluate the impact on the economy by immigrant engineers. The findings showed that 25.3% of companies started between 1995 and 2005 had at least one immigrant engineer as a key founder, which brought the total up to 52 %. As projected by Saxenian’s study, by 2005 high-tech companies now accounted for 450,000 workers and \$52 billion in sales, which was published in a paper called “America’s New Immigrant Entrepreneurs”.

These studies prompted the Kauffman Foundation, in collaboration with Duke University, the Berkeley School of Information, and Stanford University, to conduct a follow-up study. They observed the dynamics of the industry from 2006 to 2012. They found that the % of high-tech companies founded by immigrants during that period has dropped from 25.3 to 24.3 since 2005. Their studies also indicated a significant drop from 52.4 to only 43.9 % of startups with at least one immigrant as a key founder. These numbers suggest that the dynamic expansion that Silicon Valley is famous for is beginning to slow down. The researchers documented 560,000 jobs and \$63 billion in sales as a final observation, which is still a very strong increase when taking into account the recession that the country just experienced and the level of difficulty that is associated with the recovery process. The study suggests that government policy concerning immigration may soon have to be revisited for our country cannot afford to suffocate the high-tech industry, which is forecasted to account for an increasingly large part of our economy.

http://www.kauffman.org/uploadedFiles/Then_and_now_americas_new_immigrant_entrepreneurs.pdf

http://people.ischool.berkeley.edu/~anno/Papers/Americas_new_immigrant_entrepreneurs_L.pdf

Saxenian, AnnaLee. (2000). Silicon Valley’s New Immigrant Entrepreneurs. UC San Diego: Center for Comparative Immigration Studies.

Equal Degrees Do Not Mean Equal Pay

Matt Roselli

Earning a degree may earn you more money, but will it earn you the same as a classmate of the opposite gender? A study done by Indiana University Economic Research Analyst, Michael Thompson, has shown that the answer to that question is no; males and females on average currently earn different wages over their careers. Though this is the case in earnings, one may think otherwise with the amount of females who graduate with bachelor degrees outweighs the number of males who obtain a bachelor degree.

The U.S. Census Bureau shows, using 2006 dollars and accounting for a 3 % yearly inflation rate, that over a 40 year career males with a bachelor degree or higher will earn an average of \$2.1 million, compared to women with an average of \$1.4 million, a staggering 45 % less than males. This tremendous gap between men and women covers all degrees from bachelors and above, raising the question of if wages for master and doctoral degrees have such a large difference in wages between men and women. While conducting his study Thompson compiled data from the ten most popular degrees obtained by men and women from Indiana public universities. From those top ten degrees, focusing on education, the average annual graduation rate with a master's degree for women is 1,124 per year, with an average lifetime earnings of \$1.2 million. The men who obtain the same masters degree earn \$1.4 million average lifetime earnings, with less than half the number of men obtaining a masters of education degree at 531 males annually. When moving to the doctoral degree level in the education field, the gap on both average annual graduates,

women at 99 and men at 67, as well as average annual lifetime earnings, women at \$1.5 million and men at \$1.6 million, narrows but men still lead in the pay scale.

These numbers demonstrate that even in a field dominated by mostly women, men are still earning larger wages than women. When looking at the more male dominated fields, such as business and law, at both the master's and doctoral degree levels the average lifetimes earnings of men and women vary even more drastically, all where men in the fields make over \$500,000 more than women. Why men are earning larger wages than women in most fields has no particular reasoning, but there are some possible explanations. The first, explained in a New York Times article, written by Eduardo Porter, is that women take breaks in their careers more, often due to family obligations such as having children, as well as staying home and raising children. A second explanation of this wage gap is hours worked per week, the Department of Labor shows that men make up 55% of people working more than 35 hours per week, as well as 25% of males and only 14% of women who work full time work over 41 hours per week. Shockingly being a female and earning a higher level of degree in the same field, as a male does not necessarily mean higher wages, there are factors that affect these statistics, but inequality still exists and need attention in today's workforce.

"Earnings of a Lifetime: Comparing Women and Men with College and Graduate Degrees." *Earnings of a Lifetime: Comparing Women and Men with College and Graduate Degrees*. N.p., n.d. Web. 04 Dec. 2012. <<http://www.incontext.indiana.edu/2009/mar-apr/article1.asp>>.

Bank Failures in America

Christopher Sable

Throughout the past seventy-eight years in American history there have been hundreds of bank failures due to various reasons. Some failures are due to contractions while others are due to recession, but most of them are due to the general

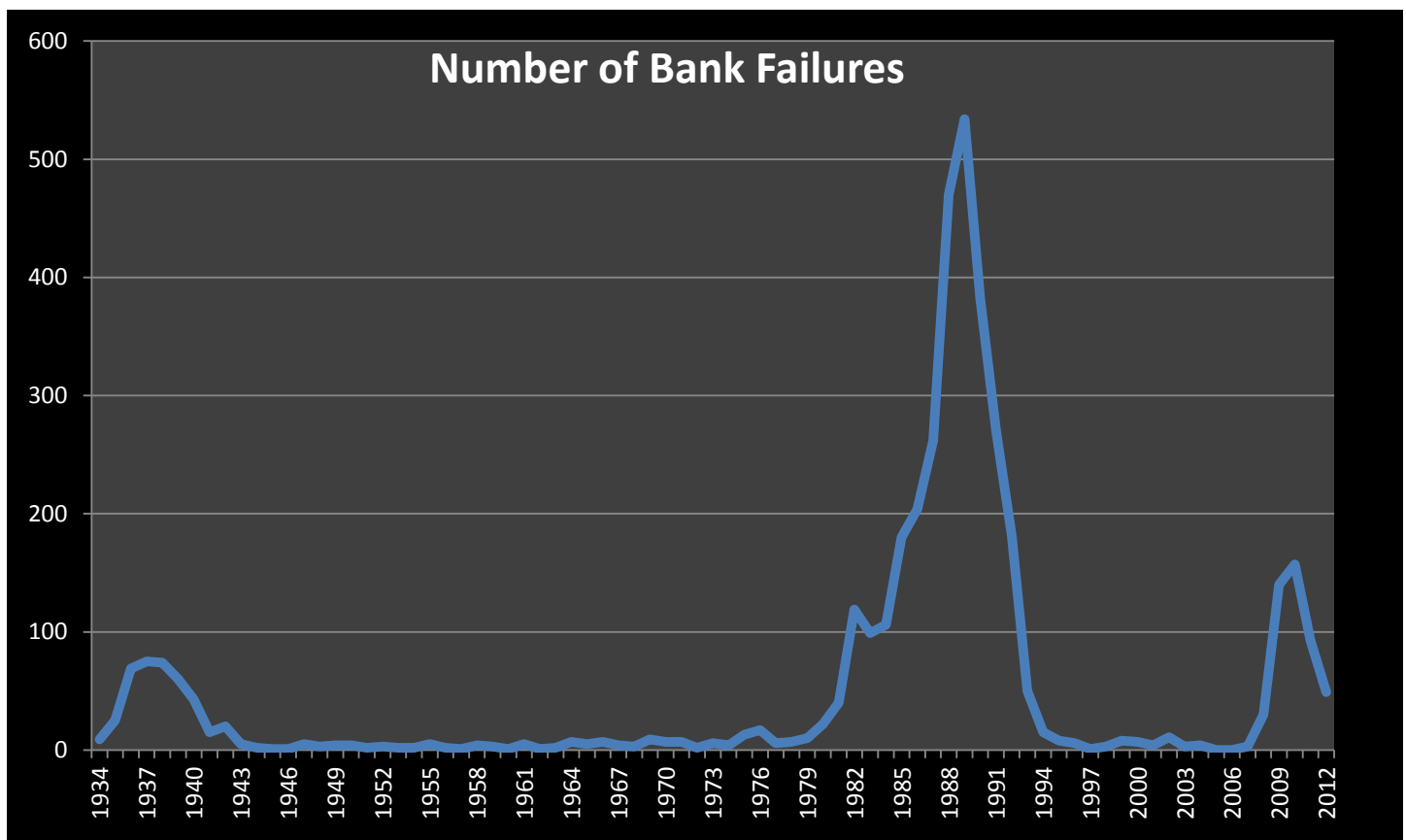
public panicking and rushing to their banks to withdraw their money in fears that they are going to lose all of it. When people do this it is called a bank run. By today's standards if one or two people do this a day it usually is not going to make a bit of

difference for the bank because each bank is required by law to have a certain percentage of their assets in cash on hand in the vault. Now, if all account holders withdraw all of their funds at the same time, the bank will almost certainly shutdown because no single bank carries all of the money that

is deposited into it. The bank takes the money that is deposited and keeps records of every deposit made and then redistributes the money in various forms of loans. They then charge interest on these loans. This is how the bank makes its money.

In the occurrence that your bank should fail there is no reason to panic about losing all of your hard earned money. In 1933 the Glass-Steagall Act was passed and with it was the creation of the FDIC (Federal Deposit Insurance Corporation). The main objective of this corporation is to insure and refund your money if the bank were to fail. Currently the insurance limit is

\$250,000 per person per bank: If your bank were to fail and you have less than this amount in your bank account, you will be refunded all of your money from the FDIC. If you have more than this amount in your bank account then sadly you will only be refunded up to the maximum limit of \$250,000.



This graph shows the amount of failed banks in the United States over the past 78 years. This graph represents a correlation between the bank failures and the thirteen recessions that have occurred during this time period. Based on how I interpreted the data, twelve of the thirteen recessions corresponded to the high number of bank failures. Whether they are related at the height, the end, or

after the recession simply depends on how hard the effects of the recession were felt in different areas of the country. These thirteen recessions occurred during 1937-1938, 1945, 1948-1949, 1953-1954, 1957-1958, 1960-1961, 1969-1970, 1973-1975, 1980, 1981-1982, 1990-1991, 2001, 2007-2009. As you can see each one of these dates corresponds to

the increased number of failed banks in the United States.

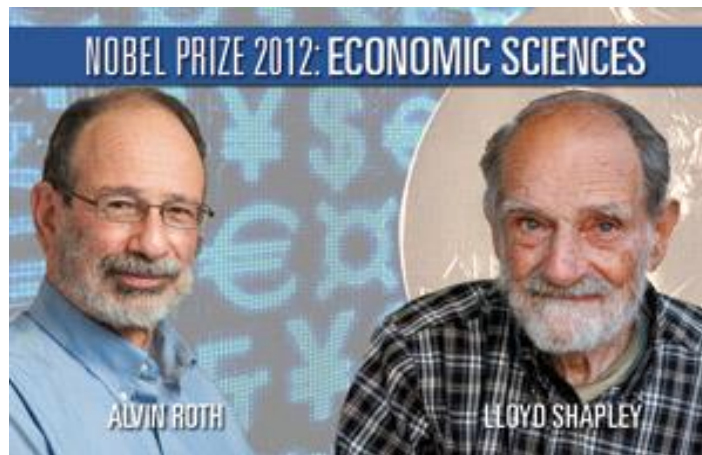
In conclusion, the majority of bank failures are caused by recessions and contractions. These almost always correspond with the business cycles. With the number of bank failures in the United States, the need for the FDIC is greatly important. This is

because if there was no one to refund the account holders funds, the magnitude of the recessions would increase greatly, causing the burden to ultimately fall even more heavily on the government.

"A History of Bank Failures in the United States." *DaveManuel.com*. N.p., n.d. Web. 04 Dec. 2012. <<http://www.davemanuel.com/history-of-bank-failures-in-the-united-states.php>>.

Economics Nobel Prize

Derick Stenlake



The 2012 Noble Prize in Economics was shared among two Americans this year. Dr. Lloyd S. Shapley Professor Emeritus at U.C.L.A and Dr. Alvin E. Roth who is the George Gund Professor of Economics and Business Administration at Harvard University.

According to U.S.A. Today the two Professors were awarded this Nobel Prize for “studies on match-making taking place when doctors are coupled with hospitals, students with schools and human organs with transplant recipients.” According to the Washington Post Dr. Shapley developed this theory of matching methods and he and colleague David Gale “developed a process for ensuring that those matches are as stable as possible”, this process is known as the “Gale-Shapley algorithm.” Dr. Roth later used this method to systematically place new doctors in hospitals that best suited them, and as well to help couples get hired by a hospital in the same city. Roth used his work from the resident matching system and the theoretical work from

Shapley to help city high schools match students to the school that best suits them.

The result according to the Nobel committee was “a 90 % drop in the number of students who were assigned to a school for which they had expressed no preference.” Researchers are now trying to apply the Gale-Shapley algorithm to help match kidney donors with transplant recipients. According to the Nobel committee, “The combination of Shapley’s basic theory and Roth’s empirical investigations, experiments and practical design has generated a flourishing field of research and improved the performance of many markets.”

"2 Americans Win Nobel Economics Prize." *USA Today*. Gannett, n.d. Web. 04 Dec. 2012. <<http://www.usatoday.com/story/money/business/2012/10/15/2-americans-win-nobel-economics-prize/1633951/>>.

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Money Matters

Tom Fail

One of the fundamental principles of microeconomics is that rational consumers seek to maximize their utility when making purchases. One does not typically go to the supermarket to purchase a dozen eggs and upon paying for these eggs, throw three or four of them away. Similarly, I have yet to observe students here at East Stroudsburg walk into the book store, purchase their books for the semester and immediately throw the macroeconomics textbooks into the trash cans on Normal Street. However, on a daily basis, all across campus we see massive quantities of waste, misuse and utter irrationality when it comes to student's investment in their college degree. Students seem to forget that every day they invest money to be here, they sacrifice opportunity costs of having a different job, and they are building a critical foundation for their future career.

There are four primary expenses that students have while they are here—fees, tuition, housing, and a meal plan. First off, fees are charged to all students during all sessions on a flat rate (prorated under 12 credits). The only fee that differs for out-of-state is the technology fee, and these fees go towards

funding various services, amenities, and resources that are critical to the university. Second is tuition, which is charged at a flat rate between 12 and 18 credits with vastly different rates for out-of-state students. The discrepancy in payments is due to the amount of funds that the Pennsylvania State Legislature appropriates to subsidize educating Pennsylvania residents. Third is housing, which for purposes of this paper is assumed to be a traditional residence hall on campus. Finally, students have a meal plan or have to pay for food; throughout this analysis I assume a full meal plan of 19 meals weekly.

So just how much do ESU students pay every year to attend school? Table 1 (below) shows total costs to students based on the tuition and fees rate for 2012-2013 academic year. After four years, without financial assistance students can expect to invest almost \$64,000 or \$103,000 over the course of four years. Charts 2 and 3 show how these semester costs are distributed. As you can see, the growth in costs for out of semester students come from the 150% increase in tuition payments, and \$46 extra dollars in fees charged to out of state students.

Chart 1

<u>Category</u>	<u>Semester</u>	<u>Yearly</u>	<u>Four Year Rate</u>
Total In-State	\$ 7,972.48	\$ 15,944.96	\$ 63,779.84
Total Out-of-State	\$ 12,839.48	\$ 25,678.96	\$ 102,715.84

Chart 2

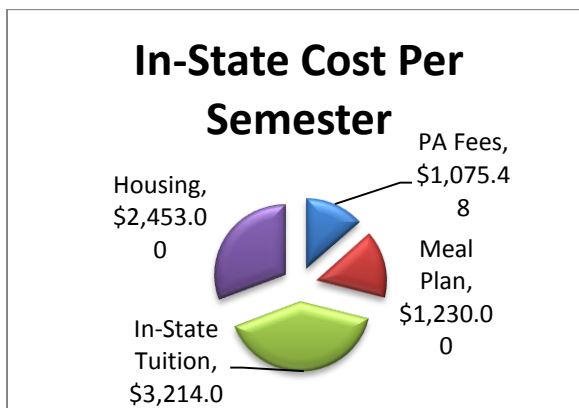
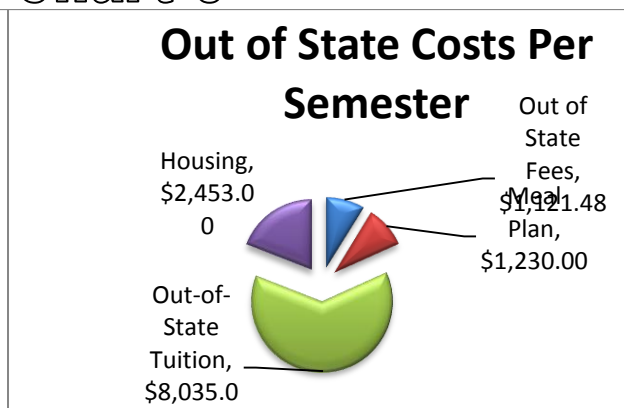
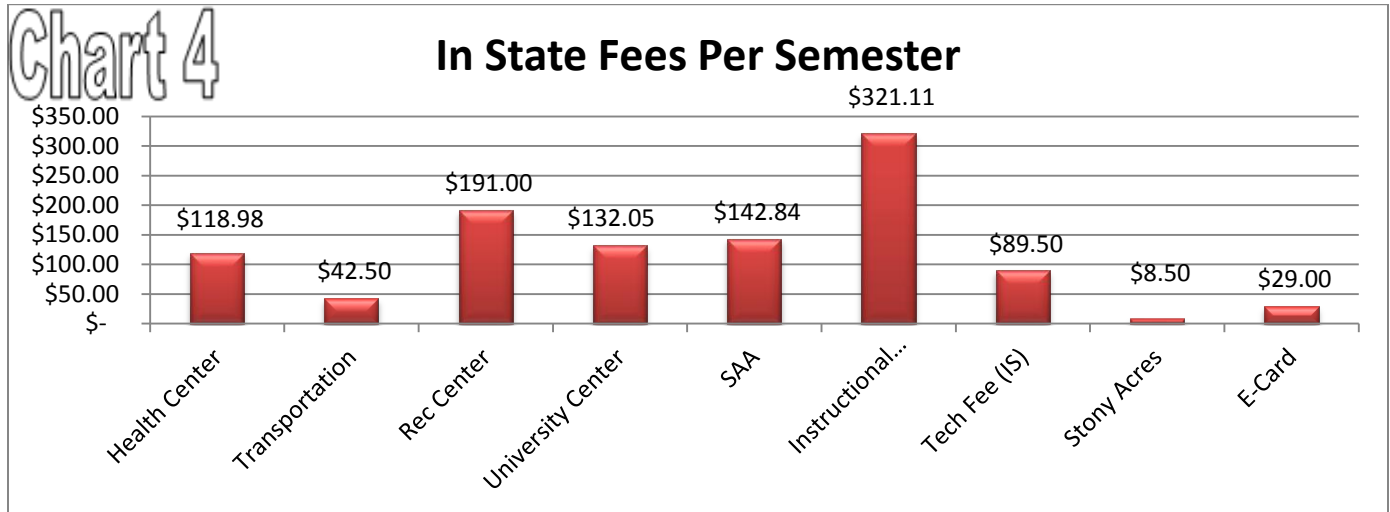


Chart 3



Finally, Chart 4 tracks the costs of all the fees paid by ESU students per semester, with instructional support being the largest (\$321.00) to Stony Acres being lowest (\$8.50).



So what? The issue is that students often have no idea how much they pay per semester, let alone what they actually pay for. In surveying approximately 500 students that I have presented to, no more than 5-10% have known how much they pay per semester, and only 3 people have looked at exactly what their bill consists of. There is an obvious disconnect between the consumer and their perception of the costs associated with attending ESU. Students are often tasked with simply focusing on their school work, and parents taking care of paying the bills (even if the student pays the loans in the end).

If students understood exactly how much they pay on a more elementary level, would they change their attitudes? This was the underlying question I had while creating my program, and I believe that it has a measurable impact. Students cannot fathom the implications and payments necessary for a semester, year, or the total cost of a degree, so in the next section I will show some everyday scenarios that effect student behavior and demonstrate some of the costs incurred.

First, these figures are based on the assumptions of students taking 15 credits, paying fees, living in a traditional residence hall, and having a full meal plan. The first breakdown of costs is as follows...

In-State

- \$7,972.48 every semester
- \$1,594.50 for every course
- \$37.08 per day of instruction
- \$2,029.16 every month
- \$507.29 every week
- \$72.47 every calendar day

Out-of-State

- \$12,839.48 every semester
- \$2,567.90 for every course
- \$59.72 per day of instruction
- \$3,222.80 every month
- \$805.70 every week
- \$115.10 every calendar day

So, young adults primarily ages 18-24 are incurring debt/paying between \$500 and \$800 a week to attend ESU. Every day here costs them between \$72 and \$115, and every month students pay between \$2,029 and \$3,222. Yet, studies have shown that the

amount of time students spend studying in comparison to previous decades has dropped nearly 50% and club and campus organization participation has decreased. The consumer (students) has a fundamental disconnect with the

true value of their education dollars. The following scenarios exemplify common occurrences on campus of student waste.

In-State

- Every course costs \$1,594.50,
- So, every day of instruction costs \$37.08,
- So, students waste \$111.24 by missing three courses

SCENARIO 1- A student decides to go out on a Thursday night and cannot make it to their three classes throughout the day on Friday. How much does that cost them in wasted payments?

Out-of-State

- Every course costs \$2,567.90
- So, every day of instruction costs \$59.72,
- So, students waste \$179.16 by missing three courses

Suddenly, a small night out turns into quite an investment when you account for missing three courses. Students do not directly pay \$111.24 or \$179.16, but they are missing out on this amount of instructional time that they have prepaid for. Simple solutions to this problem exist—waiting until the weekend, making sure they are rested and ready for

class, or simply staying in for the evening all will help.

SCENARIO 2- A student struggles to wake up for their 8am class, therefore they come into class five minutes late everyday of the semester. This is no big deal, right?

In-State

- Every day of instruction costs \$37.08,
- So, every minute of class costs \$.74
- Five minutes of class costs \$3.71,
- Therefore, by missing five minutes every day students lose \$159.45

Out-of-State

- Every day of instruction costs \$59.72,
- So, every minute of class costs \$1.19
- Five minutes of class costs \$5.97,
- Therefore, by missing five minutes every day students lose \$256.79

By just showing up five minutes late every day, students waste between \$159.45 and \$256.79. All tallied throughout the semester, which accounts for 3 hours and 25 minutes of wasted instructional time as well. This statistic can be used to ensure that Professors are using time effectively as well. Getting out of class early may be popular to students, but by doing so they are not maximizing their utility.

SCENARIO 3- All students love snow days—but how much does it affect the University delivering our education and making use of our investment? Often times, students are angry that the administration will not call a snow day to close the University. Safety is paramount, but students do not considering the economic factors implied with

cancelling every class for the day and the incredible number of active students in classes. For this example, I used Mondays in the Fall 2012 to analyze an approximate cost.

- Every Monday there are 469 courses offered (259 meet MWF, 115 meet MW, and 96 meet weekly)
- There are 14,787 active students within all of these classes
- Adjusting for the amount of course hours these warm bodies receive, the figure increases 19,401 hours of instruction.
- Accounting for only the tuition and fees paid per student (Residence life does not kick them out of their dormitories nor deny them

meal swipes), the cost per course hour is \$19.06 for In-state students (which make up 77.4% of the population) and \$40.70 for out-of-state students (which make up 23.7% of the population)

- Therefore, it can be concluded that it costs students approximately \$473,396.75 in wasted instructional time to cancel classes for just one Monday this semester.

Now that we have seen the statistics and costs associated with students investment here at ESU, we need to figure out how to inform students of the severity of their investment. Students must understand that every day here is an opportunity that comes with a cost. Though we may not need to make a daily trip to Enrollment Services and forfeit our hard earned cash, we still pay. Families need to realize the specific costs to sending their child to college, and students need to be held accountable to

maximizing their funds. Financial aid has allowed many students to attend universities when they otherwise would have not been able to. In the words of Herbert Spencer, "the goal of education is not knowledge, but action." Students do not come to college so that they have laundry lists of quotes, statistics and fun facts to share with the world—we come to better our lives and our communities.

Yet, even after hearing all of these statistics, seeing all of the charts, and putting themselves into all these scenarios; the campus will look like Mardi Gras the next time we get a snow day or their professors let them out early from their dreaded 3 hour long class. I hope to change this sentiment, but as of now students remain the only consumers that actually want *less* for their money.

"Tuition & Fees." *ESU Redesign*. N.p., n.d. Web. 04 Dec. 2012.
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Cost of Education

Kevin Zelencic

The average price for a public four year college in 1985 was approximately five thousand dollars, with room and board. Now, it is marked at twenty-two thousand dollars. In the past year alone, it has risen 4.8 %. Economists say that this price will be constantly rising faster than inflation. The reason for this dramatic increase in price is because the government and states have cut the money they are giving to colleges by 17 %, a total of \$15.2 billion. The increase of 4.8 % only makes up about two thirds of that loss depending on what college you attend.

The average salary coming out of college is approximately \$45,000 if you can find a job. With an average price of college at \$22,000 and a four year plan, it will cost approximately \$90,000 without interest! If you save every penny with the new job, stay at home with your parents for another two years, then you can have your college paid off.

However, it does not work that way 99.9 % of the time. Obama, the president of the United States, just finished paying off his loans about eight years ago.

How at the age of 25 can you begin to even start saving for your house, bills, and children one day if you are still paying off your loans at the age of 40, let alone start saving for your children's education and everything else that comes with it?

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Real Estate Market Review for the Poconos (November)

Brandon Borgella

Over the past month, the real estate markets in the Poconos couldn't get any better. According to resources from The Pocono Mountains Real Estate Company, home sales have been up by 17% compared to November of 2011, and closed sales were up by 31% as well. Other sources from Remax of the Poconos reported that their home sales have been up 30% compared to November of 2011. Pending sales have been up by 26% and future business outlooks are starting to get better across our region. The average sales price for a home in the Poconos has dropped by 8%. The decline of property values is slowing, but there are some areas that are still seeing losses in their property values. Realtors are predicting that there will be a 1-3% adjustment in the first half of 2013, with a stabilization to increase even more by next years end. The amounts of homes that are for sale across the region have decreased by 7% from November 2011 to November 2012. The foreclosure rate across Monroe County has started to see a decrease as well.

National Real Estate Report

Brandon Borgella

The national real estate market across the country is soaring. According to The National Association of Home Builders/ First American Improving Market Index, the number of improving housing markets increased by 76% in December to a total of 201. This shows that the housing market and employment situations have improved for the past six months. The housing market is improving in areas that were hard hit by the housing crisis such as Atlanta, GA; Bloomington, IL; Seattle; and the Green Bay, Wisconsin area. Short sales played an important role in the market. A lot of home owners are going for more short sales than foreclosures. Pre-foreclosure sales across the country have been outnumbered by sales of the bank-owned properties. Pre-foreclosures sales have been up 22% in the third quarter of the real estate market and distressed sales have been up about 41%. Short sales have increased by 15% during the third quarter and Pre-foreclosure properties have been sold on average for about \$191,025.

The Local Economy

Dr. Constantinos Christofides

On November 26, 2012, the Bureau of Economic Analysis of the United States Department of Commerce released the latest information on personal income for states, counties, and metropolitan areas.

Monroe County's reported total personal income for 2011 was \$5,362 billion, measured in current dollars and not adjusted for inflation. The 2011 level of personal income represented a 3.7 % increase from 2010. Given the relatively stagnant population of Monroe County, the per capita income also increased by about 3.7 % at \$31,566.

The per capita income of Monroe County was one of the lowest in the state. In fact, Monroe ranked 56th in the state and its ranking has dramatically deteriorated since 2001 when it was ranked 26th.

The unemployment rate of Monroe County was also among the highest in the state at 9.2 % in September 2012, compared to the state average for all Pennsylvania counties which was 7.2 %.

The encouraging news is that the unemployment rate for 2012 appears to be lower than the 9.6 % of 2011 and the 9.7% of 2010.

"U.S. Economic Accounts." *U.S. Bureau of Economic Analysis (BEA)*. N.p., n.d. Web. 04 Dec. 2012. <<http://www.bea.gov/>>

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