

ECONOMICS & Business

Study Focuses on Economics of Race and Crime

There is a crisis in the African American community. Although blacks represent just 13 percent of the U.S. population, they account for about 45 percent of all state and federal prison inmates. Indeed, African Americans are more than seven times more likely than whites to be under the supervision of the criminal justice system.

Working with Howard Bodenhorn, associate professor, Veronica Hart '05, an economics & business and Spanish major, is looking back at Maryland history to determine whether and to what extent recent experience reflects the work of historical forces. Hart compiled data published in the annual reports of the Maryland state prison and the Baltimore county jail between 1828 and 1860. These sources reported the number of prisoners admitted to each institution by race, age, and sex. The compiled statistics show that African Americans, both slave and free, living in antebellum Maryland were imprisoned at about twice the rate of whites, much less than the 7-to-1 ratio observed today.

In the second part of the project, Hart investigated the link between the characteristics of a prisoner's criminal behavior, his or her personal characteristics, and the length of that prisoner's sentence. Hart notes that if white judges discriminated against black defendants, blacks should receive longer sentences than whites who commit comparable



Trustee Scholarship recipient Veronica Hart '05 is investigating the role of race in incarceration rates in antebellum Maryland with Howard Bodenhorn, associate professor.

crimes. She says that this did not happen. Race was not a significant determinant of sentence length.

Bodenhorn also notes a number of other interesting findings. He says that young violent offenders received longer sentences than older criminals, suggesting that judges and juries were as frightened by youth crime in the 1850s as they are today. They also found that nonviolent substance abusers typically

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Feuer '05 Receives Udall Scholarship

An enthusiastic environmental activist, Hart Feuer '05 is one of 80 students nationally to receive a Morris K. Udall Scholarship, part of a program set up by Congress in 1992 to honor Rep. Morris Udall's legacy of public service and commitment to environmental preservation.

Growing up in Oregon, Feuer became interested in environmental issues at a young age. He is president of Lafayette Environmental Awareness and Protection, a student organization that promotes environmental issues on campus and in the community. He has worked hard to increase recycling and environmental awareness on campus. Last summer, he battled wildfires in the forests of Oregon, working about 100 hours per week. The experience strengthened his commitment to the environment. "Thanks to a generation of artificially strict wildfire control, our forest floors are filled with thick layers of dead debris that increase the risk of fire ignition and intensify it once a fire has begun," he says. "Seeing acres of breathtaking forest blackened by an unnaturally strong fire prompted me to consider how interfering with nature ultimately affects us."

Feuer has a double major in German and economics and business. He is also a participant in the McKelvy House Scholars Program and spent last year studying in Germany, where he became involved with the international environmental movement Attac and helped translate numerous texts.

Feuer's career goal is to obtain a doctorate in development economics and become an economic adviser to developing nations, in order to bring about environmentally sustainable economic growth.

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Issues in the News

The Jobless Recovery

by Edward Gamber



The U.S. economy has been out of recession since November 2001, meaning that gross domestic product (GDP) has expanded for the past two years. So why do politicians and journalists continue to describe an economy in recession? The answer: while GDP has expanded, total employment has declined. The United States is experiencing a "jobless" recovery.

Compare the current recovery with previous experience. In 10 recessions since the end of World War II, employment began to rise immediately at the end of eight of them. Following the 1991 recession, however, employment remained flat. In 2001, employment actually declined.

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Faculty Mentor Honors Theses

During fall semester, seniors design honors projects by selecting topics, poring through literature, and collecting data. This year's thesis titles demonstrate that economics and business addresses a wide range of current issues, from medical care to sports to globalization. The only criteria for an honors project topic is that it take its subject seriously and look at the issue from a fresh perspective. When a project is well executed, professors learn as much from the exercise as students. Tentative titles and faculty advisers are:

"Medicaid Access: Factors Influencing Take-Up and Use among Easton Area Residents," **Christine Bender** with **Susan Averett**, professor.

"Do Technical Trading Rules Work: A Test of Foreign and Domestic Market Efficiency," **Paul Fischetti** with **Philip Shively**, assistant professor.

"Another Jobless Recovery: The Effects of Structural Change and Self-Employment on the U.S. Job Market," **Craig Livoti** with **Edward Gamber**, associate professor.

"The Effect of 162m on CEO Compensation," **Lisa Loray** with **Susan Averett**, professor.

"Contraction in Major League Baseball: An Examination of the Problems with the Business of Professional Baseball and Implications for Franchise Existences in the Future," **Chris Turano** with **Thomas Bruggink**, professor.

"Expansion/Relocation Model for NFL Franchises," **Doug Schiz** with **Thomas Bruggink**, professor.

"Has Increased Globalization Affected the Relative Strengths of Monetary and Fiscal Policy?" **David Watts** with **Edward Gamber**, associate professor.

"Capital Flows and Western European Market Integration," **Justas Stasiunas** with **Howard Bodenhorn**, associate professor. ■



For more stories on students in business and economics, see the web.

From the Department Head

With the opening of fall semester, I began my first year as head of the department and welcomed the bustling activity in the Simon Center, once again filled with eager students. We graduate about 100 majors each year, making us the largest department in terms of number of majors.

The ultimate goal of our department is to foster an intellectual and scholarly interaction among faculty and students that results in a deeper understanding of economics and business accompanied by a strong liberal arts focus. Thus, in addition to regular course work, faculty members interact with students in a variety of venues outside the classroom, many of which you will read about in this newsletter.

For example, this year for the first time we have students participating in the CollegeFed Challenge. We also have nearly a dozen students writing honors theses and many engaged in EXCEL research, internships, and independent study. Our student-led Investment Club continues to thrive and the CIRCLE Entrepreneurship Series is running strong with two lectures this fall.

As always, we keep our course offerings fresh, reflecting new directions in the discipline and new faculty interests. For example, we now offer a three-course series in economic history, a seminar in economic growth, a forecasting course, two new courses on the European Union, and a course on women in the economy. The *Lafayette College Catalog* is now online (www.lafayette.edu, click on "academics," at the top of the front page, then "course catalog") if you are interested in seeing how course offerings have changed.

In addition to teaching, our faculty continues its strong tradition of scholarly research and the EXCEL Scholars program allows us to collaborate with students on our research projects.

We welcome a new faculty member, David Stifel, and eagerly anticipate the return in January of Jerry Heavey, currently on leave in Australia. Mary Beckman, who has spent the past two years at Notre Dame, will return next fall. Congratulations to Rexford Ahene and Thomas Bruggink, who were promoted along with me to the rank of full professor.

We love to hear from alumni and hope you find this newsletter fun and informative. Please keep in touch.

Susan L. Averett



Chambers Becomes Alternative Analyst

Among the first to qualify as a chartered alternative investment analyst, **Don Chambers**, professor, has been involved in the development of study guides to assist future applicants for this newly created designation.

Alternative investments is a new and rapidly growing classification of investments that includes hedge funds, real estate, investment

trusts, private equity, and managed futures. Earning a designation requires passing two examinations. The Chartered Alternative Investment Analyst Program is administered by the CAIA Association (www.caia.org) and was developed to "promote and maintain professional standards for those employed or engaged in the alternative investments industry." ■

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Feuer Receives Scholarship

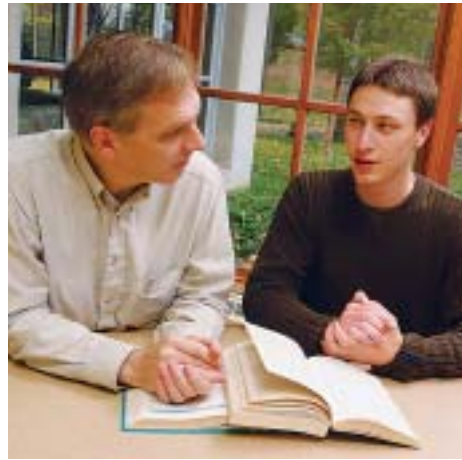
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Why did you choose economics and business as a major?

Although the traditional path of an economics major is tempting, my passions for environmental stewardship and the advancement of developing countries are the real driving forces behind my decision to pursue economics. My desire to see environmentally sustainable development take place in struggling countries can best be reached through wholesome economic motivation and not protest. The goals of environmentalists and economists are, in my belief, mutual in the long run, despite them being at odds in the short term, and I wish to spend the rest of my life making that potential into a reality.

What did you study in Germany? And how has your experience abroad enhanced your Lafayette education?

After having completed a rigorous German language and cultural preparation program at the Academy for International Education in Bonn, Germany, I entered the universities of Cologne and Bonn as a regular student. At first, this meant sitting in 500-person lecture halls and having rapid-fire German on the topics of macroeconomics and antitrust economics fly mercilessly over my head. I gradually adapted, became accustomed to the German, and passed those classes. At the



Don Chambers, Walter E. Hanson Professor of Economics, and Hart Feuer '05 discuss a debate at McKelvey House in which Chambers argued greed is good, and acting in one's self-interest serves a purpose in the economy.

same time, my internship at *Forum Umwelt und Entwicklung* (Forum for Environment and Development) began, where I was given the opportunity to work at a research-oriented non-government organization whose focus was primarily on environmental issues within the realm of development economics. I was able to bring home with me new research and study skills and valuable lessons about cultural differences on behavior, environment, the economy, and development.

What did you learn from the process of applying for an outside fellowship?

Writing down your goals, in general, is a difficult, yet life-readying task. Instead of all of these goals floating around in disarray, they are now down on paper somewhere, in, more or less, a concise format. For me, this presented both a drawback and advantage. The drawback was that I felt as if I was signing a contract detailing what I must do in my future. Although I don't want to admit it, the application made me firm up goals that I was not comfortable with. The advantage is that now I have gained direction and can actively work toward realizing a clear set of goals.

How has being a McKelvey scholar enhanced your educational experience?

While the McKelvey Scholar Program is not geared toward directly influencing one's learning in the traditional sense, it does provide a continual outlet for meditation, social commentary, and active discussion that serves to broaden and round out a student's education. With the right mix of members and an accomplished adviser [Owen McLeod, assistant professor of philosophy], the program can provide a communally comfortable and intellectually free environment that can foster a student's academic and philosophical development. ■

Students Compete in CollegeFed Challenge for First Time

A team from Lafayette competed for the first time November 17 in the College Fed Challenge, an academic competition that provides undergraduate students with an insider's view of how the Federal Open Market Committee of the Federal Reserve System conducts monetary policy. The competition is designed to promote a better understanding of the operations of a central bank, the forces influencing U.S. and international economic conditions, and the subtleties of monetary policy. The competition develops research, presentation, and critical-thinking skills, and promotes an interest in economics.

Students invited by the department to participate included Ing Chea Ang '04, Bill Bishop '05, Emily Fogelberg '05, Veronica Hart '05, Keith Helwig '05, Nicole Paquet '05, Magee Perini '05, Shree Sasikumar '05, Sam Schackman '05, Ben Wilmoth '05, and Katharine Wolchik '05. They did economic research, analyzing macroeconomic data in assessing the performance of the economy, and determining a specific course for monetary policy.

A five-member team made a 20-minute presentation at the Baltimore Branch of the Federal Reserve of Richmond. Following the presentation, judges questioned students about their presentation and assessed their knowledge of macroeconomic theory in an additional 15-minute session. Federal Reserve Bank economists and officers evaluated the performance of teams from 12 colleges in the region.

The competition was so intense that for the first time in the history of the CollegeFed Challenge, the judges were unable to make a final



Gordon L. Woelper Jr. (standing), senior manager of public affairs, Baltimore Branch of the Richmond Federal Reserve, discusses Federal Reserve decision-making practices with FedChallenge participants (from left) Bill Bishop '05, Shreedhar Sasikumar '05, and Keith Helwig '05.

determination at the end of the competition and had to review the videotapes of each team's performance the following day before selecting Loyola College as the winner. The competition gave students an exciting opportunity to apply concepts learned in the classroom.

Coaches were Vera Brusentsev, visiting assistant professor, James DeVault, associate professor, and Edward Gamber, associate professor. ■

Studying Government Paternalism and Economic Life in Jamaica



Trustee Scholarship recipient Emily Fogelberg '05 is examining the economic struggles of post-colonial Jamaica with Ute Schumacher, visiting assistant professor of economics and business.

Working under the guidance of Gladstone Hutchinson, dean of studies, and Ute Schumacher, visiting assistant professor, Emily Fogelberg '05 is studying the impact of government activism on liberty and economic life in post-independence Jamaica. Since gaining independence from England in 1962, Jamaica has failed to achieve any meaningful economic growth and development or to nurture any significant expansion in individual liberty. The Jamaican government has played a very active role in the country's economy in an effort to redress the harsh systemic

“Since gaining independence from England in 1962, Jamaica has failed to achieve any meaningful economic growth and development or to nurture any significant expansion in individual liberty.”



deprivations of early post-independence life and the lack of dynamism and entrepreneurship in the private sector.

Hutchinson, a native of Jamaica, served as a financial adviser to the Jamaican government 1996-98. Schumacher served as an adviser to the Jamaican prime minister during the same time period. The couple, who share a marriage as well as a research partnership, plan to write a book on the impact of government paternalism on liberty and economic life in Jamaica.

Fogelberg, a double major in economics & business and history, is investigating the possible link between Jamaica's colonial history, the evolution of government activism, and the country's persistent underdevelopment. She spent the past summer identifying and reviewing literature on colonial development and its legacy in Jamaica to establish the initial post-independence conditions. Now she is assisting with research on whether these conditions have created inertia in the country's social, political, and economic development that has inhibited subsequent economic growth.

Fogelberg will spend spring semester in Freiburg, Germany, studying, among other things, Germany's colonial history. She hopes to spend next summer in Tanzania, a former German colony, looking at that country's early postcolonial life. In her senior year, she plans to write an honors thesis that compares Tanzania's experience with Jamaica's in the hope of identifying ways in which systemic underdevelopment can best be addressed.

“I discovered that the conditions in the Jamaican economy are often a result of the colonial legacy, which prevented institutions that are conducive to economic growth from forming,” says Fogelberg. ■

Understanding U.S. Role in Global Trade

The U.S. role in global trade relations was the focus of an October brown-bag event, “Do the European Union and the United States Dictate the World Economy?” James DeVault, associate professor, moderated a discussion between Rexford Ahene, professor, and David Stifel, assistant professor, on the probable causes leading up to the walkout by 23 developing nations at the recent World Trade Organization talks and alternatives for the future. The event was sponsored by Lafayette Association of Fair Trade Advocates (LAFTA), Lafayette African and Caribbean Students Association, and Students for Social Justice.

While Ahene and Stifel, both development economists, agreed on the desired eventual outcome, they differed on how to reach it. Ahene, whose specialty is urban economics and real estate, recently served as land policy adviser for the government of Malawi. Funded by the World Bank, he designed a land-reform program for the country. Stifel, specializing in poverty and multi-dimensional welfare dynamics, recently worked on the Ilo Project in Madagascar, which is funded by USAID with the goal of improving the policy-making process.

“We hope that this brown bag fostered an awareness of the role that the United States in particular plays in global trade relations,” says LAFTA leader Martha Osier '06 of Nairobi, Kenya. ■

Effectiveness of Collaborative Learning

One of the functions of educational research is to determine the effectiveness of alternative learning methods. During a research leave this fall, Sheila Handy, assistant professor, is conducting an experiment in financial accounting (E&B 218) classes with the help of EXCEL Scholar Mark Torres '05. Students in two sections are completing homework assignments in groups, while those in the other two sections will complete assignments in the traditional manner, that is, working alone.

Students were assigned to the collaborative learning groups using Kolb's Learning Style Inventory, an instrument designed to assist individuals in identifying their preferred methods of learning. The effectiveness of collaborative learning will be measured by statistically comparing semester and final exam scores of the four sections. Handy plans to present the results of this research at the April meetings of the American Educational Research Association. ■

Farm Policy Tragedy at Cancun ■ by James DeVault

In November 2001, trade ministers from around the world met at Doha, Qatar, to discuss the fate of the global trading system. At this meeting, the participants agreed to launch a new round of multilateral trade negotiations that was subsequently dubbed the Doha Round. According to the declaration, the primary purpose was to eliminate or alter trade policies that adversely affected trade, particularly the trade of developing countries. The original timetable for the negotiations called for an agreement to be reached by December 2004.

While the Doha agenda incorporates a wide range of issues, probably the most important and controversial one involves farm subsidies and trade barriers currently used by the European Union, the United States, and other developed countries to protect their farmers. Farm policies of developed nations have pushed large surpluses on world markets and pulled down world prices for many agricultural products, making it difficult for farmers in developing countries to compete in global or domestic markets.

Since farming is the primary occupation of a majority of the population in most of the poorest developing countries, the inability to compete with subsidized farmers in developed countries has only further impoverished farmers in developing countries. Economic estimates suggest that European Union farm policies have cut African exports of milk products by 90 percent, livestock by 70 percent, and grains by almost 50 percent. Similarly, U.S. cotton farmers alone receive more in annual subsidies (\$3.4 billion) than

the U.S. provides to Africa in foreign aid.

Negotiations to eliminate or reduce the farm subsidies and agricultural trade barriers of developed countries, while ongoing, made little headway until summer 2003, when the United States and the European Union jointly developed a framework for liberalizing their farm policies. This framework set the stage for much broader negotiations at Cancun in September. These talks were viewed as a crucial step towards the completion of the Doha Round.

After three days of discussion, however, agreement could not be reached and the meeting collapsed. The primary sticking point was the insistence by a number of developing countries (including India, Brazil, and several African nations) that farm subsidies be addressed before other issues such as foreign investment and competition policies. The European Union, Japan, and several other industrial nations were unwilling to accept this formula, and the talks were cancelled.

The failure to reach an agreement implies that farmers in developed countries will continue to prosper at the expense of poor farmers in developing countries and taxpayers in developed countries. Failure to reach an agreement may also imperil the entire global trading system, which has grown dramatically as a result of a number of successful multilateral trade agreements reached over the last 50 years. It can only be hoped that developed countries will find the political will to liberalize farm policies before such an outcome occurs. ■

Alumnae Speak on Unique Experiences as Entrepreneurs

Four alumnae spoke at the spring semester CIRCLE Entrepreneurship Series. They were Francine Carb '80, founder, Main Line AlphaGraphics; Caroline Zimmerman '86, president, Foodtemp, the leading temporary agency for the food service industry; Shirley Blackall '72, owner, Blackall Associates, a company that produces collectible dolls; and Robin Wiessmann '75, former president, Artemis Capital, a national women-owned investment banking firm acquired by Dain Raucher, Inc. They described their companies and industries and the paths they took to business ownership.

The panel, moderated by Susan Averett, professor, provided an array of experiences including obstacles faced and overcome to reach their success.

On Nov. 11, Richard Dick Yuengling, president of D.G. Yuengling and Son, Pottsville, Pa., America's oldest brewery, spoke about intergenerational entrepreneurial ventures.

Charles (Chaz) Abrams '92, president, DELA Incorporated, spoke Sept. 23 about purchasing and managing a failing business, and making it successful by changing the product line as well as the middle

management team and sales force. At the end of the presentation, one student commented that he was gratified to know that Lafayette students could be as successful as Abrams has been. Two more lectures are planned for the spring.

Members of the 2003-04 CIRCLE committee are: Adrienne Stark '04, American Studies and economics and business; Matthew Guadagno '05, economics and business; Noah Payne '05, A.B. engineering; and Martin Lawlor '05, mathematics-economics. They are advised by Rosie Bukics, Jones Professor, and Sheila Handy, assistant professor. ■

Recent Faculty Publications

- Susan Averett, Edward Gamber, and Sheila Handy, "William E. Simon's Contribution to Tax Policy," *Atlantic Economic Journal* 31:3 (September 2003), 233-41.
- Howard Bodenhorn, "Short-Term Loans and Long-Term Relationships: Relationship Lending in Early America," *Journal of Money, Credit, and Banking* 35:4 (August 2003), 485-506.
- "Economic Scholarship at Elite Liberal Arts Colleges: A Citations Analysis with Rankings," *Journal of Economic Education* 34:4 (Fall 2003), 341-359.
- "E. H. Harriman" in Joel Mokyr (ed.), *Oxford Encyclopedia of Economic History* (Oxford University Press, 2003).
- Review of *Hamilton Unbound* (Praeger Press, 2001) by Robert E. Wright, EH.net Book Reviews (August 2003), <http://eh.net/bookreviews/library/0667.shtml>.
- Rosie Bukics, "Response to Change Is the Key," *Pennsylvania CPA Journal* Fall 2003, 2.
- Review of *Communication Land Mines! 18 Communication Catastrophes and How to Avoid Them* (Liberty Publishing Group, 2003) by Marty Clarke, *Pennsylvania CPA Journal*, Fall 2003, 21.
- Ute Schumacher and Gladstone Hutchinson, "William E. Simon's Capacities' Approach to Liberty: An Essay in Economic Citizenship," *Atlantic Economic Journal*, 31:3 (September 2003), 283-88. ■

Much-Deserved Recognition

An important part of academic scholarship is peer review, or having scientific research judged by informed outside readers. A journal's editorial board members typically read several dozen potential articles per year to select those sent out for further peer review. Performing this duty are Rosie Bukics, chair of the editorial board of *Pennsylvania CPA Journal*, Howard Bodenhorn, editorial board member of *Explorations in Economic History*, and Edward Gamber, editorial board member of *Eastern Economic Journal*. ■

Can the WNBA Survive? ■ by Thomas Bruggink

The Women's National Basketball Association championship game on Sept. 16 between the Detroit Shock and the LA Sparks was played before 22,076 fans, the largest attendance ever in the seven-year history of the WNBA. But when all the confetti finally settled on the floor of Detroit's Palace arena, league owners had to face the reality of yet another season of average per game attendance under 10,000.

Growth in attendance is crucial for the league's survival. While in earlier seasons the league was run as a single entity with the full financial backing of the men's National Basketball Association, in November 2002 the WNBA voted to change the business model to one of individual ownership. The new model may force teams to fold as they take over more operating expenses previously covered by the NBA.

The survival of this league will provide a test of the professional sports attraction: absolute quality versus relative quality. There is no doubt that the women's games are highly contested. The real issue is whether the absolute quality of play is sufficiently high to attract an audience large enough to make the league economically viable. Here the standard of absolute play becomes murky. Are women's sports interesting in ways that differ from men? In tennis and volleyball the women's game is more appealing to watch because the volleys are longer, and overwhelming power in a serve or a return is less frequent than the men's games. But there is no counterpart to this in basketball.

Are elite women athletes interesting in ways that differ from men? They play a less selfish game than men. They are encouraged to be more fan-friendly, posing for pictures

before and after games. The marketing campaigns are also more family-friendly than the men's game, and, perhaps more importantly, the tickets cost less than half the men's and with available seats the prospect of the whole family going is actually plausible. The women are more publicly involved with women's health issues such as breast cancer awareness (WNBA Breast Health Initiative). The WNBA players do not receive salaries high enough to divert the public's attention from the sport itself. But is this enough to have a league of their own?

With attendance flattening out at less than 10,000 per game, the prospects for building attendance are uncertain. If the league dropped low-attendance teams, the attendance per game would rise, not only because the weak-drawing teams are gone, but also because the quality of play for the remaining teams would significantly improve after the

dispersal draft (e.g., more frequent appearances by All-Pro players). Unfortunately, the league is thinking in the other direction as WNBA commissioner Val Ackerman expresses hope for an expansion team in San Francisco.

Is there any reason for optimism? Fortunately, yes. Attendance at women's college games continues to grow annually as well as the television ratings for women's Final Four. The college draft has been the source of some recognizable players recently (e.g., Sue Bird), with more on the way. But the league should also consider further contraction. This will move each team to a higher level of absolute ability while increasing the drama on the floor as well. ■

Excerpted from "Building Attendance in the Women's National Basketball Association," presented July 2003 at the Western Economic Association meetings, Denver.



Bruggink's enthusiasm for the economics analysis of sports is infectious. He currently teaches a class on the economics of sports and is supervising two sports-related honor theses. Doug Schiz '04 is modeling expansion and relocation decisions for National Football League teams, while Chris Turano '04 is examining the potential effects of contraction in Major League Baseball. It will be interesting to see if the students' conclusions for the NFL and MLB mirror Bruggink's for the WNBA.



For more stories about faculty and students, go to Lafayette's home page and click on "academics" at the top of the page, then "departments and majors," then "economics & business."

Study Focuses on Economics of Race and Crime

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received shorter sentences. The practice of sentencing drug users to longer sentences seems to be a modern phenomenon, and one that falls disproportionately on poor, black offenders. Perhaps the most interesting detail uncovered in their research was the case of a 55-year-old farmer who received a 10-year sentence for selling copies of *Uncle Tom's Cabin*. "This single case," says Bodenhorn, "forced Veronica to recognize that crime is socially defined and constantly changing, sometimes in response to economic incentives, sometimes not."

Hart says "the research with Professor Bodenhorn is helping me examine economic

issues within a social and historical context. We're taking theories I learned from textbooks and applying them to real world issues." Bodenhorn also notes the connection between classroom and research. "Our collaborative research," he says, "shows Veronica that the material we teach in the classroom matters and that understanding comes only with effort and diligence."

Bodenhorn presented the results of their work in September at a faculty seminar at Saint Lawrence University, and their article will soon be published by the National Bureau of Economic Research, Cambridge, Mass., where Bodenhorn is a research associate. ■

Investment Club Plans for 2003-04

Officers of the Investment Club for 2003-04 are **Matthew Maiorino '04**, president, **Matthew Guadagno '05**, vice president, **Jeromie Ballreich '06**, treasurer, and **David Mitchell '05**, secretary. **Philip Shively**, assistant professor, is faculty adviser.

Maiorino reports that the portfolio is currently worth approximately \$250,000 and that the club is looking to become fully invested and not maintain any cash position. They are also concerned with maintaining a diverse group of stocks, as the portfolio has been very tech heavy in the past. They plan to make a fall and spring trip this year, both offering members a learning experience and an opportunity to network. ■

The Jobless Recovery

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Recessions Now and Then

What made 1991 and 2001 different? In a recent article, Federal Reserve Bank of New York economists Erica Groshen and Simon Potter investigate whether structural or long-term and permanent job losses in certain industries are leading to the changing nature of recovery. In most pre-1991 recessions, job losses were mainly cyclical or temporary. Companies laid off workers during periods of slack demand and rehired them once demand recovered. In the past three years, however, workers in telecommunications, electronic equipment, and brokerage were laid off even as GDP expanded. Workers laid off from these industries must relocate or retrain for work in different sectors. Because relocation and retraining take time, structural unemployment responds less quickly than cyclical unemployment to increasing GDP.

Groshen and Potter provide three possible explanations for the recent jobless recovery. First, telecommunications, electronic equipment, and brokerage may be experiencing continued decline because they overexpanded during the late-1990s boom. Second, improvements in monetary and fiscal policy have reduced cyclical fluctuations so that recessions are now driven by long-run structural changes more so than short-run cyclical fluctuations. And, third, the jobless recovery may be the result of firms' adopting labor-saving technologies that allow them to increase output without adding workers.

Is this Recovery Really Jobless?

The evidence and analysis provided above seem convincing. But is it? Economic



“The low cost and increased accessibility of computer technology has made it easier for people who have been laid off to establish their own firms.”

interpretations of events are only as good as the available data, and there is a basic inconsistency in the employment data.

Each month the Bureau of Labor Statistics conducts two surveys to determine overall employment levels and trends. In one survey, the BLS surveys business establishments, asking them how many jobs they added or

eliminated. A second survey of households determines who is working and who is not. In theory the results of the two surveys should match, but they rarely do. The household survey includes people who are self-employed or who work for newly established firms. The establishment survey does not include the self-employed, and it takes time for newly established businesses to be included. In the early stages of an economic recovery, there is typically a sharp increase in the number of self-employed and those working for newly established firms. In the current recovery, the discrepancy between the establishment and household surveys are pronounced. According to the most recent establishment survey, employment has declined by 463,000 jobs since the end of the recession. But according to the household survey, employment has increased by 313,000 jobs in the same period.

How to interpret the discrepancies between the two surveys is not clear, but it is clear that something has changed in the way the economy creates jobs following recessions. The structural changes described by Groshen and Potter are relevant even if the establishment survey does not fully account for self-employment and newly created firms. The other important lesson is that job creation in recoveries may have changed in a way that now favors self-employment and start-up firms. Perhaps the low cost and increased accessibility of computer technology has made it easier for people who have been laid off to establish their own firms. In the end, policymakers need to be aware that their success in taming the business cycle may have changed the fundamental nature of recessions and recoveries. Solving them may require a new set of tools as well. ■

Mutton Joins Department as Secretary



With 16 years of experience in the insurance industry, Lisa Mutton has joined the department as secretary. She has worked in both customer service and as a manager, most recently with CIGNA insurance. In addition to her secretarial duties, Lisa will act as department webmaster and help faculty members maintain and update their own web pages including posting their research, course materials, and other relevant information. If alumni or students would like to see something specific on the web site, please contact Lisa or Susan Averett, professor. ■

Stifel and Reilly Join Faculty

With research interests related to international poverty and development, David Stifel joined the department this August as assistant professor of economics and business. Michael E. Reilly is a visiting assistant professor this year.

Stifel comes to Lafayette from Cornell University where he was a research associate in the Food and Nutrition Policy Program and visiting lecturer in the economics department. He was born in Thailand where he lived for nine years before moving to Princeton, N.J. Upon completion of his bachelor's at Colgate University in 1988, he spent a year studying Chinese in Taichung, Taiwan. After receiving a master's in China Studies from



Michael E. Reilly, visiting assistant professor, and Katie Brown '04 prepare for class.



David Stifel, assistant professor, and Stephen Malloy '06 discuss a class assignment.

Johns Hopkins University School for Advanced International Studies in 1991, he was a research associate at Thailand Development Research Institute, Bangkok, for three years.

Stifel received his Ph.D. from Cornell University in 2000. He is teaching Intermediate Macroeconomics and International Finance and Economic Development. He is currently analyzing the social impacts of various poverty reduction strategies in Madagascar (where he lived in 2000-01).

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