

# on the *Margin*

June 2005 • vol. 11 no. 1 a Newsletter for ECU Economics Graduates

## A View from the Chair



Dear Econ Alumni!

As my second year at ECU comes to a close, I am struck by the great changes that have taken place in just those two brief years. The University has a new Chancellor, new Athletic Director, new football and basketball coaches, several new Vice Chancellors and other top administrators, including a new Provost for Academic Affairs. And your College of Arts and Sciences<sup>1</sup> -- now Harriot College -- also has a new Dean, replacing Dr. W. Keats Sparrow who has served as Dean of the College for 15 years. He is Dr. Alan White, a native of North Carolina with both undergraduate and graduate degrees from UNC Chapel Hill, who has spent most of his academic career at North Dakota State University, including the last 5 years as a college dean. Your Economics Department, however, is beginning to settle down after several years of rapid turnover of faculty, with seven of your former teachers having left, to be replaced by six new hires to date. You can see our current lineup, built on a core of

seven of your former professors, below in this newsletter.

The Department continues an applied, practical focus in most of its teaching and research, and remains committed to providing our students the kind of education and training that will support their career aspirations, whether in an immediate job or in further education toward a career objective. Thus we continue to develop our three 'flavors' of economics degree: the traditional Bachelor of Arts, the practical Bachelor of Science (Applied Concentration), and the Bachelor of Science (Quantitative Concentration) that prepares for advanced graduate study. And our faculty, through its research, is earning increasing recognition throughout the profession, which increases the value of the degrees that you have received from ECU as well as the opportunities that our students will have on graduation.

We, however, would very much like to hear your opinion on these issues. What did you find most valuable in your economics education? What should have, could have, been better? How can we improve our program, and the value that it brings to your careers? And how can we get you actively involved in helping us provide an improved educational experience, and improved opportunities, for our students?

Below, you will find a number of items, most familiar but some new, about the life of the Department and its students over the past year. One new item deals with our alumni support group, the Economics Department Advancement Council, which after only one year has begun to have a significant impact on the life of the Department. We are also

introducing a new "content" column on economic prediction written by Professor Phil Rothman, whose course on econometrics most of you have taken, and an article on a field experiment conducted by several of our faculty last fall. And we, of course, continue to cover graduation, awards, and "Milestones", as well as providing a column on the graduate program (a growing number of you have received our Master of Science in Applied and Resource Economics), new faculty profiles, and Professor Parker's popular, if sometimes controversial, "Macro Corner."

Please let us know what you think! Indeed, this is **your** newsletter, and it should reflect your interests and needs. We welcome all input -- comments, announcements, discussion, letters -- that you might want to submit, and any involvement/help that those of you living nearby might be able to provide. We look forward each year to this opportunity to keep in touch with you. Let us know how you are doing, anything you would like to share with your fellow alumni, and how we might improve on the educational experience that we provide to your successors, our economics students.

Richard E. Ericson  
Chair, Department of Economics

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## Alumni Contact

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<sup>1</sup> The successor to the School of Business as home to Economics, from which many of you got your degrees.

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## Advancement Council Notes ...

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The Harriot College Department of Economics Advancement Council launched an active and ambitious program in support of the primary mission of the Economics Department – providing superior training and an outstanding educational experience to our students. Under the leadership of its founding Chairman, Mr. John Osborne (1969), the Council sponsored four academic and social events, and funded two scholarship awards for the students of the Economics Department.

The four Advancement Council events were:

- Dinner and round table discussion at Chico's for Economic Society members – January 20;
- Inaugural of the Advancement Council Lectures: Mr. Julio Zuniga and Mr. Philip Turner of CitiGroup – February 24;
- Lecture to a Money and Banking class by Mr. John Osborne – March 22;
- Advancement Council – Economics Society 2<sup>nd</sup> Annual Golf and Dinner function at Ironwood Country Club – April 21.

The Advancement Council has agreed to fund three annual awards to encourage scholarship among economics students:

- Supplement the “Student of the Year” graduating senior award with a \$150 check;
- Provide a \$500 tuition scholarship to the outstanding economics major at the end of their Junior year;
- Provide a \$250 prize for the best economics paper written by an undergraduate during the academic year.

The first two awards were made this year (2005):

- “Student of the Year” – Mr. Alan Tripp;

- “Outstanding Junior” – Ms. Theresa Clark;

The third will be first awarded next year, following a fall announcement of the competition for best paper.

We hope to continue all these activities in the future, and indeed expand our efforts to enrich the educational experience of economics students. But to do so, we need your, our alumni's, active support through both participation and financial contribution. To continue and expand these, and other new, activities for the benefit of our students, donations of any size are both needed and appreciated. Please make your checks payable to the Harriot College Economics Department and send them to Department of Economics, Brewster A-427, East Carolina University, Greenville, NC 27858-4353.



*Scott Shook*

As a final note, Mr. John Osborne is concluding his year of dedicated service as Chairman of the Advancement Council, but will remain active in all its current and future undertakings. He will be succeeded in the Chair by Mr. Scott Shook (1993), who has been active in the affairs of the Council throughout the year. Mr. Martin Leary, who was most responsible for securing our first Advancement Council lecturers, Mr. Zuniga and Mr. Turner, is also continuing as an active member of the Council.

The Council could use more active members like these. If you are interested in becoming involved, please send a letter to Dr. Richard Ericson, Chairman, Economics Department, Brewster A-427, East Carolina University, Greenville, NC 27858-4353, letting us know of your interest. You may also contact him by email: [ericsonr@mail.ecu.edu](mailto:ericsonr@mail.ecu.edu)

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## NEWSNOTES

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- The Harriot College **Center for Natural Hazards Mitigation Research** was established under the leadership of Dr. Jamie Kruse, a new member of our Department.
- The Department has received funding for, and established, an **Experimental Economics Mobile Instructional Lab**. This consists of a server and 25 laptops that can be brought into the classroom to run economic experiments in order to enhance instruction provided on the topic of the experiment (e.g. market price determination in varying competitive and risk environments). It will be actively used in classrooms in the coming year.
- Four visiting economists spoke in the Department Seminar Series: Dr. Anil Kumar (Dallas Federal Reserve Bank); Dr. Seth Giertz (Congressional Budget Office); Dr. Dan Sutter (University of Oklahoma); Dr. Matt Holt (NC State).
- Economics faculty members published 15 articles in scholarly journals, six chapters in edited volumes, two book reviews, and edited one book that was published this year. Department members made 26 presentations at scholarly conferences.

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## GRADUATION

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Fifty one undergraduates and fifteen graduate students were recognized for completing their degree requirements.

- **Alan Tripp** received the *Student of the Year* award.
- **Dr. Lester Zeager** was selected as the *Outstanding Faculty Member for 2004-2005*.

### BA/BS Graduates

Mark W. Alexander  
Eric L. Baker  
Christopher S. Bass  
Branning M. Bedsole  
Eric A. Binder  
Kevin T. Boyle  
Matthew G. Brooks  
Brett C. Carraway  
Byron A. Claphan  
Frederick M. Clark  
Darrus K. Cofield  
J. Lane Crouch, Jr.  
Caroline N. Davis  
Aida Dumpor  
Paul D. Evans  
Christopher N. Flack  
Franklin P. Floyd  
Daniel S. Gettis  
William E. Ginn  
Kenneth M. Gray  
Logan E. Griffith  
Matthew J. Groomes  
Matthew D. Haeck  
Tom P. Harris III  
Jerrod A. Holdebrandt  
Mary E. Horner  
Philip R. Houston, Jr.  
Briana C. Huthwaite  
Kent D. Johnson  
Brian E. Key  
Andrew L. Leiva  
Christopher D. Lewellen  
John G. Maury  
Jordan E. McClamrock  
Richard E. McGreevy  
Kristen N. Moss  
Karon R. Owens  
Chad R. Rickman  
Hilarie A. Rodenhizer  
Edward W. Rouse, Jr.  
Michael J. Shaw  
Daniel A. Sievers  
Brittaney L. Smith  
D. Patrick Squires  
Alan T. Tripp  
Christopher C. Wetmore  
Johnny Q. Wehmann  
Shannon E. Wetter  
M. Nicole Winston  
Jeffrey F. Woodall  
Benjamin D. Zeigler

### 2005 MS Graduates

Chad J. Aron  
Suzanne K. Cotty  
Todd A. Hales  
Jee W. Hwang  
Dillon Liu  
Li Liu  
Sidney R. Mullis

Jeffrey D. Poole  
Fang (Frances) Qian  
Martin L. Simmons  
Pooja R. Sinsinwar  
Puneet Vatsa  
Andrew M. White  
Chu-yuan (Rachel) Yu  
Hui (Maggie) Zhi

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## MILESTONES

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- Dr. Haiyong Liu and Sharon Wang are proud to announce the birth of their first daughter, Stacey Changran Liu (10 lbs, 2 oz, 21 inches), on July 2<sup>nd</sup>, 2004 at 6:58 pm.
- Dr. Marc Fusaro and wife, Sherri, were blessed with the birth of their first child, Anthony Alexander Fusaro on June 16<sup>th</sup>, 2005, at 8:40 a.m.
- Sally Baxter has retired after almost 20 years of teaching Principles of Economics, both Micro and Macro, as a Visiting Instructor in the Department. Over 7,500 students passed through her classes since 1984! We wish her all the best in her travels and endeavors.
- Dr. Vera Tabakova is joining the Department as a Visiting Professor. She received her Ph.D. from Louisiana State University in May 2005. She is a specialist in econometrics, industrial organization and international economics, and defended her dissertation, "Risk Properties of a Stein-like Estimator for Multinomial Choice Models" in December 2004.
- Dr. Marc Fusaro, Assistant Professor who joined the Department this year, also defended his dissertation, "Check Bouncing Goes Mainstream: An Empirical Study of Bounce Protection Programs," on December 17<sup>th</sup>, 2004, receiving his Ph.D. from Northwestern University on December 29<sup>th</sup>, 2004.
- Dr. Philip Rothman has been promoted from Associate Professor to Professor, effective 22<sup>nd</sup> August 2005. He has been in the Economics Dept. at ECU since August 1992, becoming Associate Professor in 1998.
- Three former students taught sections of Principles of Economics in the Spring 2005 Semester: Sandra Grigg (MBA '04) taught Macro; Paul Hindsley (MS '02) taught Micro; River Pinkham (MS '04) taught Macro.
- The *David Lane Anderson Memorial Scholarship* made its final disbursement this year to Mr. Alan Thomas Tripp.
- The accelerated Integrated Undergraduate/Graduate Degree Program in Applied Economics accepted its first student this year: Mr. Alan Tripp. Mr. Tripp will complete his MS next year.
- The inaugural Advancement Council Lecture took place on February 24<sup>th</sup>, 2005, in the Rivers Auditorium, at 7pm. Mr. Julio Zuniga and Mr. Phillip Turner spoke on "International Banking, Finance, and Audit."
- The second *Annual Advancement Council Golf Tourney and Dinner* took place on April 21<sup>st</sup>, 2005, at the Ironwood Country Club in Greenville.

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## Macro Corner 2005

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by Dr. Randy Parker

A funny thing happened in October and 99.99% of the world missed it. The Nobel Prize in economics was awarded to Edward C. Prescott and his long-time co-author Finn Kydland. What's so funny about that? Prescott is talking seriously about higher taxes. And the real knee slapper is that Prescott is not talking about raising taxes, but rather how damaging higher

*Continued on Page 4*

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**Macro Corner - continued**

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tax rates are. America and the world yawned and changed the channel. This is a serious mistake and here's why. In an important line of research, Prescott examined the labor market choices of Americans versus Europeans. One question that kept popping up from the data was "Why do Americans work so much more than Europeans?" The statistics show Americans aged 15-64 on a per-person basis work about 50% more than the French. Cultural factors can't explain this. Moreover, the result persists when institutional factors are controlled for. The over-riding explanatory variable is the difference in tax rates between the U.S. and France. If you look back at the data from the early 1970s, when French workers were taxed at equal levels with U.S. workers, French labor supply behaved as it did here in the U.S. Fast forward 30 years and apply the current higher tax rates on French labor and guess what? Our friends the French decided to drop out of market-based productive economic pursuits. Similar results hold for other European countries, Japan and Chile.

What's the upshot? Labor market supply decisions depend crucially on the return to those efforts. Said differently, work effort and income generation activities depend on what the marginal tax rate is. Since (not if) this is so, then it is a fallacy to think funding shortfalls can always be remedied with higher tax rates. Tax revenues are the product of the tax base (income) multiplied by the tax rate. If you raise the rate but the tax base falls by a greater percentage, revenues decline.

So, think we can fix social security with higher taxes? Not so fast says Prescott. People may opt out of the labor market and give you lower revenues instead. Don't think this could not happen. How much money do

you think would be in Washington if we took tax policy back to where it was before Ronald Reagan? The top marginal rate then (1979) was 70% for single people with incomes above \$100,000 (\$250,000 in today's dollars). Would work effort be what it is today under those tax rates? Not a chance. Would revenues be higher? This has even less of a chance. Tax rates matter and they matter a great deal. Which direction they go matters even more. Let's just cut to the chase. The Tax Reform Act of 1986 was economic policy brilliance where we had two rates 15% and 28%. Widen the tax base and lower the marginal rate and watch the economy grow. Ever since then people have thought they could improve on that, to our economic detriment.

Lastly, why is an income of \$200,000 the magic number to make one "rich" and therefore the prime target for additional confiscatory taxation and paying your "fair share?" Sounds like two successful professionals with three kids, two cars, an orthodontist bill that would stagger a sober man, a home and three college savings accounts to fund. Congratulations, you are the "bad guys" and they're coming after you. Prescott suggests you have a labor supply response that makes both parties worse off (that is, higher taxes, less work effort and thereby lower tax revenues). Any policy that makes both parties worse off needs to be reconsidered ..... and then buried with a shovel. Thereafter, while we are at it ..... go ahead and bury the shovel.

Hope this finds each and every one of you well.

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**Field Experiment on Charitable Fundraising**

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by Dr. Craig Landry

While Adam Smith was perhaps the first to realize that

competitive markets could result in efficient outcomes (i.e. outcomes that are not wasteful with regard to societies scarce resources), a certain class of markets has drawn considerable attention from economists for decades — those associated with public goods. Public goods differ from typical markets goods (or private goods) in that they can be freely consumed by any member of society without a reduction in their overall availability for other members of society. Common examples include national defense, environmental quality, and information.

A chief problem in providing public goods is that even those who do not pay for such goods benefit from their provision, a behavior known as "free riding." Since those that do not pay may still benefit from the supply of others, public goods will be underprovided. As an example, you might imagine what the U.S. military might consist of if it was funded solely by individual contributions. We would likely have a much smaller military because initial contributions benefit everyone, and thus subsequent contributors will not ante up their true value for the military. We call this market failure, and it provides a gateway for government intervention in markets. Governments can tax citizens and supply the good themselves, though the question of the level of provision still remains (i.e. how big should the military be?).

Another option is for private provision of public goods via charitable organizations. In 2003, more than \$240 billion — exceeding 2 percent of U.S. GDP — was contributed to American charitable organizations. However, charities still suffer from the free rider problem. Since the output of charities potentially benefits all in society, free riding still

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## Profile of a Prof

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**Full Name:** Marc Anthony Fusaro

**Place of Birth:** Schenectady, NY

**Marital Status:** Married to Sherri

**Children:** Baby Boy Anthony

**Brother:** Younger Brother Scott

**Educational Background:**  
Ph. D. Northwestern University,  
Department of Economics  
BS University of Scranton,  
Economics and Math

**What words come to mind when you look in the mirror?**  
My wife married that?

**Pets:** Two cats, Tina and Pebbles

**Favorite childhood memory:**  
Summer Camp at Goose Pond

**Books or magazines you are currently reading:**

**Book:** The Godfather Returns  
**Magazine:** Discover

**Favorite movie:**  
007 or Anything by Kevin Smith

**Favorite television shows:** 24

**Favorite song:**  
30,000 Pounds of Bananas

**Favorite musical performer:**  
The janitor in Brewster to whistles while she works

**Hot topic you couldn't care less about:** Scott Peterson, Michael Jackson, or Robert Blake

**What your friends say about you behind your back:** Who put that "Kick Me" sign there?

**Hobbies:** Backpacking, Biking, Camping, Walking, Anything Outdoors, Woodworking, Reading, Logic Puzzles, Visiting

National Parks and Solo Synchronized Swimming

**Strangest job you have ever held:**  
Mayor for a day

**What makes you laugh?**  
South Park and Sherri

**Favorite meal:**  
Pasta with Nana's marinara sauce

**Least liked food:**  
Chocolate cake and ice cream

**When you want to get away from it all, where do you go?**  
the woods

**Favorite way to splurge:**  
A \$20 bottle of wine

**Favorite item of clothing:**  
Polka dot boxers with a big yellow smiley face on the front.

**Best present you ever received:**  
A cuckoo clock

**What one moment in your life would you like to do over again?**  
8:37:26 pm to 8:38:56 pm  
October 22<sup>nd</sup>, 1994.

**One thing you would never do:**  
Live in New York

**Secret Ambition:**  
The same thing we do every day, Pinky, try to take over the world

**One thing you can't resist:**  
Buffalo wings

**Achievement of which you are most proud:** Eagle Scout

**Pet peeve:** The beep made by those damn walkie-talkie phones

**Favorite way to blow off steam:**  
I do not have steam.

**Most valuable lesson you've learned so far:** The pasta sauce will be bitter if you put oregano in too early. Thank you, Nana.

**Person you'd give the most to meet:** Ben Franklin

**One thing you do better than anyone else:** Pet Tina the cat in just the right place – Everyone is the tops to their pet.

**One thing you've never been able to do:** Reach the top cupboard

**What gives you the creeps?**  
The percentage of voters who do not understand basic economics

**Best advice your father ever gave you:** "Maybe you should think about majoring in economics, Marc"

**One thing you would change about yourself:** My height

**People who knew you in high school thought you were:**  
A geek (they were/are right)

**Who would you like to trade places with for a day?**  
Larry Summers

**Personal Strength:** Perspective

**What would be your perfect evening?**  
The campfire had just gotten to the point of perfect coals. The meat has been marinating for 48 hours. I cook the perfect meal in the Dutch oven and open a bottle of wine – with my Swiss army knife. Sherri and Anthony love the meal. We stand on the ridge as the sun drops below the next mountain, the stars come out, the campfire dies slowly.



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## Profile of a Prof

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**Full Name:** Andrew Grodner

**Nicknames:** Andy

**Place of Birth:** Warsaw, Poland

**Marital Status:** Single

**Children:** None

**Brothers and Sisters:** None

**Educational Background:** PhD  
in Economics

**What words come to mind  
when you look in the mirror?**  
Nice beard :-).

**Pets:** Had a Labrador Retriever  
few years back and absolutely  
loved it.

**Favorite childhood memory:**  
Annual vacations outside  
Warsaw without parents.

**Books or magazines you are  
currently reading:** **Book**  
**Magazine:** Newsweek.

**Favorite movie:** A Beautiful  
Mind

**Favorite television shows:**  
Nova

**Favorite song:** Crazy, Bring it  
On (Seal).

**Hot topic you couldn't care  
less about:** Super Bowl.

**What your friends say about  
you behind your back:**  
"Different" but loyal and  
reliable.

**Hobbies:** tennis, windsurfing,

**Strangest job you have ever  
held:**  
Life guard.

**What makes you laugh?**  
Parodies of Kung-Fu movies.

**Favorite meal:** Chicken  
Broccoli

**Least liked food:** Jalapeno  
peppers

**When you want to get away  
from it all, where do you go?**  
Movies.

**Favorite way to splurge:** buy a  
new electronic gadget.

**Favorite item of clothing:** Flap  
hat.

**Best present you ever received:**  
Atari Computer.

**What one moment in your life  
would you like to do over  
again?** Travel north of Scotland.

**One little-known fact about  
you:**  
I sailed all the way from Britain  
to Poland on a small yacht with a  
few friends.

**One thing you would never do:**  
Take part in eating competition.

**Secret Ambition:**  
Fly a helicopter.

**One thing you can't resist:**  
Tennis practice with a friend.

**Achievement of which you are  
most proud:** Climbing Mt.  
Washington in one day.

**Pet peeve:** lack of time.

**Favorite way to blow off  
steam:** playing sports.

**Most valuable lesson you've  
learned so far:** Never give up  
and keep on trying.

**Person you'd give the most to  
meet:** Albert Einstein.

**One thing you do better than  
anyone else:** Wondering.

**One thing you've never been  
able to do:** Beat a tennis pro.

**What gives you the creeps?** A  
Hornet.

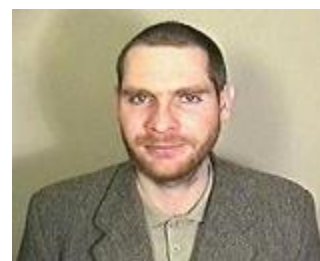
**Best advice your father ever  
gave you:** Never prejudice  
people.

**One thing you would change  
about yourself:** A spine.

**Personal Strength:** Persistence.

**Personal Weakness:** Hard to  
cash on a win (like on stock  
market trade).

**What would be your perfect  
evening?** A dancing night with  
couple of good friends.



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## Major Supporters in 2004-2005

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The Harriot College Department  
of Economics is most grateful to  
the following alumni who made  
substantial contributions to the  
department during the 2004-5  
academic year:

--Mr. Ryan Parker Alkove  
--Mr. Charles Robert Franklin  
--Mr. F. Martin Leary  
--Mr. Leroy Lamont Martin  
--Mr. John Wright Osborne  
--Mr. Scott Montgomery Shook  
--Mr. Clyde Lawrence  
Yarbrough, III

Their support, as well as the  
financial contributions of dozens  
of other alumni, have been  
critical for the activities the  
department has been able to  
provide for its students this year.

We thank you all!

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### *Field Experiment of Charitable Fundraising – continued*

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occurs. Given the inefficiencies associated with government, economists have been intensely interested in mechanisms to increase contributions to charities.

With colleagues from the University of Maryland and the University of Nevada, Professors Craig Landry and Nicolas Rupp conducted a field experiment to examine incentives for charitable contributions. Experimental economics is a fairly new method of economic study that makes use of real economic behavior to test theory. Many of the early economic experiments were conducted in the laboratory, using students and real money payoffs. Recently, there has been a push to extend economics experiments to naturally occurring economic environments.

The project undertaken by Drs. Landry and Rupp made use of a door-to-door fundraising campaign for a new academic research center in eastern North Carolina — the Center for Natural Hazards Mitigation Research. This research center will provide information and research on hurricane and flooding hazards that will benefit all households in eastern North Carolina. This information is a public good.

The project made use of paid student volunteers who approached nearly 5000 households in Pitt County to solicit contributions for the Hazard Center. The households were randomly divided into four experimental treatments to test whether predictions from economic theory regarding incentives for charitable contributions would hold up when households made actual charitable contribution decisions. The baseline treatment was a voluntary contribution to the hazard center. This type of situation obviously suffers from

the free-rider problems, because any household can simply contribute zero dollars, but benefit from the contributions of other households.

The three other treatments included using a “seed money” treatment in which a \$1000 donation from an anonymous individual was publicized to serve as a signal of a high quality charitable organization, and using two different charitable raffles, the first awarding one \$1000 prize and the other awarding four \$250 prizes. Economic theory predicts that lotteries will raise more money because competition for the prizes compensates for the free rider effect.

Empirical results from the field experiment suggest that in gross terms, lotteries raise considerably more money than voluntary contributions, with and without seed money. This result was not driven by higher average contributions, but, rather, largely by greater participation rates in the lotteries — the lotteries increased participation rates by roughly 100%. This finding highlights a potential “double-dividend” of using lotteries to raise money for the private provision of public goods: not only is more money collected through lotteries, but a larger pool of active donors (i.e., “warm list”) is secured.

In order to control for solicitor effects, detailed data were gathered on each solicitor. Such controls are necessary, as solicitors play a major role in encouraging contributions and one might expect that confidence, experience, and appearance have an effect on household contributions. The findings of this project suggest that a one standard deviation increase in female solicitor physical attractiveness has a large positive effect on average donations. Moreover, the effect was similar in magnitude to that of the lottery incentive —

personally attractive women elicit contributions from agents who would otherwise elect not to contribute.

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### **“GDP Forecast”**

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**by Dr. Phil Rothman**

If you are reading this article, chances are good that you took a course in econometrics (from me) and you remember that, among other things, econometrics can be used to forecast the future values of economic variables. In the first installment of what I hope will become a regular feature of the *Alumni Newsletter*, below I offer some numerical specifics on an econometrics exercise I carried out to produce a forecast of the value of real GDP for the U.S. economy in the fourth quarter of 2005. This is the type of exercise you might be asked to do as an economic consultant or economist employed in, for example, a bank or other type of financial firm, electric utility, or manufacturing company; it’s a small piece of the kind of critical information businesses depend on for success.

Forecasting with an econometric model estimated using only past values of GDP, my “point estimate” of U.S. real GDP in 2005:Q4 is \$11,332.899 billion (in 2000 dollars). Further, my 95% “interval forecast” has an upper bound of \$11,605.910 billion and a lower bound of \$11,059.899, i.e., according to the model, the probability is 95% that the actual value of real GDP in 2005:Q4 will be in this range.

In your study of economics at ECU, you no doubt learned of the importance of oil prices for the macroeconomy (and the behavior of oil prices over the past couple years has perhaps reminded you of this relationship). To help evaluate how conditioning on oil prices

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**“GDP Forecast” – continued**

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might change my forecast, in another exercise I used past values of both real GDP and the Producer Price Index (PPI) for energy to estimate the econometric model. With this setup, my “point forecast” of U.S. real GDP in 2005:Q4 is roughly \$100 billion lower, down to \$11,231.916 billion. Adding the energy PPI to the model leads to a 95% “interval forecast” with an upper bound of \$11,043.420 billion and a lower bound of \$10,978.497 billion. Since the value of real GDP in 2004:Q4 was \$10,994.318, at the lower end of this “interval forecast” a recession is predicted.

In a future issue of the *Alumni Newsletter* I will evaluate how well the forecasts described above performed. Before then, I wish to note that the logistical details behind producing such forecasts are the main theme in an ECON 5000 “time series” course I teach at ECU. If you are interested in learning more about how to do time series forecasting, you might want to contact Dr. Bishop about our MS program. It could open a new career path to you. On this note, I’d like to mention that the group of MS students who took this course with me includes a graduate working at one of the largest banks in the country (Bank of America), an employee at one of the world’s largest pharmaceutical companies (Glaxo Smith Kline), and a quantitative analyst at one of the country’s largest issuers of credit cards (Capital One).

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**Graduate Program Newsletter**

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By Dr. John Bishop

What can one do in a one year master’s program? While many Master’s remain traditional two year programs, the economists at East Carolina understand the implication of the term

“opportunity cost.” And of course, the value of the earnings (time) foregone is the most costly component of graduate education.

One of the most important lessons of economics is what I call ‘turning the problem around.’ What is meant by this is that instead of designing a program and then looking for students, suppose we restate the question as “what can we accomplish in a given amount of (scare) time with our economics master’s students?” Restating the question in this manner allowed us to identify two types of students that might be interested in our program. The first, and largest of these two groups, are our own economics undergraduates, who want to build skills that can be directly and immediately transferred into job opportunities. The second group, often international students, but also including some of our econ grads, are looking to prepare themselves for further graduate study. Both share several things in common, the willingness to work hard, and an impatience (here a ‘good thing’) to get on with their careers. How are we serving these two groups of students? First of all, our MS students take a common core of two courses in micro theory, two courses in econometrics, and an advanced macro course. To prepare the first group for employment upon graduation we have them take courses in computer programming (SAS in our case) and a hands on “research” class where each student is given his own data and asked to address research questions such as has childhood poverty increased in the last decade, does the minimum wage hurt or harm poor families, what type of people are likely to suffer long, multiple periods of unemployment? While these may not be the exact questions that their employer may want to address (such as will a credit card customer pay his bill on time?), they do build the skills

and confidence necessary to take on the challenges of the professional workplace. For our second group of students, wanting to study beyond the Master’s level, we now offer an advanced theory class. This class currently taught by Dr. Ericson covers much the same material as a first year PhD course. The feedback on this course has been overwhelmingly positive; reports coming back from last years class now finishing their 1<sup>st</sup> year of graduate school is that it left them well-prepared to study at the PhD level. Beyond advanced theory, we encourage these students to take Master’s level math classes to better prepare themselves for the rigors of an economics PhD.

Has our one-year master’s program been successful? This summer we will graduate 15 students, eager to find professional employment or to continue their studies. Currently, our students are employed in state and federal government, in banking, financial analysis, as insurance company analysts, among many others. We have PhD students at Indiana, Virginia, North Carolina State, West Virginia, Kentucky, Suffolk University, Southern Illinois. This year’s class has been admitted to Houston, SUNY-Binghamton, and Southern Illinois.

What about the future? Well, next years class is beginning to form. It will contain our first Five -Year Combined BS/MS student, Alan Tripp, a number of recent ECU grads, as well as students from China, India, Belarus, the Ukraine, Germany, Ghana, and France. With hard work and impatience to succeed, we expect great things from them as well.



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## ECONOMICS FACULTY

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**Carson Bays**, Professor. PhD, Univ. of Michigan, 1974. Law and economics, antitrust policy, applied microeconomics.

**Okmyung Bin**, Asst. Professor. PhD, Oregon St. Univ., 2000. Environmental and resource economics, housing economics, econometrics.

**John Bishop**, Professor and Graduate Program Director. PhD, Univ. of Alabama, 1987. Public Finance, public choice, microeconomics. College research award, 1989-90.

**Richard Ericson**, Professor and Chair. PhD, UC Berkeley, 1979. Microeconomic theory, Soviet/Russian economy, economics of transition.

**Marc Fusaro**, Asst. Professor. PhD, Northwestern Univ., 2004. Banking, applied microeconomics, econometrics.

**Andrzej Grodner**, Asst. Professor. PhD, Syracuse Univ., 2004. Labor economics, microeconomics.

**Craig Landry**, Asst. Professor. PhD, Univ. of Maryland, 2004. Applied microeconomics, environmental and natural resource economics, experimental economics.

**Jamie Kruse**, Professor and Director of the Center for Natural Hazards Mitigation. PhD, Univ. of Arizona, 1988. Hazards and the economic theory of response to hazards, industrial organization. University Research Award 2005-6.

**Haiyong Liu**, Asst. Professor. PhD, UNC-Chapel Hill, 2003. Labor and health economics. So. Economic Assn. Honorarium, 2002, NC Supercomputing Center Performance Computing Resources Allocating Award, 2002-03. College Research Award 2004-5. University Research Award 2005-6.

**Randall Parker**, Assoc. Professor. PhD, Univ. of Kentucky, 1986. Macroeconomics, economic history. ECU Alumni Assn. Distinguished Professor for Teaching, 2000. College Research Award, 2004-5.

**Philip Rothman**, Professor. PhD, NY Univ., 1990. Time series econometrics, applied macroeconomics.

**Nicholas Rupp**, Asst. Professor. PhD, Texas A&M Univ., 2000. Industrial organization, airlines and automobiles, economics of crime.

**Vera Tabakova**, Visiting Asst. Professor. PhD, Louisiana State University, 2005. Econometrics, industrial organization, international economics.

**Lester Zeager**, Professor and Co-director, ECU International Studies. PhD, Univ. of Pittsburgh, 1987. Poverty and inequality, economic development. Phi Kappa Phi, 2000, College Research Award, 1995-96, Teaching Excellence Award, ECU Alumni Assn., 1995, Distinguished Professor for Teaching, UNC Board of Governors, 1995.

**Gary Zinn**, Visiting Asst. Professor. PhD, SUNY-ESF, 1972. Economic theory, regional analysis, capital finance markets.