
A VIEW FROM THE CHAIR



Dear Econ Alumni!

With this issue of *On the Margin* the Economics Department of Harriot College is expanding to a twice-a-year format: Winter and Summer. We have several reasons for doing so.

First, much is happening in the Department, and we want to keep you informed. Also, we feel that our December graduates deserve their own forum; they tended to get lost in the larger crowd of May graduates, when all were included in the single Summer issue of *On the Margin*. In addition, our alumni leadership group, the Economics Department Advancement Council, is sponsoring a growing number of exciting events, and we want to be able to use this mid-year report to invite you to participate. But most of all, we just want to keep in closer touch; it's too easy to

lose contact in the rush and turmoil of everyday life, and we all lose something in doing so.

As always, your Department has been very active in pursuing new teaching and research activities. The new mobile *Experimental Economics Instructional Lab* is now being actively used in several courses, including Dr. Zeager's new course "Decisions and Strategic Games." And the Department has begun the lengthy process of developing a new Ph.D. degree, with a central focus on *Economics of Risk* in addition to our traditional strengths in applied, econometric, resource, and environmental economics. This process has opened the door to new future hires, which will allow the Department to expand its course offerings at the undergraduate as well as graduate level. We aim to offer an economics education that will prepare our alumni for successful careers at all levels.

These developments are closely related to the rapid growth of the new *Center for Natural Hazards Research*, led by Dr. Jamie Kruse, about which you will read more on page two. This Center offers exciting research -- as well as some earning -- opportunities for our students, enhancing the profile and reputation of

your Department. And it has helped the Department to initiate and participate in joint research activities with the new ECU Coastal-Maritime Research Institute. All these activities help expand the visibility and reputation of the ECU Harriot College Economics Department to both employers and other academic institutions, raising the value of an ECU degree to all its holders.

Finally, let me draw your attention to a most significant event, taking place this April 21st, at the Ironwood Country Club in Greenville: *The Third Annual Econ Society/ Advancement Council/ Alumni Golf Tournament and Dinner*. Read all about it inside and come join us in April!

With best wishes, I am

Sincerely yours,

Richard E. Ericson
Chair, Department of
Economics

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GRADUATION

In a Department Ceremony on Friday, December 16th, thirty-one undergraduates and one graduate student were recognized for completing their degree requirements. The ceremony included remarks by Mr. Scott Shook ('93), President of the Economics Advancement Council.

BS Graduates

Olivia Taha Abdo
Tiah Shonell Austin
Henry Blair Bivens
Sherif Abdel Meguid Fouad*
Craig Watts Gebhard
Nathan Dennis Hanks
Thomas Scott Hensby*
Richard Dean Hovis, Jr.
Joel Austin Hughes
Matt Anthony Kowaleski
Khiem Thien Le
Jeffrey Donnell McEachern
Matthew Gray Meekins
Rebecca Anne Mock
Renada Denise Nichols
Robert Eugene Pearce
O'Marr Alexander Peele
Brendan Peter Petrigala
David G. Rubbico, Jr.
Stacy LaMorris Scott
Kelly Elaine Smith
James Mason Staton
Jared Michael Thiel
Jeremy Scott Tomlinson
Jeffrey Michael Ward
Colin Thomas Webb
David Martin Whitaker

* graduated May 2005;
missed in last newsletter

BA Graduates

John Christopher Atkinson
Dean Thomas Cheek
Corey Shar'ron Scott
Jonathan Edwin Williams

MS Graduate

Bryan Wakefield

NEWSNOTES

- The Second Advancement Council Lecture took place at 7pm on November 10th, 2005, in the Rivers Auditorium. Mr. Tom Gibbons of Banc of America Investments spoke on "Wagging the Dog: Bond Markets and the Economy -- Understanding the Capital Markets."
- The Advancement Council hosted a Dinner and Discussion for economics majors at Chico's in downtown Greenville on the evening of February 2nd, 2006.
- The Harriot College **Center for Natural Hazards Research**, most of whose researchers are economics department faculty, received more than \$200,000 in grants from the National Science Foundation (NSF) last semester to study the effects of Hurricane Katrina on the gulf region and investigate reconstruction efforts in New Orleans.
- The Department has begun actively using its **Experimental Economics Mobile Instructional Lab**. Courses in which this new resource is being exploited include: "Decisions and Strategic Games," "Hazards and Risk Management," "Environmental Economics," and "Economics of Coastal Populations."
- Economics faculty members, Dr. John Bishop and Dr. Lester Zeager, were awarded a prestigious German "2005 Prize of the Society of Friends of the DIW," for the second-best publication of the prior year, based on German socio-economic panel data.
- This season's Econ Intramural Basketball team got off to a successful start, winning their first game: 39-38 (in overtime). The win was especially rewarding given the team is participating in the student

league (rather than the faculty/staff league). The Econ team is now play-off eligible! Participating in this year's team are faculty members Paul Bin, Andrew Grodner, Craig Landry, Nick Rupp, and Lester Zeager, and graduate students Chris Moore, Derek Ramirez, and Jingyuan Li.

- The Economics Department Seminar Series had nine research presentations in the Fall Semester, including two by outside speakers: Dr. Jeff Johnson (ECU, Coastal Studies Research Institute) and Marshall Gramm (Rhodes College).
- Economics faculty members published seven articles in scholarly journals and a chapter in an edited volume during the Fall Semester 2005.

FROM THE ADVANCEMENT COUNCIL

Some thoughts from the previous Chairman of the Advancement Council, Mr. John Osborne ('69):

"Jack Welch, in his book, *Straight From The Gut*, suggests that you differentiate yourself from the crowd, take risks, and do more than the minimum required. I like that thinking. When I was a student at ECU, I worked extra hard on a term paper over the Christmas holidays, gathered material from a large number of references and turned in my paper two weeks early! I got one of the highest grades in the class for that paper. Today, I work at a bank, and generally get in early and frequently stay late. I also suggest changes to upper management on how the bank can be more efficient or more profitable, and some of those ideas have been implemented. I have challenged the status quo, and won some of those battles. This can be risky, but is also very satisfying when an idea is sold and accepted. My manager recently called me up to thank me for my hard work, and to tell me he was giving me a large pay raise in addition to my regular annual raise! I believe that differentiating yourself from the crowd will pay off."

NSF GRANTS ENABLE ECU TO STUDY KATRINA'S ECONOMIC IMPACT

The Department of Economics has several faculty members who are actively involved in research conducted through the **Harriot College Center for Natural Hazards Research** at East Carolina University. Economics faculty member Jamie Brown Kruse serves as the Center's director. Faculty members Craig Landry and Okmyung Bin are actively involved in research and grants that focus on coastal hazards, a topic very important to eastern North Carolina. Recently funded and pending grants and initiatives include the following:

Current

- National Science Foundation, Small Grant for Exploratory Research, "The 'New' New Orleans: Evaluating Preferences for Rebuilding Plans After Hurricane Katrina," Principal Investigator: Kruse; CO-PI's: Bin, Landry, Stone (Planning), Wilson (Sociology) -- \$172,596, 2006-2008.
- National Science Foundation, SGER#0553108, "Collecting Economic Impact Data: Implications for Disaster Areas and Host Regions," PI: Kruse -- \$29,881, 2005-2006.
- East Carolina University, Research Development Grant Program, "Spatial, Environmental and Behavioral Determinants of Valuation of Coastal Erosion Risk," PI: Kruse; CO-PI's: Bin, Crawford (Geography), Landry -- \$30,000, 2005-2006.
- Federal Deposit Insurance Corporation, "Natural Disasters and Bank Performance," Investigators: Kruse, Hein (Texas Tech University), and Ewing (Texas Tech University) -- \$10,000, 2005-2006.

Pending

- National Science Foundation, "Determinants of Economic Recovery in the Aftermath of a Hurricane Disaster," PI: Kruse, Co-PI: Ewing (Texas Tech University) -- \$276,920, 2006-2008.

- National Science Foundation, "Perceptions of Coastal Hazards: Decision Making under Multidimensional Risk," PI: Kruse, CO-PI's: Landry, Bin, and Crawford (Geography) -- \$676,260, 2006-2009.
- East Carolina University Chancellor's Federal Initiative, "North Carolina Coastal Hazards: Implications for Climate Change, Sea-Level Rise, and Storms," Interdisciplinary Multi-institutional Cooperative Research Program, participating investigators: Landry and Kruse -- Requested funding level of \$20 million, spread over five years.

The multidisciplinary Center for Natural Hazards Research, founded in 2004, is housed in the Harriot College of Arts and Sciences. The center focuses on hurricane, tornado, flooding and erosion hazards as they affect eastern North Carolina and the United States. The new website for the Center provides more information:

<http://www.ecu.edu/hazards/>

MACRO MUSINGS

by Dr. Randy Parker

Bush Gets His Man!

In one masterful stroke of pure sound judgment, President Bush has done more to secure the domestic economy than any single thing he could have done. Cut the deficit? No, indeed. What I am specifically referring to is his appointment of Ben S. Bernanke to be Alan Greenspan's replacement. This deserves a drink and a big sigh of relief. There is no one more qualified to be the Chair of the Fed than Ben Bernanke. Let me explain.

The 1960s and 1970s demonstrated that playing with the inflation rate to boost the economy was fool's gold and that there was no tradeoff between inflation and high employment. Moreover, the Great Depression and Japan in the 1990s showed us that misbehavior of the price level in the downward direction was as bad as, or worse than, misbehavior in the upward direction.

What's the upshot? Simple. If you don't want the economy to hit the wall, then don't let there be inflations or deflations. The record of economic history throughout the 20th century plainly shows that instability in the price level was one of the greatest economic ills of the last 100 years. We had our worst recessions and depressions after big inflations and deflations. So, don't have big inflations or deflations and the economy will perform much better. In other words, make price stability the top priority of the agency of government that has the most influence over the price level, that is, the Federal Reserve. Make inflation targeting the main focus of monetary policy. Choose an inflation rate to shoot for (something between 2 and 3.5% over a two-year horizon) and then have monetary policy be guided by achieving that inflation rate. If you do this, the central bank will be providing all that it can and all that an informed public *should* be asking of them.

The above are some of the main points made by Dr. Bernanke in an interview I conducted with him in May 2005 for my second book, *A Twentieth Century Look at the Great Depression* (due out May 2007). The best a central bank can do is provide a stable price environment for the business sector to go out and do their thing ... grow and create jobs. He has learned the lessons of economic history, and we will all profit from his education. He will run the Fed with the same credibility that Alan Greenspan did. We have many things to be concerned about, but running the Fed is not one of them. The President got the right man. There is a mantra recited at the Federal Reserve ... "There will be no more 1970s and there will be no more 1930s." With Ben Bernanke at the helm, you can take that to the bank.

Full disclosure: Dr. Bernanke wrote letters for me both for my tenure decision and my still-pending-who-knows-if-it-will promotion to full professor. He also graciously wrote the Foreword for my first book *Reflections on the Great Depression* (available at www.e-elgar.co.uk). He is the nicest and smartest guy you could ever meet. That is some combination.