Coyote Economist

News from the Department of Economics, CSUSB

Volume 17, Issue 2 Winter 2011

Economics Scholarships for Fall 2011

This spring the department will award at least five Department scholarships. *If you meet the eligibility requirements below you should definitely apply!* Each scholarship award will be approximately $1,250.

To be eligible for an Economics scholarship, students must:

- Attend CSUSB as a declared economics major, political economy major or an administration major with a declared concentration in business economics;
- Have completed a minimum of 9 semester, or 12 quarter, units of economics course work with at least a 3.00 grade point average (2.75 for the Economics Alumni Scholarship and the Sean Brunske Economics Scholarships);
- Have an overall grade point average of at least 2.75 (2.50 for the Sean Brunske Economics Scholarships);
- Have completed at least 30 semester, or 45 quarter, units of college course work;
- Be enrolled at CSUSB on at least a one-half-time basis during fall quarter 2011.

In addition to information about your grades and a list of the economics courses you have completed, you'll need one letter of recommendation from an economics professor and a 250-word, typewritten, statement of purpose. Request your letter of recommendation at least two weeks prior to the application deadline. Your statement of purpose must discuss your post-graduation career/educational plans. The overall quality of these submitted materials will determine who receives an Economics Department Scholarship.

Scholarship application forms will be available at the Economics Department website (http://economics.csusb.edu/) and in the Department office (SB-354A) by the week of March 20. **Completed applications are due Friday, April 29.**

Inside this Issue:

The Federal Government's Deficit

As suggested in the last issue of the *Coyote Economist*, the December 1, 2010 report by the National Commission on Fiscal Responsibility and Reform set the stage for increased anxiety over the Federal Government's Budget.

President Obama drew further attention to this issue in his January 25, 2011 State of the Union address by proposing to reduce the deficit by more then $400 billion over the next decade by reducing public spending. In the meantime, the Republican Party has been pushing for even more reductions in public spending while continuing to insist on further tax reductions.

But the growing clamor to reduce the federal deficit is misguided at best and malicious at worst.

The economy is *still* experiencing considerable unemployment and poverty as a result of the most dramatic recession (from December 2007 to June 2009) since the Great Depression of the 1930s. Additionally, almost all of the states are experiencing a severe budgetary crisis that will further damage public education and social infrastructure. At this time, the

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Department of Economics
CSUSB
909-537-5511
http://economics.csusb.edu
Facebook: CSUSB Department of Economics

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government should be stimulating aggregate demand through more deficit spending, not cutting needed social expenditures.

Since the previous issue of the *Coyote Economist* explained some of the fallacies behind the current push to reduce the deficit, this article will focus on the history of the Federal Government's deficit and explain why the Federal Government's budget is not analogous to a household's budget.

...the deficit has grown dramatically since 2007.

The graph below shows the Federal Government's deficit as a fraction of GDP for the fiscal years 1941 to 2011 (the figures for 2010 and 2011 are estimates).

Clearly, the deficit has grown dramatically since 2007. In fiscal year 2007 the deficit was 1.2% of GDP, while in fiscal year 2010 the deficit was 10.6% of GDP; and while the current deficit is not as dramatic as the World War II deficits of the 1940s, it is nevertheless larger than any deficit in the post-WWII era.

Yet, it's important to not lose sight of the fact that a large portion of the current deficit is due to the dramatic decline in GDP that occurred during the most recent recession (see *Coyote Economist*, Spring 2010). That is, public deficits increase during recessions not because bureaucrats are being more wasteful and inefficient in the use of public funds but because tax receipts drop in tandem with a declining economy.

...rightist politicians are using the deficit as an excuse to reduce the size of the federal government's budget.

But, if in addition to this, the government increases public spending and reduces taxes as a way of stimulating aggregate demand, then the deficit will grow even further. Indeed, this is what happened: the currently large deficit is a result of both a poorly performing

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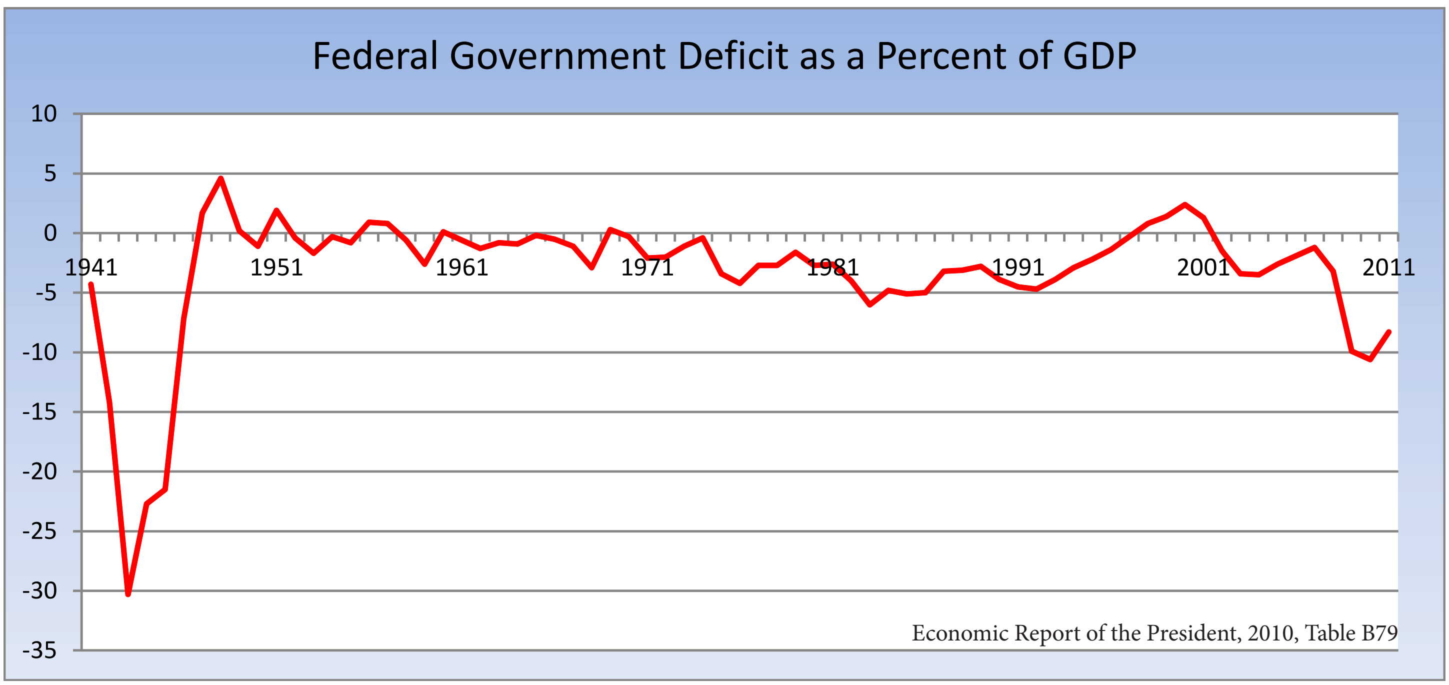

Staying Informed about CSUSB Department of Economics Events and News

If you're receiving the *Coyote Economist*, then you're on our mailing list and everything is as it should be. But, if you know of an Economics Major, or an Econ Fellow Traveler, who is not receiving the *Coyote Economist* through email, then please have him/her inform our Administrative Support Coordinator, Ms. Jacqueline Carrillo, or the Chair of the Economics Department, Professor Mayo Toruño. Our phone number is 909-537-5511.

You can stay informed by consulting:

Our Website - http://economics.csusb.edu/

Our Facebook Page- http://www.facebook.com/pages/CSUSB-Department-of-Economics/109500729082841

Chair of the Economics Department – mtoruno@csusb.edu

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economy and stimulative deficit spending.

It is tragic that rightist politicians are using the currently large deficit as an excuse to reduce the size of the federal government's budget.

If they are successful in implementing this demand, then the predictable effect will be a slowing down or reduction in aggregate demand and, consequently, a slowing down of the economy, or another recession, and higher unemployment and poverty. And given that almost all fifty states are already slashing their budgets to deal with their deficits, the impact on the economy from such a policy could be very severe.

The well-intentioned but naive demand that government "live within its means," so frequently heard in recent days, assumes that the public budget is analogous to a household's budget. But this is fallacious.

A household, for example, cannot affect its income by altering its expenditures, nor would one expect a household to become wealthier by reducing its income while simultaneously increasing its expenditures. Yet, this can and does occur with the government's budget.

If the Federal Government increases its spending while holding taxes constant (i.e., it engages in deficit spending), then aggregate demand will grow, causing national income and employment to grow and, as a result, tax receipts to increase. In the short-term the government will be operating with a deficit, but over the longer-term, the deficit will shrink as tax receipts increase brought on by the growth in national income and employment occasioned by the original stimulative public deficit.

Now is not the time to be demanding a reduction in the federal deficit. This can and should be held off until the economy is at full employment. But, by then, and assuming rightist politicians don't have their way, the deficit will be much smaller anyway.

We're on Facebook !!

Don't forget to check us out on Facebook and say that you like us!

You can find the Economics Department at The CSUSB Department of Economics Facebook page.

Joining us on Facebook is an important way of keeping up with Departmental news and Department events as well as getting information on political economy. Look for us on Facebook...we're easy to find!

Economics on the Internet

The following Internet sites provide excellent economic information, analysis, data and history and should be consulted on a periodic basis:

- National Bureau of Economic Research (NBER) at http://www.nber.org/. In addition to providing excellent analysis of various economic issues, the NBER is the official keeper of U.S. business cycle expansions and contractions in the Data/Business Cycle Dates section of the NBER webpage.
- FRED (Federal Reserve Economic Data) at http://research.stlouisfed.org/fred2/. This site is provided by the Federal Reserve Bank of St. Louis and provides excellent data on money and banking, GDP and its components, prices, employment, exchange rates, and much more. In addition, the data can be obtained on mobile devices such as smart phones and iPads.
- U.S. Census Bureau at http://www.census.gov/. This site provides a wealth of information on population and households, income and poverty measures, business and industry, economic indicators, and much more.
- U.S. Bureau of Labor Statistics at http://www.bls.gov/. This site provides detailed data on inflation and prices, employment and unemployment, pay and benefits, and productivity.
- The World Bank at http://www.worldbank.org/. This site, in the research section, provides national and international economic and social statistics.

Among the popular economics blogs are:

- Economist's View at http://economistsview.typepad.com/
- Calculated Risk at http://www.calculatedriskblog.com/
- Angry Bear at http://www.angrybearblog.com/
- Econospeak at http://econospeak.blogspot.com/
- Bradford DeLong at http://delong.typepad.com/

Omicron Delta Epsilon (ODE)

ODE is an International Honor Society in Economics that encourages devotion to the advancement of economics and to the scholarly effort to make freedom from want and deprivation a reality for all mankind. ODE is one of the world's largest academic honor societies and currently has 652 chapters throughout the world.

ODE was established in 1963 as a result of a merger of two honor societies, Omicron Delta Gamma and Omicron Chi Epsilon. Omicron Delta Gamma was founded in 1915 by John Roger Commons and Frank W. Taussig, while Omicron Chi Epsilon was founded in 1956 by Alan A. Brown.

If you have taken a minimum of 20 units in economics and have an overall GPA of 3.0 and an economics GPA of 3.0, then you can join ODE. Applications to join ODE are available from Professor Mayo Toruño or the Economics Department Office (SB-354A). The initiation fee of $32 covers a membership scroll and a one-year subscription to the American Economist. The deadline to join ODE for this academic year is April 29.

Tentative **FALL 2011** Schedule of Classes

#	SEC	TITLE	DAYS		HOURS	INSTRUCTOR
200	01	PRIN MICROECON	1040-1150	AM	MWF	STAFF
200	02	PRIN MICROECON	0120-0230	PM	MWF	HARRIS
200	03	PRIN MICROECON	1000-1150	AM	TR	ASHEGHIAN
200	04	PRIN MICROECON	0200-0350	PM	TR	ASHEGHIAN
200	05	PRIN MICROECON	0600-0750	PM	TR	KONYAR
202	01	PRIN MACROECON	0920-1030	AM	MWF	STAFF
202	02	PRIN MACROECON	1200-0110	PM	MWF	STAFF
202	03	PRIN MACROECON	0600-0750	PM	MW	STAFF
202	04	PRIN MACROECON	1000-1150	AM	TR	STAFF
202	05	PRIN MACROECON	0200-0350	PM	TR	STAFF
302	01	INTER MICROECONOMICS	0600-0750	PM	MW	ALDANA
311	01	ECON K-8	0800-0950	AM	TR	CHARKINS
335	01	TOOLS OF ECON ANALYSIS	0400-0550	PM	MW	HARRIS
410	01	MONEY & BANKING	1200-0150	PM	TR	PIERCE
435	01	MULTINATIONAL CORPS	0400-0550	PM	TR	ASHEGHIAN
443	01	ORIGINS OF POL ECON	1200-0110	PM	MWF	NILSSON
480	01	QUANTITATIVE METHODS	0200-0350	PM	TR	KONYAR
503	01	ECONOMIC ANALYSIS	0600-0750	PM	TR	JORGENSEN
530	01	THE GOOD ECONOMY	0240-0350	PM	MWF	NILSSON
600	01	PROSEMINAR IN ECON	0600-0750	PM	MW	TORUNO
SSCI320	01	UNDERSTANDING CAPITALISM	0800-0950	AM	TR	PIERCE

Tentative *Winter and Spring* **2012** Classes

Winter 2012	Spring 2012
104, 200, 202, 300, 311, 322, 333, 357, 430, 445, 475, 540	200, 202, 311, 335, 360, 372, 410, 450, 490, 500