

Coyote Economist

News from the Department of Economics, CSUSB

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Waking up from the American Dream

The American dream is an idea rooted in our history. It says that through hard work we can attain whatever we set our minds to. The earliest conceptions of the American dream tied it to the frontier—places like California that attracted hard working Americans to pack up and head West in search of better opportunities.

In fact, even Karl Marx lamented in 1865 that the existence of the frontier and the American dream would prevent the formation of a large working class bent on socialist revolution. And he was right, to a degree: at the time he made that comment economic mobility—the chance that you will end up in a higher class than your parents—was much higher here than in Britain. These factors helped to chip away at the idea that an urban unskilled worker would, like his British comrade, always be stuck in that position, which helped prevent the formation of a class-conscious proletariat in the industrial Northeast.

What made economic mobility so high, and thus the American dream so enchanting, in the 19th century? Many have tied it precisely to the frontier and geographic mobility in general. Americans have always been unusually mobile people. The desire to move around and seek out a better life has been chalked up to the hard work and perseverance of Americans. Here again, of course, California serves as a model: those who survived the trails in the 19th century were considered resourceful and good at adapting to their surroundings. Even today, we are still quite mobile relative to other people—at least, geographically speaking. Economically, it turns out, over the past century many elements

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Staying Informed about Department 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

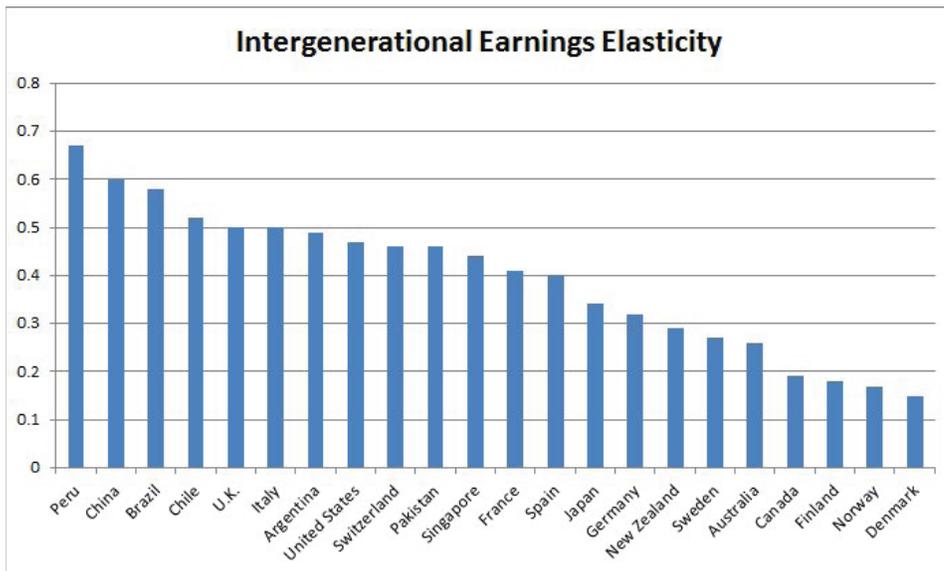
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Source: <http://www.businessinsider.com/intergenerational-earnings-elasticity-2013-12>

American Dream

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of the American dream have been lost.

Upon hearing that last sentence, many of us would undoubtedly do a double-take. The American dream, lost? And before we even try to understand why that might have happened, many of us would probably ask: what's the evidence for such a claim in the first place?

Many of us have been told our whole lives—from our teachers, family members, even politicians (OK, maybe we don't always believe that last group)—that the American dream can be realized through hard work. It's what keeps many of us pushing forward at work or at school.

But the reality is that economic mobility – the chance that you will end up in a better (or worse!) position than your parents—has declined substantially in the U.S. The most

common measure of economic mobility is the “intergenerational earnings elasticity.” The intergenerational part comes from the fact that we measure earnings across generations. The elasticity part comes from the fact that we look how closely earnings are

tied (how “elastic” they are) across generations. For example, we can compare what a 35-year-old's parents were earning when they were 35 years old, to what that 35-year-old is currently earning (adjusted for inflation, of course). If the two levels of earnings are close, this indicates that economic mobility is low across generations. But, if the two levels of earnings (for parents and their children) are very different from each other, then we have a high level of economic mobility across generations.

Intergenerational earnings elasticity is a number between 0 and 1. A value of 0 represents extreme mobility while

a value of 1 represents extreme lack of mobility.

The graph above presents recent data on intergenerational earnings elasticity.

As can be seen, the

U.S. has an intergenerational earnings elasticity of about 0.47. That places us in a better position than countries such as Peru, China, and Italy (all above 0.5), but worse than countries such as Denmark, Sweden (both below 0.2), and Japan (a little above 0.3).

...we need to think beyond opportunity and toward real bargaining power...

the American Dream seems more alive in Denmark than in the U.S. itself!

According to a recent *Chicago Fed*

Letter, economic mobility in the U.S. was once higher than it now is. Economic mobility in the U.S. was highest during the 1950s and 1960s but then declined afterwards. It was in the 1980s, during the Reagan years, that economic mobility declined sharply. It then stabilized at a new lower level during the 1990s and has remained lower since that time. (See Bhashkar Mazumder, “Is Intergenerational Economic Mobility Lower Now Than in the Past?”)

Economic mobility just ain't what it used to be.

The decline of mobility in the U.S. is a very tough fact for many of us to grasp. Why else would we go to college, and work as hard as we can while we're in college in order to pay for it, unless there were going to be some payoff down the road?

The answer to that question is very complicated. For some, family and

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American Dream

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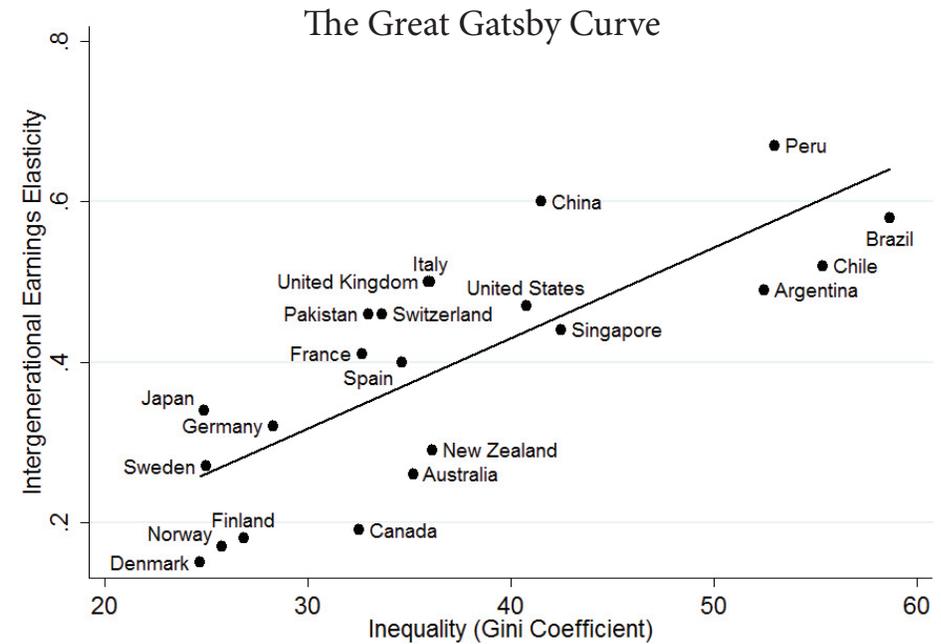
friends are much more important than moving up the job ladder—careers take a back seat in the process of building up a personal life. Indeed, the emphasis on family in America could explain some of that lack of elasticity in earnings across generations in the U.S. versus a country like Norway or Sweden: family is often thought to be undervalued in parts of Europe where the birth rate is actually negative and where marriage rates are much lower than in the U.S.

But Japan does not fit to this trend: while birth rates are low in Japan, marriage rates are still higher than most of Europe, and the emphasis on family is correspondingly stronger.

If Japan and the U.S. value family similarly, what explains the much lower intergenerational earnings elasticity in Japan? Both are advanced capitalist countries with a high per capita GDP and relatively healthy labor markets. Both have strong school systems and a high college enrollment rate. So, why is it much more likely that someone in Japan will end up better (or worse) than their parents than someone in the United States?

Back in 2012, Princeton economist Alan Krueger, then-chairman of the Council of Economic Advisors, gave a speech in which he introduced an answer to this question: he summed his argument up in one graph, which he titled the “Great Gatsby Curve”. This curve drew the relationship between inequality and intergenerational earnings elasticity across various countries. He found that countries with high intergenerational earnings elasticities, like the U.S., also had high amounts of income inequality. Countries with low intergenerational earnings elasticities, like Japan, had low amounts

...in the 1980s, during the Reagan years, economic mobility declined sharply...



Source: <http://mileskorak.com/2012/01/12/here-is-the-source-for-the-great-gatsby-curve-in-the-alan-krueger-speech-at-the-center-for-american-progress/>

of income inequality. In other words, there is a direct relationship between how unequal a country’s income is distributed and how much economic mobility there is in that country.

Conservative economists such as Greg Mankiw quickly dismissed Krueger’s findings. Mankiw argued that the U.S. is a much larger country than the other countries it is usually compared to—such as Japan or mostly anywhere else. Thus, naturally there will be more heterogeneity here.

But Mankiw’s argument is flawed: according to recent reports, even at the state level the U.S. has high rates of inequality. Furthermore, when top earners capture a disproportionate share of income growth it actively prevents those at the bottom from moving up—even to the middle class.

The debates that flowed out of Krueger’s talk are instructive for students of the political economy of American policy. Democrats urged the expansion of opportunity through universal and high-quality preschool,

affordable health care, and (most recently) free community college. These policies would give more people a shot at the American Dream. At the same time, they fall into the same old thinking: if only we work hard and get an education, things (apparently) would be different.

The real implications of the Great Gatsby curve go much deeper than this. The relationship between inequality and economic mobility implies that without significant redistributions of wealth away from the top earners and into the hands of workers, the real position of the working class will not change.

Redistribution in the name of fairness and economic security will not just provide opportunity, but will also lead to real advancement in the bargaining positions of the working class and will discourage rent-seeking from the top earners.

We need to think beyond opportunity and toward real bargaining power: otherwise, we will continue to wake up from an American Dream half-finished. Getting by is not the same as getting ahead.

Economics Scholarships for Fall 2016: Application Deadline–April 24

Each spring the Economics Department invites applications for its scholarships. Scholarship winners are announced in early June; recipients receive their awards around October 1, after they have enrolled in fall quarter classes. The dollar amount of each scholarship award will be approximately \$1,500. This spring the department will award at least five scholarships, so please apply!

To be eligible to apply for an Economics scholarship, students must:

1. Attend CSUSB as a declared economics major (any track), or an administration major with a declared concentration in business economics;
2. 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);
3. Have an overall grade point average of at least 2.75 (2.50 for the Sean Brunske Economics Scholarships);
4. Have completed at least 30 semester, or 45 quarter, units of college course work;
5. Be enrolled at CSUSB on at least a one-half-time basis during fall quarter 2015.

In addition to information about your grades and 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. When asking for a letter of recommendation, be sure to request it from your professor at least two weeks prior to the application deadline. Also your statement of purpose must discuss your post-graduation career/educational plans. The overall quality of these submitted materials determines the scholarship recipients.

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 April 6. Completed applications are due Friday, April 24.

OMICRON DELTA EPSILON (ODE): Application deadline – April 24

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. The name of the CSUSB chapter of ODE is Alpha Delta. Applications to join ODE are available from Professor Mayo Toruño or the Economics Department Office (SB-354A). The initiation fee of \$35 covers a membership scroll and a one-year subscription to the American Economist. The deadline to join ODE for this academic year is April 24.

We're Still on Facebook!

Joining us on Facebook is an important way of keeping up with Departmental news and events, as well as getting information on political economy.

Simply search for The CSUSB Department of Economics on Facebook and you'll find us. We're easy to find. If you've not already done this, do it today!

TENTATIVE FALL 2015 SCHEDULE OF CLASSES					
#	TITLE	DAYS	HOURS	AM/PM	INSTRUCTOR
200	PRIN MICROECON	MW	1000-1150	AM	STAFF
200	PRIN MICROECON	TR	1000-1150	AM	MACDONALD
200	PRIN MICROECON	TR	0200-0350	PM	MACDONALD
200	PRIN MICROECON		ONLINE		ALDANA
202	PRIN MACROECON	MW	0200-0350	PM	ASHEGHIAN
202	PRIN MACROECON	MW	0400-0550	PM	KONYAR
202	PRIN MACROECON	TR	0800-0950	AM	NILSSON
202	PRIN MACROECON		ONLINE		ALDANA
302	INTER MICROECONOMICS	MW	0200-0350	PM	TORUNO
311	ECON K-8	MW	0800-0950	AM	CHARKINS
335	TOOLS OF ECON ANALYSIS	MW	0400-0550	PM	STAFF
410	MONEY & BANKING	MW	1200-0150	PM	PIERCE
421	ECON HISTORY OF THE US	TR	0600-0750	PM	MACDONALD
435	MULTINATIONAL CORPORATIONS	MW	1000-1150	AM	ASHEGHIAN
445	POLITICAL ECONOMY	TR	1200-0150	PM	NILSSON
480	QUANTITATIVE METHODS	MW	0600-0750	PM	KONYAR
600	PROSEMINAR IN ECONOMICS	M	0600-0950	PM	TORUNO
SSCI320	UNDERSTANDING CAPITALISM	MW	0800-0950	AM	PIERCE

TENTATIVE WINTER 2016 SCHEDULE OF COURSES					
#	TITLE	DAYS	HOURS	AM/PM	INSTRUCTOR
104	ECON OF SOCIAL ISSUES	TR	0800-0950	AM	NILSSON
200	PRINCIPLES MICROECON	MW	1000-1150	AM	ASHEGHIAN
200	PRINCIPLES MICROECON	TR	1200-0150	PM	KONYAR
200	PRINCIPLES MICROECON	TR	0200-0350	PM	KONYAR
200	PRINCIPLES MICROECON		ONLINE		ALDANA
202	PRINCIPLES MACROECON	MW	0400-0550	PM	PIERCE
202	PRINCIPLES MACROECON	TR	1000-1150	AM	PIERCE
202	PRINCIPLES MACROECON	TR	0200-0350	PM	MACDONALD
202	PRINCIPLES MACROECON		ONLINE		ALDANA
300	INTERMEDIATE MACROECON	MW	0600-0750	PM	PIERCE
302	INTERMEDIATE MICROECON	TR	0400-0550	PM	STAFF
311	ECON K-8		ONLINE		CHARKINS
322	MANAGERIAL ECON	TR	0600-0750	PM	KONYAR
430	INTERNATIONAL ECON	MW	0200-0350	PM	ASHEGHIAN
460	LABOR ECONOMICS	TR	1000-1150	AM	MACDONALD
475	PUBLIC FINANCE	TR	1200-0150	PM	NILSSON
540	POLITICAL ECONOMY OF LA	MW	1000-1150	AM	TORUNO

TENTATIVE SPRING 2016 SCHEDULE OF COURSES					
#	TITLE	DAYS	HOURS	AM/PM	INSTRUCTOR
200	PRIN MICROECON	MW	1000-1150	AM	ASHEGHIAN
200	PRIN MICROECON	MW	0200-0350	PM	ASHEGHIAN
200	PRIN MICROECON	TR	0800-0950	AM	MACDONALD
200	PRIN MICROECON		ONLINE		ALDANA
202	PRIN MACROECON	MWF	0800-0910	AM	NILSSON
202	PRIN MACROECON	MWF	1040-1150	AM	NILSSON
202	PRIN MACROECON	TR	0400-0550	PM	KONYAR
202	PRIN MACROECON		ONLINE		ALDANA
300	INTERMEDIATE MACROECON	MW	0200-0350	PM	PIERCE
335	TOOLS OF ECON ANALYSIS	TR	1000-1150	AM	MACDONALD
360	ENVIRONMENTAL ECON	TR	0400-0550	PM	STAFF
410	MONEY & BANKING	MW	0600-0750	PM	PIERCE
450	GLOBAL ECONOMY	MW	0400-0550	PM	ASHEGHIAN
490	ECONOMETRICS	TR	0600-0750	PM	KONYAR
500	HIST ECON IDEAS	MW	1000-1150	AM	TORUNO
530	THE GOOD ECONOMY	MWF	1200-0110	PM	NILSSON