

peculiar to Jim Dyal. What about the faucet that still leaks (you promised to fix ~it weeks ago), the photos that need to be arranged in the album, the tax return sitting on your desk?

It's not that we *want* to overeat or *want* the office a mess; we don't. We fully expect to be better
off if we *clean* the office or *fix* the faucet or *arrange* the photos. We fully

Although economists are just beginning to use the insights of cognitive psychology for predicting consumer behavior, the prospects are exciting. For example, do the Japanese save more than Americans

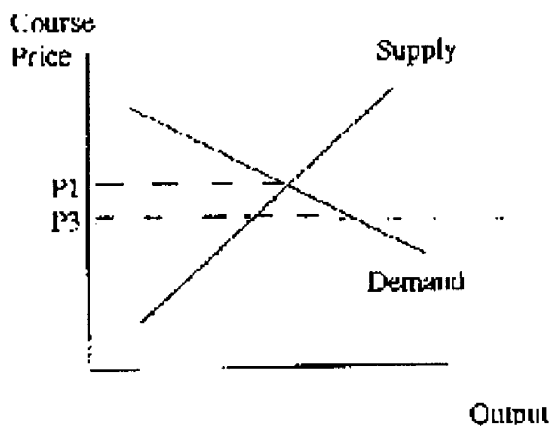
~~because they are less susceptible to the sins of gluttony? If so, why? Can we alter the impacts of~~

Grade Analysis Redux: *Chressanthis' Revenge*

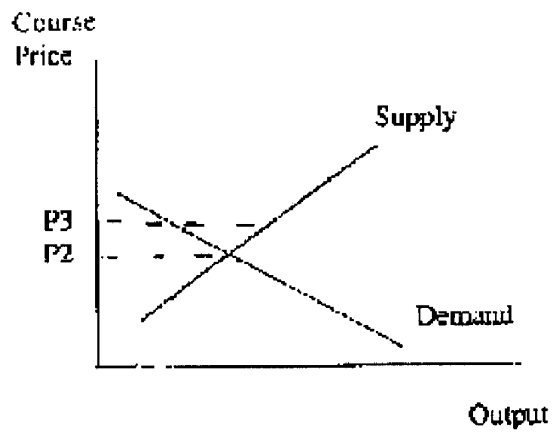
In December 1974, freshman George Chressanthis made a bonehead mistake on the final exam in Principles of Economics I. Confusing an increase in demand with an increase in quantity, he blew a true-false question-- and his A for the course. Now an Associate Professor of Economics at Mississippi State University, George has turned the tables. Using the very concepts thrown in his face almost twenty years ago, he has ripped one of my articles in the last newsletter to shreds. With a simple application of demand and supply, he has turned my analysis of grade distributions upside down. *Mea Culpa, mea culpa, mea culpa.*

In the last newsletter, I wrote that interdepartmental grade patterns across colleges and universities

High-Salary Fields



Low-Salary Fields



Chemistry	\$27,893	0.6	1.1
High-Grade Departments:			
Art (excludes teaching)	\$19,454	1.3	0.6
English/Journalism	\$19,146	1.1	0.8

Japan	8.2	3.9
West Germany	5.7	2.2

United Kingdom	2.4	1.7
----------------	-----	-----

The mainstream policy prescription is more investment and more saving -- investment spur productivity, and saving to provide the funds needed for that investment. President Clinton's planned deficit reductions do turn us in that direction. Recent federal borrowing has sucked monies out of the financial markets, to the detriment of private firms seeking funds. Democrats and Republicans will argue

Is it enough? Harvard's Bradford DeLong and Larry Summers contend that deficit reduction *per se* will have little effect on growth. They agree that deficit reduction will spur investment, but argue that increasing the *quality* of investment matters more than increasing the *amount*. Only investments with unusually high social rates of return will have a substantial impact on growth. We know that commercial real estate investments won't turn the tide; we're already knee deep in empty office buildings. The challenge is to find investments that will!