

Economics

Department Alumni Newsletter

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Graduation was a success. We booted another swarm of young innocents into a world of high unemployment and slow growth. The weather was great and our eminent Chairperson Don Walker regaled us with his normal assortment of economist jokes. Nick Karatjas, strikingly attired in a suit and necktie, was presented the Outstanding Faculty Service Award of the College of Humanities and Social Sciences; and Jerry Holt presented a diploma to his son Harry who graduated *summa cum laude* with a double major in Economics and Political Science.

The highlight for many was meeting Paul Samuelson, one of the most distinguished economists of the twentieth century. On campus to receive an honorary doctoral degree from IUP, he attended our department festivities, shared a few humorous remarks with our graduates and graciously joined in with the handshakes, family snapshots, and informal mingling.

~~Paul's presence at graduation also marked his 70th birthday. While we mercifully spared him a~~

College in the Nineties

It was the best of times, it was the worst of times. . . it was the spring of hope, it was the winter of despair, we had everything before us, we had nothing before us...

Those Charles Dickens lines, penned almost 150 years ago, might apply to college graduates of the 1990's. Education is increasingly important in today's technical markets. Employees without college

degrees are often stuck in unchallenging, low paid positions with little or no hope of advancement. The

directly from a socialized economy (called a family), and has no feel on his pulse for those tragedies of

[REDACTED]

NAFTA: Boom or Bane?

Few political issues of recent years have generated as much hysteria as NAFTA. Yet, as Yaw Asamoah explains below, its impact is likely to be minimal.

The North American Free Trade Agreement (NAFTA) is a dream that would include Mexico in the recently-created regime of duty-free trade between the U.S. and Canada. NAFTA would encourage freer trade and promote a smoother flow of investment; but will it help or hinder the U.S.?

The benefits of NAFTA

By Yaw Asamoah, a former president of the U.S. National Association of

economists argues that the NAFTA treaty will make both the U.S. and Mexico better off and

They argue that NAFTA will cost jobs and impose a heavy burden on unskilled workers. They warn that

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Pitt Is It as the Ship Comes In!

It took a year, but there is an undisputed winner of last year's puzzler (reproduced to the right):

The winner is Robert L. Snyder, whose correct reasoning appears below:

"For a given demand curve:

$$P = a - bQ$$

that is, $a = -(1/b)(P - a)$ giving a Q-intercept = a/b

Now, from (1):

$$TR = (a - bQ)Q = aQ - bQ^2$$

$$\text{and } MR = dTR/dQ = a - 2bQ$$

$$\text{Setting } MR(2) = \text{intercept } Q \text{ intercept } = \frac{a}{2b}$$

$$\text{The } Q \text{ intercept for } P = a - bQ \text{ is } \frac{a}{b} \text{ and the } Q \text{ intercept for } MR = a - 2bQ \text{ is } \frac{a}{2b}$$

possible segments of discontinuity in MR that might be arbitrarily selected. It is unlikely that any of the arbitrarily selected discontinuities in MR would be the one that is correct. In a sense, once you have selected your MR functions arbitrarily, you have no degrees of freedom left to arrive at consistent kinks between AR and MR without abandoning the arbitrarily posited discontinuity in MR.

This impossibility problem shows up at all levels, having appeared in a principles text by Schiller.

	Growth	Rate	Rate	of GDP)	GDP)
Eisenhower	2.0%	4.9%	2.3%	0.3%	14.7%
Kennedy	4.7	6.0	1.8	0.4	15.0
Johnson	4.6	4.4	3.9	0.5	15.9
Nixon	2.4	5.0	6.7	0.8	16.5

Reagan	2.8	7.5	4.4	3.9	16.5
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U.S. healthcare expenditures are well above those in the rest of the world, but we're not measurably healthier than citizens in many other countries. Those without insurance avoid physicians whenever possible, but those with insurance tend to use more services, especially those requiring extensive

increase costs; it cut them. No more polio; no more polio costs.

Optimists recognize the problem, but hope for different types of technology in the future. Most technologies are now in the "iron lung" stage. They treat symptoms, but are rarely preventative. Perhaps, as researchers learn more, technologies can evolve into the more effective and cheaper "preventative"

stage. technology. Current AIDS treatments are an example of an iron-lung technology. They prolong the life of AIDS patients at great expense, but can neither cure nor prevent the disease. However, if research can develop a vaccine to prevent AIDS, what now looms as an unprecedented medical and economic disaster will be averted.

Can we do it? If we can't, we're in deep trouble. Without new types of technologies, medical costs will continue to soar unless we start rationing care and denying access to life-saving procedures. And all the managed competition in the world won't stop it.

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