

# Economics

Department Alumni Newsletter

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## *Snowed Out*

~~It's a winter of no going home. Since being freeze dried by an arctic front in January, we've been buried beneath~~

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Many of you who visit ask the same question: *have students changed?* And, I always answer "yes". Most instructors on most college campuses would agree. "*Students just aren't as good anymore,*" is a common refrain. And, it's true. Each year more and more students attend college. As larger and larger percents of the population attend, the average ability level will inevitably fall. If we want to send everyone to college instead of only the academically elite, the average student will simply not be as bright.

When ability levels fall, faculty must either award lower grades or lower standards. Most have

of the differences in student grades. On the other hand, differences in class attendance account for almost 40 percent of differences in grades. Each class a student misses lowers his/her final average by about three percentage points. Since the "typical" student misses almost 20 percent of the classes, that adds up to a mess of D and F grades.

Other researchers report similar results. Attendance matters. Yet, attendance levels are falling over time. What should we do? We can try to make our classes interesting and worthwhile, but even the most popular instructors lecture to empty seats. Should we *require* attendance? Should we *force* students to come to class?

Current IUP policy forbids faculty to use attendance in determining grades. Faculty can circumvent this by giving unannounced quizzes, but we are not allowed to require students to attend

on a single comparative graphic.

The analysis behind the graphic focuses on how the economy works rather than how each candidate wished the economy worked. For example, an assertion by one of the candidates that cuts in government spending coupled with increases in taxes will stimulate the economy cannot be seen on the attached graph because it is contrary to observed reality. Tax increases and spending decreases tend to shrink the economy and tax decreases and spending increases tend to expand it. In the simple model

government spending and taxes, which are both taboos of modern political life. It was surprising that Clinton was able to get elected by being in that quadrant, but he didn't advocate a big enough increase in

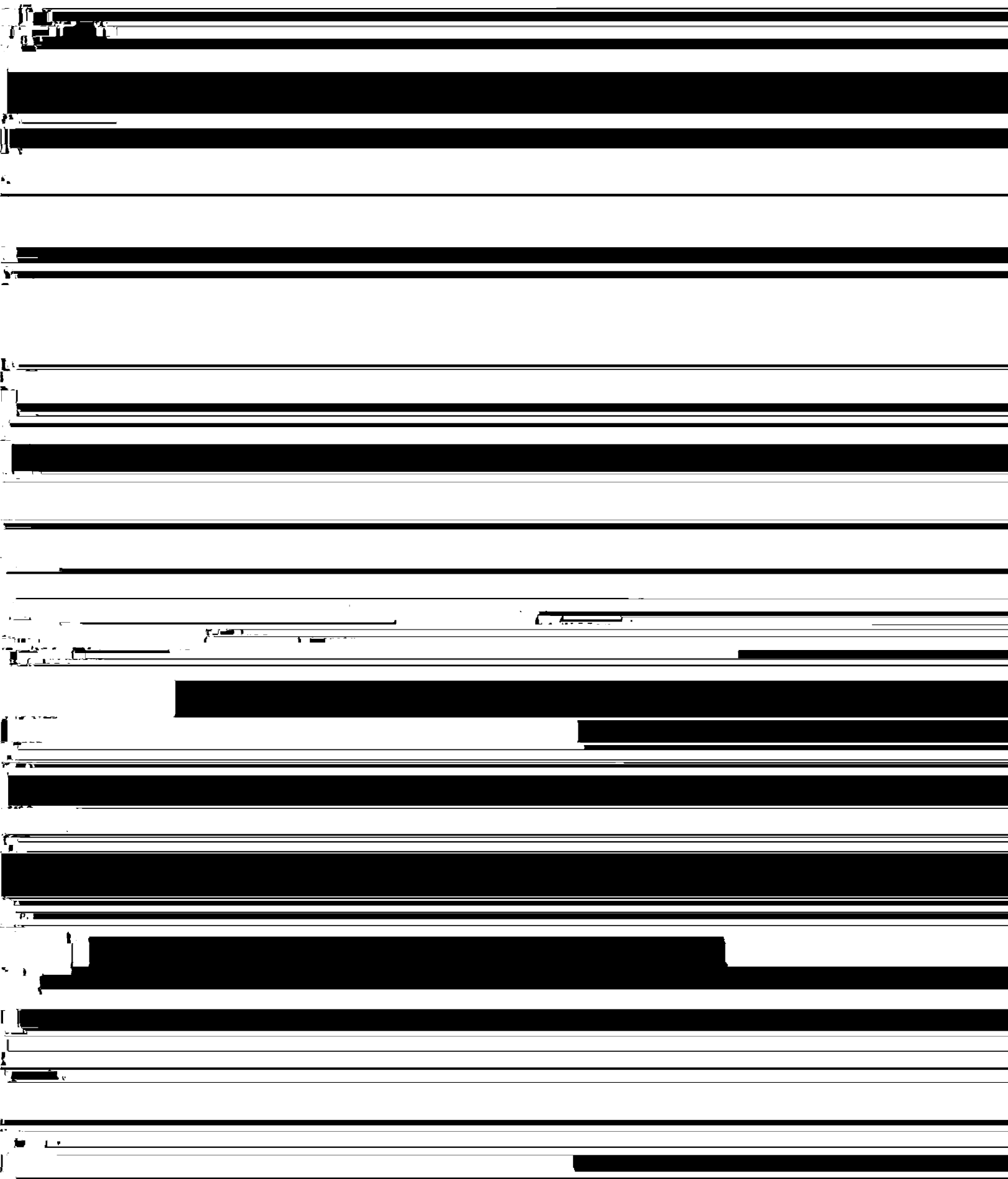
the systems they are supposed to describe, then they obscure true communication and serve to block meaningful education. What makes last semester's pornograph special is that it contains an usually large number of errors (listed below). There isn't much right about this graph. It is a classic pornograph.

1. The southeast corner of the shaded profit box is above the AC function.
2. MC intersects AC above the minimum of AC.
3. MC doesn't intersect AC at the minimum of AC.
4. ~~The shaded box is above the intersection of MR and MC~~

5. The MR function is too steep. It must be only twice as steep as D. If MR has the proper slope, the bracketed segments on the horizontal axis will be equal to each other. They aren't even close.

~~Given the slope of MR is wrong, the price identified as profit maximizing is not the quantity~~

... We room the



like and one I don't like, I'll choose the one I like every time.

## The Death of GNP

Rats. In Principles I, and again in Macroeconomic Analysis, we beat you over the head with GNP. We made you memorize it, graph it, critique it and calculate it. And now it's dead. *Gross National Product* has vanished from the face of U.S. Department of Commerce reports; relegated to a statistical landfill and replaced by an upstart concept termed *Gross Domestic Product or GDP*. Have you noticed?

Luckily, not all you learned is lost (*assuming you still remember any of it!*). The two measures are quite similar. GNP measured the value of final goods and services produced by U.S. citizens

U.S. ("domestically") in a year. What mattered for GNP was who produced the output (a U.S. national or not); what matters for GDP is *where* the production occurs (within the U.S. or not). For example,



*[GDP] does not allow for the health of our children, the quality of their education, or the joy of their play. It does not include the beauty of our poetry or the strength of our marriages, the intelligence of our public debate or the integrity of our public officials. It measures neither our courage, nor our wisdom nor our devotion to our country. It measures everything, in short, except that which makes life*

