

Economics

Department Alumni Newsletter

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Windows. After years in the depths of Keith Hall, shielded from sunlight, shut off from the sights and sounds of nature (save the skittish scurry of an occasional cockroach), I've got two glorious windows. Three-foot wide, ten-foot high windows overlooking the Oak Grove. The catch? I had to cawing jobs to get them. I'm now the Interim (a one-year position) Associate Provost for Enrollment Management and Planning. After years spent hearing me grouse about student quality, Provost Staszewicz asked me to fix it. Clever revenge on his part

Bus Drivers

One week before my first teaching assignment as a graduate student I fell apart. In a complete panic, convinced that I could not possibly teach, I marched to the department office to bail out. Within

ten yards of my destination I froze. Finally, deciding that I was even more afraid of knocking on the chairperson's door than of trying to teach unsuspecting freshmen, I turned and walked home.

That first semester was hell. My stomach churned every day before entering the rooms and, on several occasions, I came within a whisker of blacking out in class from abject terror. Try to imagine a graduate instructor, chalk in hand, midway through a demand curve, passed out on the floor.

But, I survived. And the student feedback, with some exceptions, was positive. Although one evaluator wrote that I was "incompetent and should not be allowed in the classroom" (*yes, I still have the same old teaching problems, needs to be used whenever needed*), on the whole, students ranked me

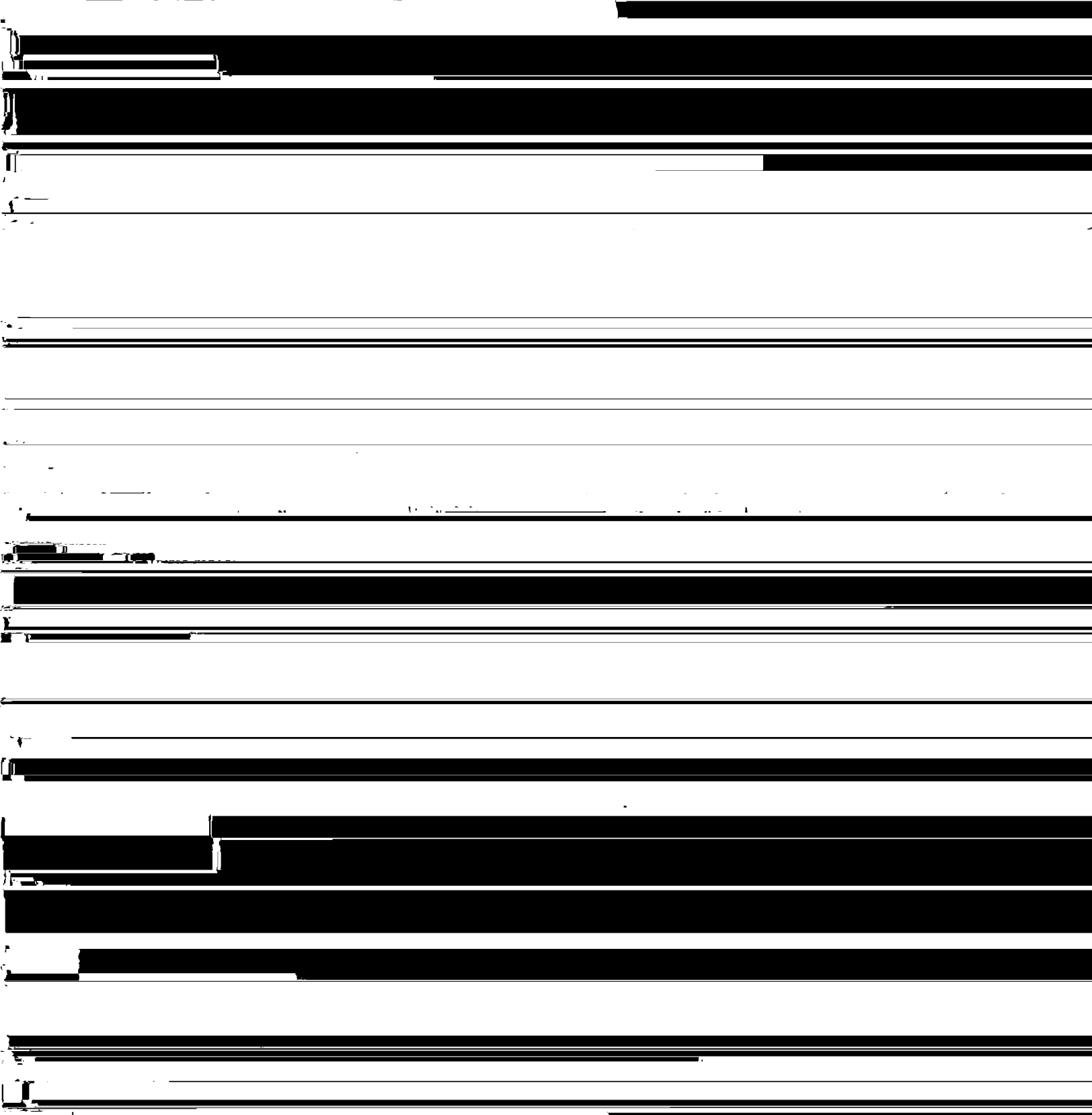
bucks for transport to unknown destinations. That doesn't mean we should trade in our theory. Our theory does matter; it's the bus! We can't go anywhere without it. But, infers Bartlett, maybe we should pay a bit more attention to where it's taking us.

No, we're not about to eschew indifference curves and kinked-demand graphs, they're just too much fun to skip. Nonetheless, several of us have been experimenting with new approaches to keep students on board. We're developing new courses and new approaches to old courses. Nick Karatjas has asked every student in his sections -- even the large sections of Principles of Economics and Basic Economics -- to visit his office and talk about "anything other than economics."

on emotion than logic. When the issue finally hit the Senate floor in May, passions were inflamed, battle lines had been drawn, and the television cameras were rolling.

Asked to present the motion, I tried to lighten the mood with a few bald jokes, but was largely unsuccessful -- stand-up comedy is not among my areas of comparative advantage. The audience was

seated with visitors as members of the British House of Commons



Radakovic reflects on some economic implications of such tragedies.

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No Joy in Mudville

*Where have you gone Joe DiMaggio,
the nation lifts its hopeful eyes to you.*

No baseball. No play-offs. No World Series. A tragedy. The sight of Three Rivers Stadium breaks my heart. Its parking lots, once jammed with cars and kids sporting baseball mitts, Pirate caps and looks of wide-eyed anticipation, stand empty. The aisles, once ringing with cries of "beer here" are silent. The mezzanine decks, once filled with the aroma of Kahn's all-beef wieners, roasted to perfection, now host only the occasional pigeon.

And all because a bunch of millionaire players and millionaire owners are squabbling about issues which, in the end, are periforal to what really matters -- baseball.

Media accusations abound. We are asked to choose sides and root for the players or the owners. But, I choose not to root. The players are driven by self-interest and greed. The owners are driven by self-interest and greed. Economists understand self-interest and greed. They are the bread and butter of economic life.

We even can learn to appreciate greed. In his recent presidential address to the Western Economics Association, Jack Hirshleifer contends that "love and friendship may sustain cooperation among a few partners, but the elaborate division of labor essential for modern life has to rely on the force of self-interest." He cites Nobel Prize laureate Friedrich von Hayek's claim that transition to a free, civilized life became possible "only when people learned to be selfish." A central lesson of

economic theory is that a society filled with individual consumers and firms maximizing private

form that collusive agreement should take. The players argue that the small-market teams should be propped up through revenue-sharing plans funded by the wealthier teams, while the owners are holding out for aid through lower costs through salary caps. Both sides agree redistribution to small-market teams is needed, they simply disagree over whether the donors should be wealthy teams or wealthy players.

Does it matter? Not to me. I just want my game back. And that's the tragedy. Hayek's free market self-interest seldom works efficiently when external effects are present. And baseball certainly generates external effects. An efficient allocation balances costs and benefits to *all* parties, not just those directly involved in the strike.

Millionaire players and millionaire owners can afford an interrupted income stream. But the peanut vendors, parking attendants and hotel clerks cannot. The most sorrowful spillover costs are psychic -- missing box scores in the morning paper, lost chatter about last night's game that builds office camaraderie, silence between fathers and sons that could still talk baseball when all other communication links are lost in the turmoil of adolescence. And pity poor Cleveland -- chasing its first pennant since 1954 when the Indians rolled off 111 wins only to be crushed by the *New York* Giants in four straight World Series games. Gone. Hopes dashed.

Players and owners who maximize self-interest will remain on strike as long as the marginal benefit (MB) of doing so covers the marginal cost (MC) they must pay. But the MC to society, which

Oh, people will come, Ray. People will most definitely come.

Discrimination: Still Kicking

I remember segregation. I remember separate public restrooms for "coloreds" and "whites" outside the courthouse of my hometown in western Maryland. I remember eating a hot dog in the "colored" side

facilities.

Times have changed; people have changed. Racial tensions still abound and racial disparities persist, but discrimination in the workplace has been curbed by law. Or has it? In these days of affirmative action plans and preferential hiring policies, do minorities enjoy equal access to the labor market?

The traditional employer, at least by many middle-aged white males with secure, well-paying jobs

perceive their *customers* to be biased. If officials at Burger King or K Mart suspect their customers prefer to deal with Anglos rather than Hispanics, their profit motive would push them to discriminate against Hispanics; even if they themselves were racially and culturally ambivalent. Profit-maximizing employers in a competitive environment must hire with *customer* preferences in mind, not their own.

As a result, the observed discrimination is the result of the observed