Economics

Department Alumni Newsletter

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Goodbye Marvin

No more eight a.m. lectures on equilibrium GDP and fiscal policies. No more last-minute student

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JOBS: U.S. vs. Europe

Americans groan about inflation, but fear the specter of unemployment far more. Few economic events labor and could make employers reluctant to hire. For example, government regulations require

to snare far more alluring partners.

Does it make sense? Do I have a good excuse for my substandard success in pitching woo? According to state exceeding the 55 m.p.h. level. By this time, lower speeds were also credited with saving thousands [illegible] fatalities plunged by 9,100 in the first year alone. The measure was so popular that it

passed the Senate with a unanimous 85-0 vote.

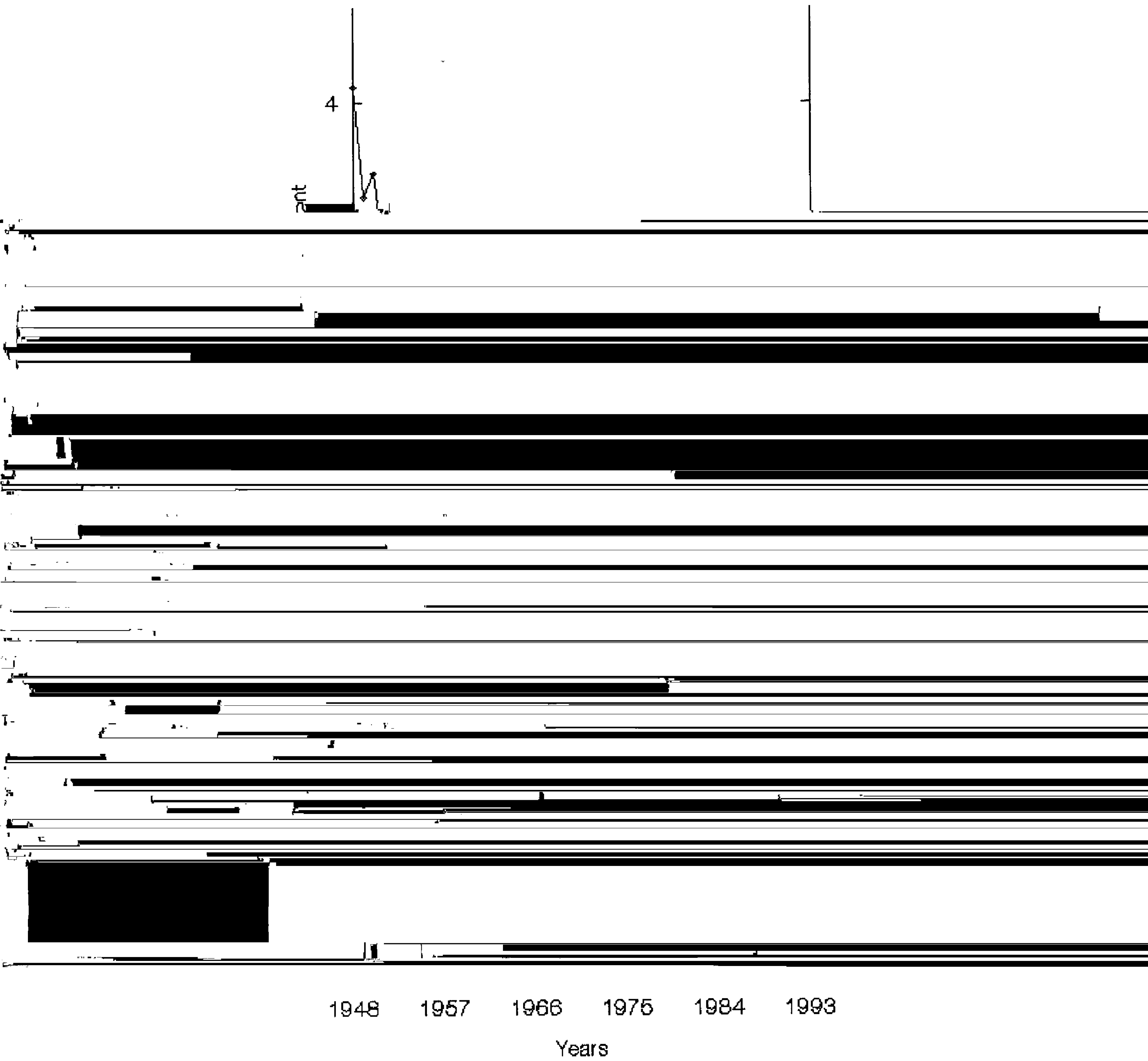
But, the bloom began to wither. By the early 1980's the energy crisis was history -- thanks largely to some belated price deregulation -- and average speeds were inching up. Pressure mounted to restore the higher pre-OPEC speed limits and several rural states all but refused to enforce the federal 55 m.p.h. mandate. For example, wide-open Montana kept the 55 m.p.h. limit on the books, but dropped the fine for violations to $5 and ignored all but the most egregious speeders.

With falling oil prices and abundant gasoline, proponents of the 55 m.p.h. limit ditched their conservation arguments and stressed safety instead. What about the thousands of lives saved by lower speeds? Did they not matter? After all, *speed kills*.

Does slower mean safer?

Or does it? Were those lives saved by lower speeds? Or were other factors at work? When gas prices rose in the 1970's, motorists responded by staying home and/or using public transport. With fewer cars on the road, fatalities would have dropped regardless of speed limit changes. Similarly, safer vehicles congestion elsewhere meant fewer accidents on other roads. The net effect was zero. A second study by Berkeley's Ted Keeler found that higher speed limits did impair safety slightly, but only in congested, urban areas. If these studies are correct, Pennsylvania's recent decision to adopt the 65 m.p.h. limit on controlled-access highways in rural areas should not measurably affect safety.

But, if lower speed limits do not decrease highway fatalities, what will? Must we accept the continuing carnage? Maybe. We have no easy solutions. Keeler found, as expected, that fatalities rise rapidly with



Other changes are harder to explain. For example, why did the relative share of economics degrees rebound in the 1960's. Why did it rise again during the late 1970's and 1980's? Why has it plunged in the 1990's?

Cyclical trends in popularity bedevil other disciplines as well. The number of undergraduate history degrees plunged from 44,663 in 1971 to 16,049 in 1985 -- a drop of 64 percent. Yet, by 1993 the number had rebounded to 27,774. What's going on? What drives student choices? In truth -- *we do not know*. The process by which students select majors remains one of life's great mysteries. Nonetheless, *Class size.* An increase in majors might increase class sizes in economics relative to other courses. This [illegible]

Similarly, a decrease in majors should lower class sizes and reverse the trend.

Grading policies. Excess demand for courses allows professors to demand more from students. When the number of majors increase, course requirements might rise and grading standards stiffen. As the reputation for difficulty grows, the number of student reverts to its earlier level.

grew at 3.5 percent annually, well above the 2.5 percent rate for the U.S. as a whole. However, since 1988, employment in these areas has slowed considerably, as has the number of new economics majors. Could the stock market crash of 1987 have pulled the plug on the lure of Wall Street?

5. The Alex B. Keaton theory.

Colleague Will Radell suggests Hollywood might be changing the allure of economics. The television sitcom *Family Ties* sat atop the Neilson ratings for most of the 1980's. Each week the young, attractive,