

Economics

Department Alumni Newsletter

Indiana, PA 15705 (724) 357-2640
Issue #28, Spring 1998
Bob Stonebraker, editor

We're Still Here.....

The late 1960's were heady years. IUP blossomed from a sleepy state college into a robust university. Enrollment soared from 6300 to over 10,000 students, and the Department of Economics emerged from a split of the Department of Social Sciences. From 1968 through 1971 the Department hired nine new faculty members.

You recognize the names. Jerry Holt and Wayne Davis arrived in 1968, joined by Marvin Huff

Thank You, Dr. Walker

Chairing an academic department at IUP is not easy. Trying to administer a bunch of cantankerous prima donnas (otherwise known as professors) can be akin to trying to administer a two-year-old into proper table etiquette. It's a tough job. Of course, chairpersons do get a partial release from teaching responsibilities -- probably enough to offset about one-half of the hours needed to be a responsible chairperson. And, there's the financial reward. Being a chairperson brings in an extra \$17.31 per week. No. You don't do it for the fun; you don't do it for the money. You chair a department because you care about the department. And Dr. Donald A. Walker has cared about IUP's Department of Economics for

almost 30 years.

Don's career has been remarkable. His over 100 professional manuscripts and books fill an entire display case in IUP's Stright Hall. With a truly international reputation as a scholar, he served as the youngest-ever President of the History of Economics Society and has edited its scholarly *Journal of the History of Economic Thought* for a decade. He has been honored with IUP Distinguished Faculty Awards for both scholarship and service. He received the first Commonwealth of Pennsylvania Distinguished Academic Service Award, was elected as IUP's first University Professor, was invited to be the first Distinguished Fellow of the International Society for Netherlands Research Institute and the first Distinguished Fellow of the International Society for Intercommunication of New Ideas. He was

deflation punctuated by periodic economic crises and expansions. Without macroeconomic data, it was hard for people at that time to look past the periodic crises to see the strong economic growth that was trending upward over the course of the business cycle.

My first encounter with the economic content in the *Wonderful Wizard of OZ* came in 1963, when my zany Teaching Assistant introduced it as a story about monetary policy. Later I tracked down the first published work on the nature of the allegory, written by Martin Gardner, who did the mathematical games section in *Scientific American* for many years. In the past decade articles have appeared in the

the Wicked Witch of the West.

This does not allow a complete discussion of all the allegory, but the big picture that emerges is

that Dorothy could have always gone back to a prosperous Kansas before the depression of '93 (the

~~Age of the Great Depression of the 1930s, the era of eastern finance and western railroads, etc.~~

The Seeds of the Asian Flu

by
Yaw A. Asamoah

During the past nine months, several Asian currencies, especially the Thai baht, the Korean won, and the Indonesian rupiah, have been subjected to a series of speculative attacks. The crisis has caught

In the last ten years, however, this success has become unsustainable. The labor force became increasingly demanding, and the aggressive domestic investment binge exhausted the domestic pool of funds. Capital and labor were no longer inexpensive, and the prospects for further economies of scale

What now? Should the weakened Asian economies be left to sink or swim? Is international intervention appropriate? There is plenty of advice, but little consensus.

The International Monetary Fund (IMF), as the primary agency responsible for rescuing nations that face speculative currency attacks, has pooled together billions in emergency funds to support the Asian nations in crisis. These funds are welcomed, but they come with a steep price: strict monetary and fiscal diets. The cost for IMF support includes an agreement by the nations measures such as a restructuring of the banking system (including the closure of insolvent banks, and the promotion of greater competition among financial institutions), the break-up of the conglomerates and cartels, stricter monetary policies that would allow interest rates to rise, an end to loan subsidies and guarantees, and

But, Donnie and Steve were no dopes. Within a week they caught on to my strategy and began arriving early themselves. So, I arrived even earlier. Within three weeks each was running out of the house a full 30 minutes before the bus was due. Our early morning sprints to the bus stop were costing us both sleep and breakfast, but none of us could afford to end our mini-version of an arms race by ourselves. We were trapped. What could we do?

Luckily, our mothers did it for us. Recognizing the no-win battle for what it was, they joined together and imposed a cartel solution. By parental decree, enforced by threat of household violence, we left our homes at the same time and rotated the dreaded number-three spot in line. Thank God for mothers.

Investment: good and bad

Donnie, Steve, and I invested time and energy in our mini-arms race. All wasted. Normally,

the participant in the market or contest and have little impact on the quality of the final goods produced. Much of the investment, from society's perspective, is wasted.

... instead that wasteful additional arms races are most common in winner-

altogether -- a *winner-take-all* market with immense impacts. As should be expected, the competition to be top dog in such markets can be savage; even to the death.

Humans are not immune to such battles but, historically, have attempted to limit them whenever

