

The Bohling Economist

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FEATURED IN THIS ISSUE

THE OFFICIAL JOURNAL OF THE BLOOMSBURG UNIVERSITY ECONOMICS

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Last, But Certainly Not Least

We have changed the look slightly for the second issue of the Spring semester yet again; we hope that our readers find this newer layout and color scheme more appealing than the last. We continue to strive to make this Journal a high-quality and respectable publication that is representative of the BU economics community.

This issue contains terrific articles on the state of the PA budget cuts and what they mean for students, the Keystone Pipeline debate, and the current crisis in Syria, as described by Dr. Radwan Ziadeh. Please enjoy these articles and the interesting viewpoints given by many of our contributors.

The Spring 2012 semester is coming to a close and we would like to thank all of our readers for their support this year! We hope that the Journal continues to grow and will be a staple for the BU Economics Club for many years to come. We would also like to thank everyone who contributed this year to the tremendous success of the Journal. Good luck and we hope you enjoy your summer!

-Jarrid & Antonio



Statistics & Economic Indicators

Unemployment rate- The US Unemployment rate continued to drop to 8.2% in March, down from 8.3% in February (Bureau of Labor Statistics)

Average Hourly Earnings- The average hourly earnings of a US employee rose to \$23.39 an hour

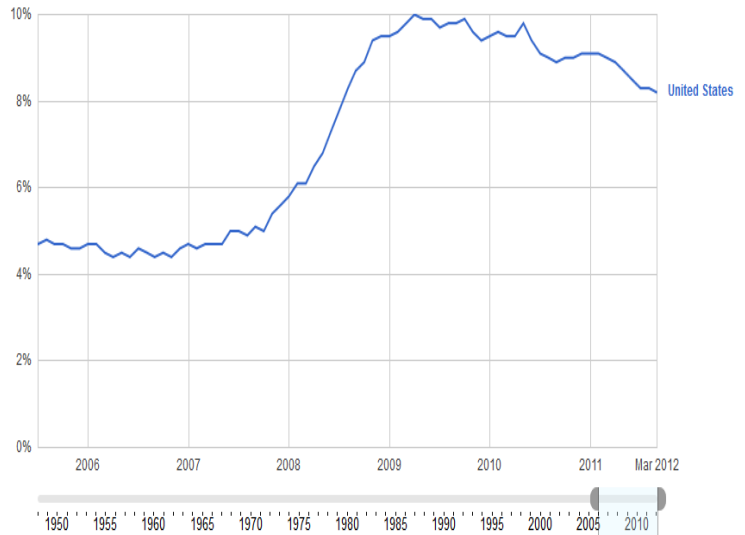
Trade deficit - The trade deficit increased to 52.6 billion in January 2012 from \$50.4 billion (revised) in December, as imports increased more than exports. (Census.gov)



Inflation rate- The US inflation rate decreased to 2.87% 2012, down from 2.93% in January (Inflationdata.com)

National Credit Score Average- The National credit score for March 2012 is 660, Down 5 points from the March 2011 average of 665

United States Unemployment Rate



Data from U.S. Bureau of Labor Statistics Last updated: Apr 23, 2012

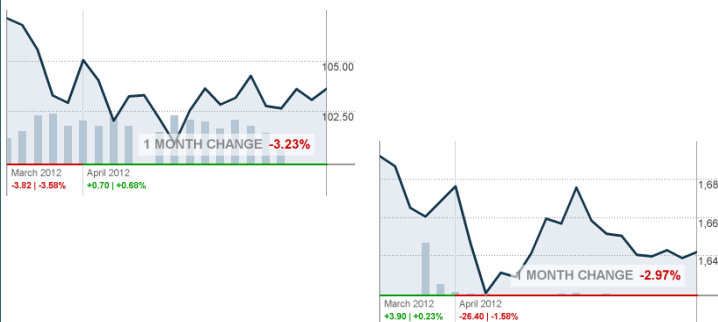
PA unemployment rate- The Pennsylvania unemployment rate remained unchanged at 7.6% in January 2012 (U.S. Bureau of Labor Statistics)

Student debt- The average student debt has risen to \$29,523 in the first quarter of 2012. (CreditKarma.com) 37 of the 50 states reported students carrying more debt than they were 1 year ago

Commodity Statistics

Price of oil

\$103.55 per barrel (4/24/12), down from our previously noted **\$106.01 per barrel (2/22/12)** (Money.cnn.com)



Price of gold

\$1,643.80 per ounce (4/24/12), down from our previously noted **\$1,758.50 per ounce (2/22/12)** (Money.cnn.com)

US Stock markets

(Money.cnn.com) (4/11/12)

Dow Jones Industrial Average- 12,819.58 (+4.9% Year-to-Date)

Nasdaq Composite Index- 3,010.83 (+15.62% Year-to-Date)

S&P 500 Index 1,369.01 (+8.86% Year-to-Date)





BU Economics Club: **EVENTS & ANNOUNCEMENTS**

Enjoy your summer and the BU Economics Club will reconvene in Fall 2012!

Top Local Economic Story

By Jesus Diaz

What Corbett's Cuts Mean to a Bloomsburg Student

Governor Tom Corbett revealed his FY 2012-2013 state budget proposal, which cuts funding for Pennsylvania's 14 state-owned universities by 20 percent, equivalent to \$82.5 million. The governor's proposed budget allocates \$330 million to the Pennsylvania State System of Higher Education (PASSHE), a loss of almost \$175 million since Corbett became governor of Pennsylvania. This proposal comes just one month after he requested that the State System freeze five percent of last year's appropriation. So what does this mean for college students at BU?

Under these cuts, the average grant award would drop from \$2,824 to \$2,666 assuming the amount of recipients remain around 205,000. The maximum award, which goes to the neediest students, would drop to \$4,096 from this year's \$4,348 maximum amount. These numbers would be more drastic if PHEAA did not contribute \$50 million from its student loan servicing earnings that it expects to be prepared to

offer to supplement the \$361.9 million Corbett proposes for the grant program. To keep the awards at this year's level, PHEAA and CEO James Preston said the amount needed to offset the anticipated tuition hikes would be an additional \$20

million. In turn, what does this mean? To make up a reduction in grant amounts, some students will have to resort to more borrowing. Nonetheless, lower funding also means higher tuition rates.

Among the 14 state universities in Pennsylvania, Bloomsburg University is the most affordable. Presently, tuition cost per year is \$6,240 for an in-state student and \$15,600 for students out-of-state. If we take a look at last year's 18 percent budget cut, it resulted in an \$872 per year, which is a 7.5 percent increase in the tuitions. In essence, with a 20 percent cut, tuition can rise anywhere be-

tween another 7.5-8.5 percent. Which will raise tuition next year to anything between \$6,708-\$6770 for in-state and \$16770-\$16926 for out-of-state.

State representatives, state senators and

even faculty members from many universities are voicing their concerns and hoping the proposal does not become a reality. Not to mention a protest held in Harrisburg on Wednesday, March 29 by many PASSHE

schools, including BU.

As this becomes a topic of interest in the minds of our students, families and communities, we can only hope and pray that our efforts in keeping costs low will urge legislature to reaffirm this promise of affordable higher education for the communities of Pennsylvania because this short-sighted budget fix will have a lasting impact on the future of the "commonwealth" of the Commonwealth of Pennsylvania.



Top National Economic Story

By Emily Gavigan

The Keystone Pipeline Debate

Lately there has been a lot of buzz going on about a pipeline to go from Canada to the United States. TransCanada is the main company in charge of these plans that may soon become reality. They are fully committed to the construction of the Keystone XL Pipeline that is 1,897 kilometers long. It is said to stretch from Hardisty, Alberta to Steele City, Nebraska. TransCanada is awaiting the approval of a Presidential Permit, which allows for the pipeline to reach across the Canada/U.S. border. The

believe is that the approval will happen somewhat in the first quarter of the year 2013 and construction would immediately follow. The project has received huge support from both

American and Canadian producers and U.S. refiners. They all signed 17 to 18 year contracts to ship hundreds of thousands of barrels of oil per day to meet the needs of American consumers. The Keystone Pipeline is project-

ed to cost \$13 billion.

However, there are a lot of protests and debates going on that are trying to stop the construction of the pipeline. Trade unions representing workers who stand to benefit from the thousands of new construction jobs from the Keystone XL Pipeline are furious that other unions joined in on environmentalist views in opposing the project. There is a line dividing the

unions who support all the job opportunities that will be presented compared to the unions who are strongly aligned with progressive groups on social and environmental issues. The industry claims that there will not even be an environmental issue. The estimated 50,000 miles of crude oil pipelines already in the United States are more of a risk that the oil and gas pipelines. A lot of debates are slowing down the approval of the pipeline. President Obama keeps pushing back the start date because more investigation needs to be done on the possible effects on the

TransCanada is fully committed to the construction of the Keystone Xeline that is 1,897 kilometers long. It is said to stretch from Hardisty, Alberta to Steele City, Nebraska. Box



nation. Environmental activist groups claim air and water supplies; along with fragile ecosystems will all be harmed. So for now the Keystone XL Pipeline is still under close eye and review to make sure this is the right choice for the United States.

Top International Political Story

On Wednesday March 7th, Dr. Radwan Ziadeh visited Bloomsburg University and gave a compelling, eye-opening presentation about the Arab Spring and its' current road to democracy. Dr. Ziadeh is a political activist from Syria, a country that has recently been in the news due to the Syrian government oppressing and killing many of its own citizens for attempting to protest the current political regime. Dr. Ziadeh is not only a leader in actively seeking political help and attention, but also an accomplished Author who has written many books on Islam and democracy. He is also a member of the Syrian National Council, the founder and director of the Damascus Center for Human Rights in Syria, and the co-founder and executive director of the Syrian Center for Political and Strategic Studies in Washington D.C.

Fellow journal co-editor Jarrid Dekovitch and I had the distinct honor and privileges to not only attend Dr. Ziadeh's speech, but to have dinner with Dr. Ziadeh the same night. I jumped at the chance to write an editorial about

not only the experience of the speech, but also about the Arab Spring, and to help bring attention to Syria's current horrible and saddening state.

Late in 2010, a revolutionary protest

began in the Arab Spring, a term given to the uprising of democracy and protests by citizens in past and current oppressed countries in the Middle East and Northern Africa. Over the past 2 years, citizens of these countries have flooded the streets, in protest and in attempt to overthrow tyrant corrupt governments. Protesters call for civil rights, economic freedom and political justice, in hope that one day they can live in a fair democratic society without corruption and oppression. Many protesters are students, or even younger children who one day seek a fair and free life that one could experience in Western Europe or

I believe in the Syrian people to come through. Syrians stand through abuse and continue demonstrations with no help. The transition won't be easy, but I believe that the Syrian people will overcome adversity

the United States. Countries such as Egypt, Tunisia, Libya and Yemen have successfully overthrown their respective governments, and other coun-

tries are currently on the road to fair democracy.

Syria is not currently one of these countries where the proverbial light is visible on the other side of the tunnel. Presi-

dent Bashar Al-Assad is taking extreme strides to not only remain in control, but to remain dominant over his people.

While the uprisings have not yet successfully resulted in democracy or Al-Assad

resignation, it has brought international attention to a catastrophic issue.

Over the past year, the Syrian government has arrested tens of thousands of citizens and has killed upwards of 9,000 of its own people. This is all in an attempt to oppress the desire for democracy, and to continue to inhumanly control the

lives of the Syrian people. Most recently, the city of Homs has been the center of controversy. For weeks the Syrian government has been openly firing at visible innocent citizens. It's a blatant massacre, as the government uses machine guns, snipers and even tanks to destroy homes, lives and dreams of its own people. These reasons are why Dr. Ziadeh chooses to speak and spread the word, calling for international help and assistance so that Syria can one day be a peaceful democracy, a utopia compared to current hell-like conditions, a place that their citizens can only dream of.

Dr. Ziadeh pointed out during his presentation that he was personally affected by the Al-Assad regime. Five of his family members have been wrongfully imprisoned, including a 10 year old relative who was taken from his own home.



Dr. Radwan Ziadeh & Syria's Road to Democracy

Dr. Ziadeh repeatedly spoke of similar stories and consistently used the phrase "crimes against humanity", when referring to what is currently occurring in Syria. One of the main points of the speech that Dr. Ziadeh continually talked about was the lack of support from the international community over the past year. Dr. Ziadeh also said, "Without help from the international community, nothing will change". An example of specific international help would include a safe

zone along the Turkish border, so that the Free Syrian Army can organize and have a base to oppose the Al-Assad regime. The Free Syrian Army is an armed opposition to the Al-Assad regime, many of the army men are former Syrian soldiers that have defected from the Syrian Army. During his speech, Dr. Ziadeh referred to the Free Syrian Army as "the heroes of civilians". Dr. Ziadeh also called for continuing help from neighboring countries in the Arab Spring region. He said that the international community has the responsibility to help. The King of Jordan has called Al-Assad to step down, and the Turkish prime minister has referred to him as a murderer. This shows that many regional neighbors are opposed to the Al-Assad Regime, but Dr. Radwan Ziadeh wants more from his neighbors.

The history of Syria gives reason to why some things are the way they are today.

The Free Syrian Army is now organized. The Free Syrian Army is stronger than the army that freed Libya. The Free Syrian Army needs our support, and our supplies.

Dr. Ziadeh pointed out that even before Basher Al-Assad reigned over Syria, his father had ruled for over 40 years, dictating over the Syrian community. Dr.

Ziadeh said that "the genes from his family taught him to kill his own people", reiterating that the dictatorship and unfair rule over civilians has gone on for decades.

Dr. Radwan Ziadeh finished his presentation with a question and answer segment.

Question- Could Syria properly fill democracy if the Al-Assad regime is toppled?

Answer- I believe in the Syrian people to come through. Syrians stand through abuse and continue demonstrations with no help.

The transition won't be easy, but I believe that the Syrian people will overcome adversity.

Question- Nations act in their own interest and won't (help) unless they have personal reasons. Why should the US intervene?

Answer- the US had no interest in Libya,

but why did they help Libyans? If the US claims they are a superpower, they have the responsibility to help the world and those in trouble. A top priority of US is Iran, so there is interest for the US to intervene. Iran supports Al-Assad, because if they fall, there is no hand for them in the Middle East.

Question- If we have to send troops to intervene, how sure are you that after we pull our army that it will not result in going back to the old same ways.

Answer- the US did not send troops to Libya. Syrians just want help in establishing safe zone along the Turkish border. The US can help in other ways (other than sending troops). The Free Syrian Army is now organized. The Free Syrian Army is stronger than the army that freed Libya. The Free Syrian Army needs our support, and our supplies.



There is no intention that US intervention will result in long civil war. And intervention could prevent civil war, which is better than attempting to manage civil war at a later time. Taking actions on time will prevent actions in the fu-

ture.

The evening was a great experience and eye-opening to say the least. Dr. Radwan Ziadeh plans to continue to talk and has clearly devoted his life to bringing democracy to Syria, and clearly will not stop until that day is reached.

Economic Growth and Environmental Inequality by: Brian Hosage

Abstract

Scholars have documented the effects of increased environmental degradation as a result of economic growth, which may lead to pollution in air and water, and health inequality. An increase in industrial production and the environmental degradation due to the failure of government and business to invest in pollution abatement policies and technologies results in accumulation of pollution over time. As GDP increases, the government needs to take into account depleting resources, and what an increase in GDP means to the environment due to an increase in productivity and resource consumption. In this paper, I will explain the consequences on the environment and social well-being when productivity increases, and give examples to what the government can do to regulate industrial pollution; for instance a cap-and-trade system, and higher taxes on companies that over consume resources. The paper will also look at the recent increased health risks compared to a hundred years ago due to resource consumption and pollution.

Literature Review

Over the years rough estimates have been made on human social well-being and morbidity due to environmental changes. In the article, *How much global ill health is attributable to environmental factors*, Kirk Smith attempts to provide estimates on environmental health issues. He estimates that thirty-five percent of the international burdens on disease can be attributed to environmental factors, with children under the age of five bearing the largest burden of the environmental health issues. He concludes that portions of environmental diseases increase with economic development, and calls for a plan "which would be designed to fill important gaps in the understanding of major environmental health risks in important population groups worldwide". (Smith 1999).

The article, *The relationship between economic development and social welfare: A new adjusted GDP measure of welfare*, states that economists and politicians try to measure whether individual society are better or worse off as a result of economic or social intervention. The widely used method of measuring human well-being of countries in the economics field is Gross Domestic Product (GDP). The use of GDP as a measure of welfare is highly praised by both economists and other professionals. For economists, GDP provides a tangible way to examine economic growth, while politicians use it as a measure of decreasing or increasing social welfare. However, although GDP is a simple measure of whether or not the

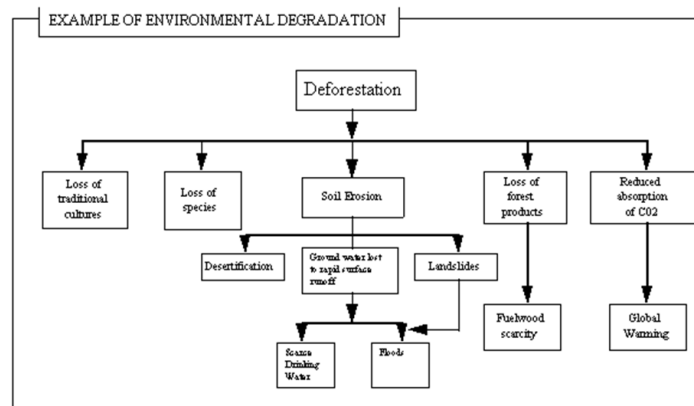
economy is growing, it doesn't take into account the costs and benefits of economic activity. GDP excludes illegal or informal economic activities, which are very important to developing countries. It also understates the true cost of economic activity as many economists and businesses treat natural resources as free. (Islam 201-208).

Improved access to schools, clinics, agricultural production centers, markets, and bus stops can have huge influence on the daily lives of residents; however, economists fear that these social changes may also lead to environmental degradation. For example, government allows the use and distribution of chemical fertilizers and pesticides. Although

economic growth; which would give a better understanding of their quality of life. Finally, GDP violates accounting principles by treating national capital as income, rather than as depreciation of an asset. This means that the more a country depletes its natural resources, the higher the country's GDP will be. (Smith 1999)

To achieve sustainable development, government has to implement economic, social, and environmental policies that increase the overall quality of life; not just in terms of economic growth with no acknowledgment of negative aspects of growth. It can be relatively easy for politicians to account for environmental degradation in its calculation of

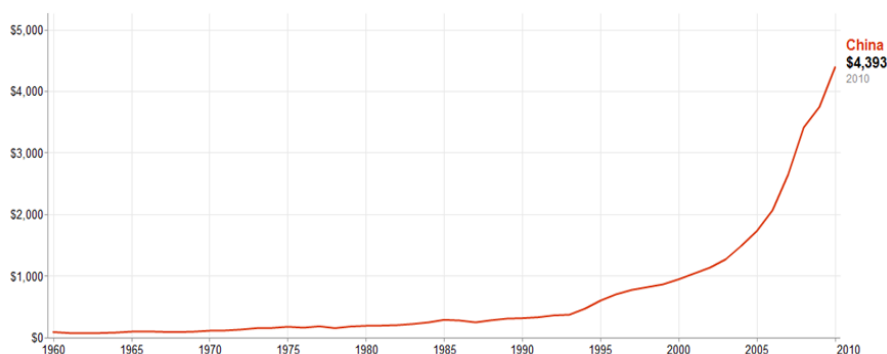
the GDP. The environmental consequences are evident when it comes to air and water pollution and endangered species. Since, the government only uses GDP to determine economic growth; we receive no understanding of the negative



these chemical fertilizers and pesticides may have the potential to improve crop production, thus increasing profits, they also pollute groundwater sources and withdraw nutrients from the soil, resulting in long-term soil degradation. Reduced soil fertility associated with an increase in chemical fertilizers decreases the amount of water that soil can hold and leads to increased soil erosion. Water reserves may also be depleted by businesses building facilities over water tub wells, this in turn, affects people with lower income who rely on low cost water services. (Barber 2003)

For years governments have used GDP as a measure of progress. Humans seek a more sufficient quality of life through increased production and economic growth, indicated by GDP. The problem however, is that GDP doesn't take into account the negative side effects of increased productivity, such as, increasing social inequality, pollution and increased health risks, and environmental damages. The government states that sustainable development is about "ensuring a better quality of life for everyone, now and for generations to come". Through policy, the government can take into account the negative side effects of

aspects of increased production because GDP considers all economic activity to be good. The chart above illustrates the environmental problems associated with degradation. (Barber 2003) One system that may replace GDP in the future is the Index of Sustainable Economic Welfare. Sustainable Economic Welfare takes into account issues that GDP ignores, such income inequality, environmental damage, and environmental degradation. GDP double counts activities that increase pollution. When a business creates pollution in order to create profits the activity is calculated in the GDP. The cost to clean up that pollution is also calculated in the GDP, which creates the idea that pollution is a double benefit for economic growth. This occurred during the oil spill by Exxon, which led to an increase in the United States GDP. While the government took into account the investments used to clean up the oil spill, it did not take into account the negative social and environmental consequences, such as loss of jobs and livelihood, and health illnesses from eating contaminated sea food and drinking polluted water. (Jackson 1-4)

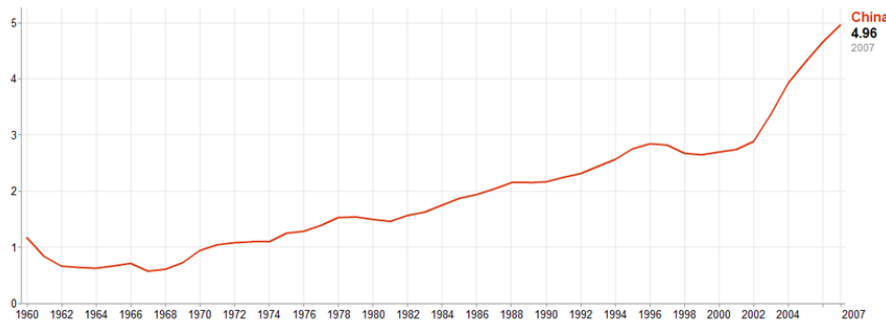


living standard of a country. For example, Monaco's GDP is 6.12 billion dollars, yet their life expectancy at birth is eighty-nine years old. Compare this with the United States, whose life expectancy at birth is seventy-eight, and GDP amounts to 14.58 trillion dollars. The United States is the world's most developed country, yet its residents live on average ten years less than a far less developed country. Along with this, health care costs have increased drastically in the United States due to corporate greed, insurance companies and hospitals want to increase profits, and increases in diseases and other health risks. Until countries consider the negative aspects of economic growth, GDP will continue to be an unreliable measurement of a country's social

China, the world's biggest polluter, is researching the positive effects of implementing a cap-and-trade system to help cut greenhouse gases. A cap-and-trade system is one in which the government sets a limit (cap) on the amount of environmental degradation or pollution permitted in a given area and then allows firms or individuals to trade permits or credits in order to meet the cap. The proposal by Zhang Junkuo, head of development strategy at the State Council's development research center, would reduce carbon-dioxide output per unit of gross domestic product by as much as forty-five percent by 2020. Along with this, China is likely to spend five trillion Yuan over the next decade to develop cleaner energy sources. The graph above illustrates China's rising GDP due to an increase in industrial economic growth from 1960 to 2011. The second graph illustrates China's increased CO₂ emissions from 1960 until 2007.

Another alternative policy to carbon admissions, discussed in the article, *Cap-and-trade, Emission taxes, and innovation*, is the carbon tax. Suzanne Scotchmer discusses the differences between cap-and-trade and carbon tax systems. Both systems can lead to the efficient production of energy by controlling carbon emissions that is possible with current technology. The major difference with the tax regulatory system is that a technology innovator can profit from developing clean energy technology to all producers. However, this is not true under a cap-and-trade system because diffusing expands energy supply, reducing the price of energy and cap allowances, which would decrease the producer's willingness to pay for cap licenses. Under cap and-trade regulation, the regulator has less ability to control the price of energy while ensuring productive efficiency. Since businesses will have little incentive to invest in alternative energy sources, the cap-and-trade system reduces innovation. (Scotchmer 2009)

Countries should consider the investment into the health and well-being of their citizens. As



said earlier, the food industry use pesticides and to a more recent extent Genetically Modified Organism (GMOs). Genetically Modified Organism is defined as a living thing whose DNA has been changed by scientists to achieve a particular result, such as a redder tomatoes or higher-yield grains. Food corporations argue that GMOs reduce the prices of foods because it enables the farmer to grow more crops in a shorter period of time. However, the companies' profits are based on supplying cheap food, that are heavily contaminated with petroleum-based chemicals. Pesticides lead to many health effects such as, Asthma, birth defects, neurological effects, increases cancer cells, and hormone disruption. Another horrific result of pesticides is that three out of four children in the United States in next thirty years will have diabetes two due to poor diets. As of 2011, one in four children is diagnosed with diabetes two. (Kenner 2009)

The evident truth is that governments don't take into account increased health risks due to increased levels of production. While companies' profit and a country's GDP may increase due to cheaper alternatives to growing livestock and crops, the health side effects go unnoticed when accounting for the

wellbeing.

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Resources

http://www.google.com/publicdata/explore?ds=d5bncppjof8fq_&met_y=ny_gdp_mktp_cd&idim=country:USA&dl=en&hl=en&q=us+gdp

Census.gov

Bureau of Labor Statistics

Inflationdata.com

Do you have a project or an article you would like published?

The Economics Club welcomes and encourages you to submit research projects to be published. If you have any interest in seeing your work published, email Jarrid Dekovitch at: Jjd13162@huskies.bloomu.edu

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