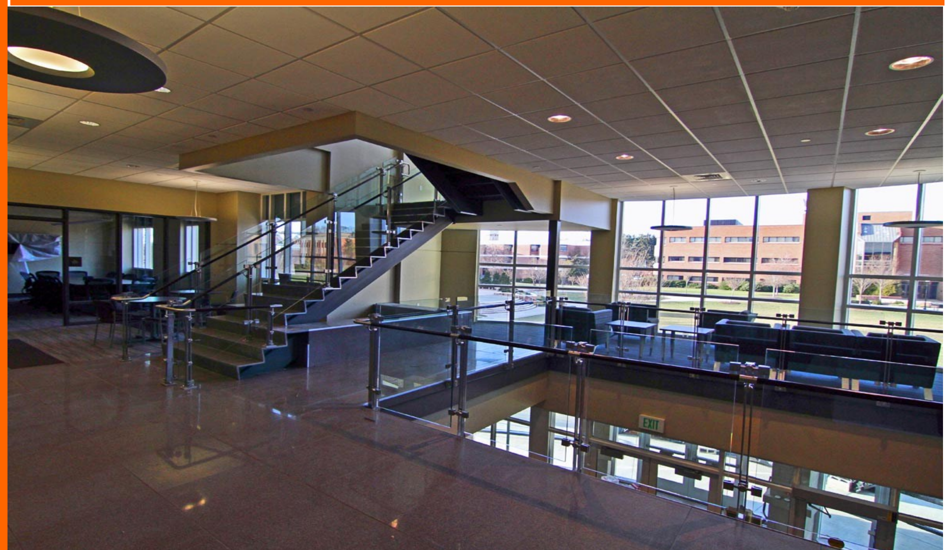
The Bloomsburg Economist

October 2012



THE OFFICIAL JOURNAL OF THE BLOOMSBURG UNIVERSITY ECONOMICS CLUB

FEATURED IN THIS ISSUE

Welcome Back Bloomsburg!

An Introduction from the Editor

As we welcome the Autumn of 2012, The Bloomsburg University Economics Club continues to grow and progress. The Bloomsburg Economics Journal also continues to grow and is an example of the club's quality. The journal was founded two years ago, and continued to develop and progress under excellent guidance of former editors Dave Stanwick and Jarrid Dekovitch.

With every new volume we attempt to maintain an excellence in quality of writing, while providing readers with informative articles and economic statistics. The journal proves to be a great resource for both the club, and the University. I am proud that any student or professor can pick up the journal and read an article that allows them to learn more about our economic world.

This journal contains a brief overview of economic statistics and indicators, as well as four well-written articles from economic students and club members. We thank you for taking the time to read our editorials, and for the continued support. We continue to strive to make this Journal a high-quality and reputable publication that is representative of the BU economics community.

- Antonio Campanelli

BLOOMSBURG UNIVERSITY
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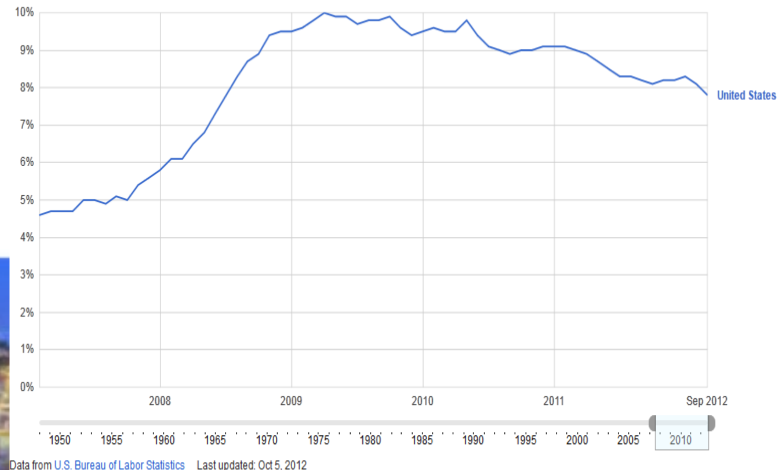
Statistics & Economic Indicators

Unemployment rate- The US Unemployment rate dropped to 7.8% in September, down from 8.1% in August (Bureau of Labor Statistics)

United States Unemployment Rate



Average Hourly Earnings- The average hourly earnings of a US employee rose 7 cents to $23.58 an hour

Trade deficit - The trade deficit in goods and services increased to $44.2 billion in August from $42.5 billion in July, as exports decreased more than imports.

(Census.gov)

Inflation rate- The US inflation rate Increased to 1.69% in August, up from 1.41% in July (Inflationdata.com)

National Credit Score Average- The National credit score for March 2012 is 664

PA unemployment rate- The Pennsylvania unemployment rate rose to 8.1% in August, up from 7.9% in July (U.S. Bureau of Labor Statistics)

Student debt- Student loan debt is down this year, falling 2% from last year to $29,088 (CreditKarma.com)

Commodity Statistics

Price of oil
$92.70 per barrel (10/10/12), down from our previously noted $103.55 per barrel (4/24/12) (Money.cnn.com)

Price of gold
$1,773.00 per ounce (10/10/12), up from our previously noted $1,643.80 per ounce (4/24/12) (Money.cnn.com)

US Stock markets

(Money.cnn.com) (10/11/12)

Dow Jones Industrial Average-

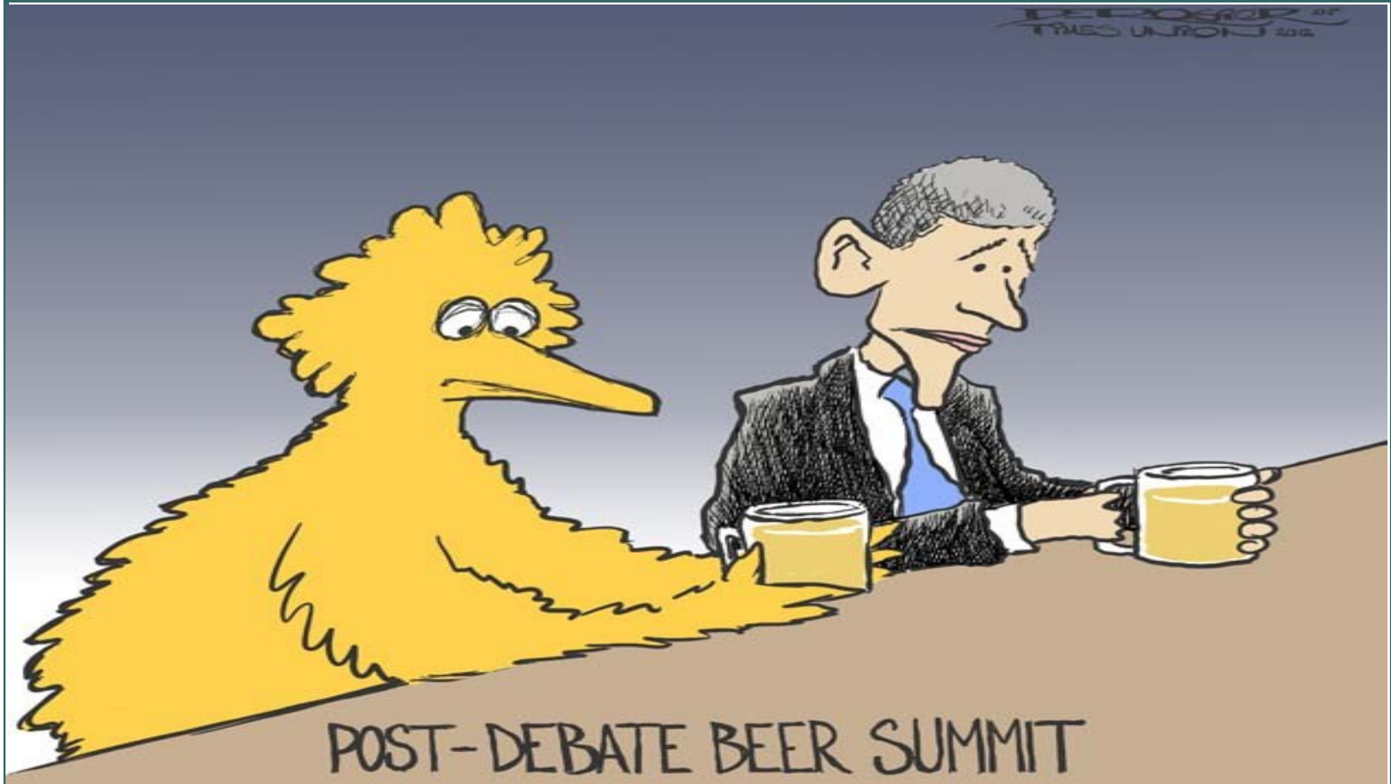
13,374.08 (+9.38% Year-to-Date)

Nasdaq Composite Index-

3,052.65 (+17.17% Year-to-Date)

S&P 500 Index

1,436.05 (+14.20 Year-to-Date)



BU Economics Club: **EVENTS & ANNOUNCEMENTS**

- The next BU Economics Club meeting will be held on 11/5 at 6pm in Bakeless 201, join us!
- If you are interested in joining the BU Economics Club, please attend the meeting or email Anthony Wagner at **aww99236@huskies.bloomu.edu**
- The Economics Club will be holding a movie night on November 7th at 7pm. We will be watching two short films, “Fault Lines” and “Aftermath of a crisis”. Both films are related to the global financial crisis of 2008
- Follow BU Econ Club on twitter! @BUEconomics

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Top National Economic Story

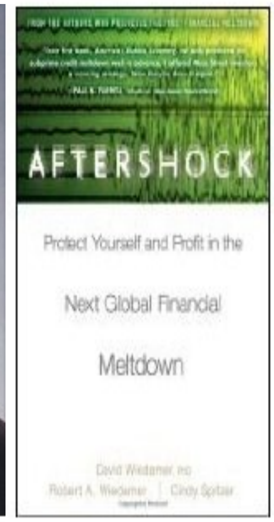
By : Emily Gavigan

Billionaires Throwing Away Stocks Fast, Why?

Recently, it has been brought to the public's attention that many wealthy people are dumping their stocks very quickly, even though there has been a 6.5% stock market rally over the past few months (Money News). This includes many well known billionaires such as Warren Buffett, John Paulson, and George Soros. Together they have shed a total of over 25 million shares in US companies. It's no surprise that many people are curious as to why they are doing so. Especially considering that the stock market is currently experiencing a historic rally, real estate prices have finally leveled off and are actually rising and unemployment rates seem to be stabilized. Is it possible that these billionaires are aware of something new to come?. New research shows that there is a possibility of a market correction of up to 90%. Who has provided this information? Robert Wiedemer, a well-respected economist and author of best-selling book *Aftershock*.

Many of you probably reject the idea of a 90% drop in the stock market. But before you doubt Wiedemer's research as unrealistic, it's better to look at what he has already done as an economist. He hit the nail on the head when he and his team, predicted that there will be a collapse of the U.S. housing market, equity markets, and consumer spending that almost sank the United States. And sure enough they were right.

COURTESY: THE FORESIGHT GROUP



Robert Wiedemer's assertion is explained with the fact that the Federal Reserve is to print a massive amount of money out of thin air in an attempt to stimulate the economy. The money has yet to hit the economy, but when it does, it will cause inflation He states, "Once you hit 10% inflation, 10-year Treasury bonds lose about half their value. And by 20%, any value is all but gone. Interest rates will increase dramatically at this point, and that will cause real estate values to collapse. And the stock market will collapse as a consequence of these other problems."

Billionaires are quickly dumping their stocks due to this concept. Once inflation hits, firms will be spending their money more on borrowing costs than to expand their businesses. In the long-run, this will mean lower profit margins, lower dividends, and less hiring. It is also possible that this will result in more layoffs. Billionaires, such as Buffett, Paulson, and Soros, will surely not want to own stocks with falling profit margins and shrinking dividends. Instead, they are throwing out their stocks and leaving it up to main street investors to handle the burden.

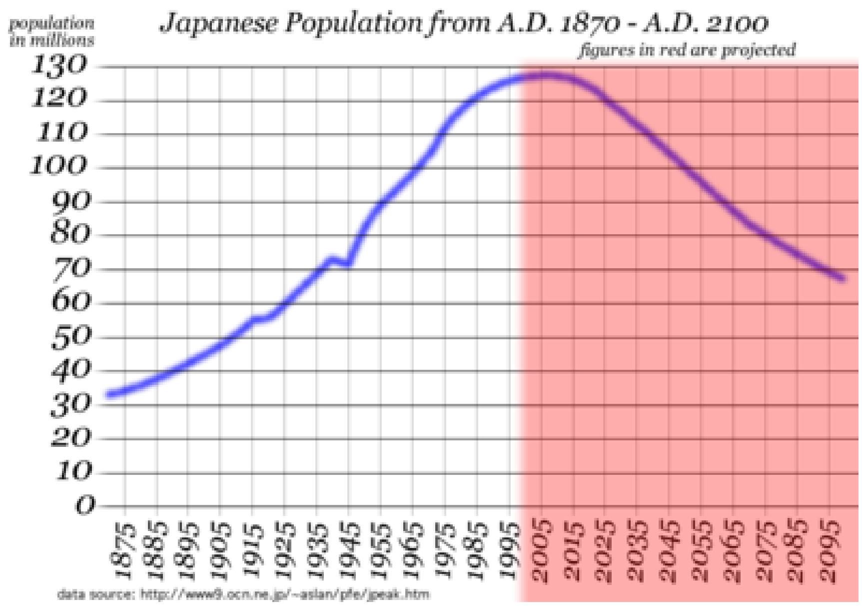
BLOOMSBURG UNIVERSITY ECONOMICS CLUB

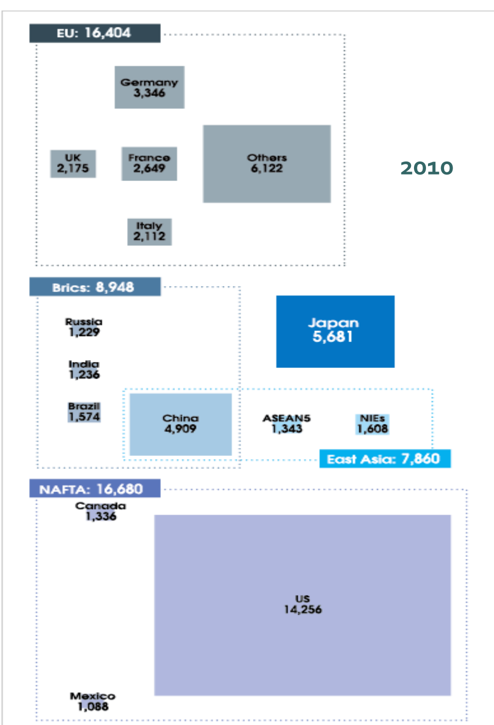
Top International Economic Story

By Kelly Murray

Japan's Universities Make Way for Success

An aging workforce, a growing economy, and a shrinking population are three defining characteristics of Japan's current economy. The current GDP in Japan is $5.87 trillion (U.S. dollar) which makes Japan the third largest economy in the world. The government has been looking into ways to raise the growth rate of GDP since Japan's growth rate has been slower than growth in many neighboring countries. One option adopted to improve this situation is the establishment of international exchange programs in which domestic students are encouraged to study abroad and international students are provided with the opportunity to study in Japan. The program is very successful because job placement upon graduation is almost certain since the recruiters actually seek out those graduates' expertise. A change in the school system is a must if Japan's economy wants to grow faster. By globalizing education, Japan can hope to attract new workers-.





The universities offer billions of yen for scholarships and hire English speaking professors. The international programs pave the way for students success and provide them with a job upon graduation. Even with the perks of all this, many students are still hesitant to take advantage of this wonderful opportunity.

According to Time World, the school year is a major set-back for many applicants. The school year in Japan begins in April, which is when many universities are winding down for the school year. This disadvantage leaves many applicants reluctant to apply because they fear they will miss out on one school year and fall behind. Even though job placement is almost certain, many students decline this opportunity because they don't want to miss out an opportunity to work in their homeland. The thought of living in a foreign country also leaves many students skeptical because the culture is often very different from their own.

In order for Japan to globalize its workforce and strengthen its economy, changes need to be made. First, a change in the school year will be necessary to make the choice more attractive and worthwhile for applicants. Also, Japanese high schools will need to teach foreign languages in order to prepare those wishing to study abroad. Another option would be to allow job placement in their home country upon graduation. Obviously many factors need to be worked out to make the program more attractive, but the stepping stones for the road to success are being laid.

Top National Political Story

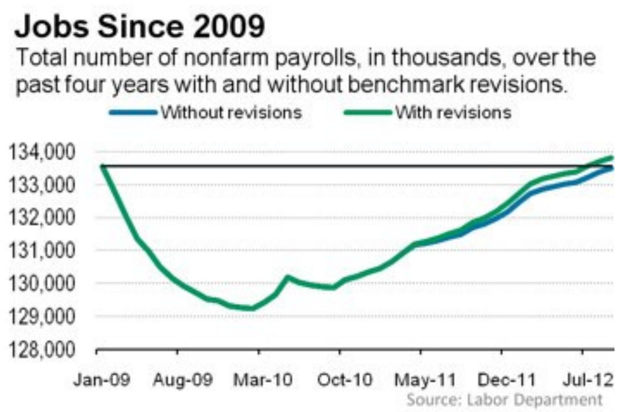
By Antonio Campanelli

The Political Effects of the First Debate and the September Jobs Report

As the 2012 Presidential Election nears, more people are turning their attention to what seems to be a close race between President Barack Obama and Republican nominee Mitt Romney. Currently Obama and Romney are statistically tied in many well respected national polls with just weeks to go until Election Day. The next few weeks will be particularly interesting and crucial, as both sides prepare for upcoming debates and hope to win over the undecided voters with strong campaigning and advertising.

Recently, two important events occurred that I believe can have a crucial impact on the November race.

The first Presidential debate aired on October 3rd, which many assumed would benefit President Barack Obama because of his strong showings in past debates, and his great reputation for public speaking. According to a CNN/ORC poll taken briefly before the debate, 56% of registered voters thought Barack Obama would be victorious. Surprisingly, Obama did not perform as favorably as many thought, and Mitt Romney was able to piece together what many thought was a strong showing for the former Massachusetts Governor. According to a CNN/ORC poll that was taken shortly after the debate, 67% of registered voters thought that Romney won the debate; while a mere 25% believed that Obama had done so. With what many thought was a statistical tie between Obama and Romney a couple days before the debate, many would begin to wonder if Romney's strong showing could help swing the race in his favor.



But shortly following the debate that may have swung countless votes in favor of Romney, a relatively healthy September jobs report was released by the U.S. Bureau of labor Statistics, a report that may have swung back some, all or more than all of the votes that many believe Romney had just grabbed.

The jobs report has plenty of people talking, and has drawn bizarre amounts of attention from both parties. The main statistic that has been talked about is US unemployment rate. The US unemployment rate dropped from 8.1% in August to 7.8% in September, a drastic improvement on the surface. Democrats claim that this statistic proves that the economy continues to improve as the unemployment rate returned to the same level as when President Barack Obama took office in 2009. The Republican Party has played down the statistic, claiming that the 114,000 jobs added is not true improvement when factoring in economic growth, and pointed out that the reason for the 0.3% improvement in the unemployment rate is due to discouraged workers who stopped searching for jobs and left the labor force. With all this being said, Romney can no longer attack Obama for an unemployment rate over 8% as he had continually done during his campaign.

The next few weeks should prove to be entertaining and interesting as both Romney and Obama will spend their remaining time and money strategically campaigning in swing states. With about two more weeks remaining, more chances for Romney and Obama are ahead in an election that may be wide open for the taking.

Top International Political Story

By Jaimie Hoffman

An Update on the Rippling Effects from Greece

When it comes to Greece, scandal, protests, and a failing economy has been in the headlines almost exclusively since the global financial crises. While today's global economy is on track to recovering from a global economic meltdown, Greece still has a lot of damage control to do. When the market started to crumble faster than anyone could have ever predicted, many of the European countries were stuck in a bind due to their economic ties to the euro. Since they did not have the power to increase or decrease the supply of currency to benefit them individually, each state was unable to gain full control over their individual economy and regain competitiveness on a global market. While this was a problem for all countries that relied on the euro, it had a different effect on Greece. The crisis in Greece roots all the way back to when the euro was in its prime with a rock-bottom interest rate. During this time, Greece took full advantage of how attainable money was by borrowing it from their European neighbors. By the time the economic burst occurred, the debt that Greece acquired had amounted to $400 billion dollars, a number that was kept secret until 2009.

No one knew that the national debt was this large until the new government had formed under Prime Minister George A. Papandreou. At that time, it became clear that the government before Papandreou had fabricated the figures in the previous budget, skewing the reality of the current economy. When other nations learned about Greece's problems, Greece was frozen out of the bond markets and had to ask for aid from other countries to help mend its mess. The money was used to help reduce the deficit and restore the confidence of investors in the country. Regrettably, this tactic did not work. In 2011, due to the lack of spending cuts and unattained targets, Greece found that it was sinking even more into debt.

From 2011 up to now, Greeks had expressed their feelings about what is happening to their economy through protests that have often become violent. Even with all the help from other European Union nations, Greece is still facing hardship. Under a new government in 2012, something drastic is needed to be done to get Greece out of the situation. European leaders made it clear that as far as they were concerned, a Greek departure from the euro was no longer absurd. Sometimes, a departure from the euro looks more likely than receiving additional aid. Increasingly, European counties seem to see no hope in a Greek recovery and become ever more reluctant to invest any more money in it. They view Greece as a failed economy. But even if Greece departs from the euro, the transition will not be quick. If Greece ditches the euro and returns to the drachma, inflation will skyrocket and further cripple businesses. From the global perspective, if Greece says goodbye to the euro, it will hurt their GDP drastically because they boast negative net exports. The transition will also damage the country's image as a place to do business. As recently as August 2012, Greece is still trying to hit a target with a blind eye. The obligations that Greece has to uphold for their bailout are getting larger as time continues. The number of unemployed people in Greece is over half of the population. People are not at rest and continue to protest their government.

There are many things to blame for the problems that Greece is facing. It is unknown whether they will be able to climb out of the hole that they have fallen into. While this problem at its current stage does not affect the world, it soon can pose a large problem. Because the world economies are so intertwined, if one were to fail, it has a ripple effect that can be felt in even the strongest economies. Be sure to keep a close eye on this situation, as this could have huge implications on the world economy in the long run.

Resources

Google.com/publicdata

Census.gov

Bls.gov

Inflationdata.com

Creditkarma.com

Money.cnn.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 Antonio Campanelli at: agc70018@huskies.bloomu.edu

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