

# Economics

## Department Alumni Newsletter

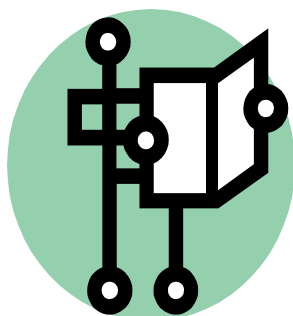
Department of Economics, Indiana University of Pennsylvania, Indiana, PA 15705-1087 ph. (724) 357-2640

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Department of Economics



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## Welcome New Faculty

The Department of Economics is pleased to announce the addition of two new faculty members. Dr. Yaya Sissoko returns this Fall 2006 semester as a permanent faculty member. Dr. Sissoko earned his Ph.D. in Economics at Southern Illinois University – Carbondale in 2003. His fields of interest are international finance, international economics, macroeconomics, monetary economics, development economics, mathematical economics, and econometrics. Dr. Sissoko was a multiple recipient of a dissertation research fellowship award and also received the Fulbright Scholar Fellowship

from the African American Institute (1992–1994). This fall 2006 semester he is teaching Economic Development and Principles of Economics courses.

In addition, Professor Sarah Jackson has joined the Department as a permanent faculty member. Professor Jackson is completing her Ph.D. at the University of Illinois at Urbana–Champaign. Her fields of interest are labor economics, public economics, economics of education, and family economics. This fall 2006 semester she teaches Labor Economics and Principles of Economics courses.

## Alumna recognized as IUP Ambassador

Joanna M. Ender DiCiurcio '02 has been honored with the IUP Alumni Ambassador Award for 2006.

Ms. Ender graduated from IUP with a double major in economics and journalism. She works in the research department at the Federal Reserve Bank of Philadelphia as an Economic Research Analyst. She writes a quarterly publication, *Banking Legislation and Policy*, which covers all national legislative, regulatory, and judicial matters relating to banking, insurance, and mortgage lending, with an emphasis on the Philadelphia Federal Reserve District (central and eastern Pennsylvania, southern New Jersey, and Delaware). She also analyzes bank merger and acquisition applications to determine their effects on competition, and makes recommendations to the supervision and regulation department as to the efficacy of a merger. Ms. Ender is currently enrolled in the MBA program at Temple University's Fox School of Business.

The university recognized Ms. Ender and five other honorees (one from each undergraduate college in the university) over Homecoming Weekend in October. Ms. Ender found time to visit the Department of Economics, and was featured as a guest speaker in Dr. Todd Potts's Monetary Economics class. Later in the day she met with faculty and students at a meet-and-greet session sponsored by the Department of Economics and the Economics Club.



Ms. Joanne M Ender, '02, and Dr. David Reddecliff and University President Tony Atwater, at the Alumni Ambassador recognition ceremony over Homecoming Weekend.

The Alumni Ambassador Awards program was established to recognize recent IUP graduates identified as being outstanding in their fields and to present such alumni to current IUP students as examples of exceptional achievement.

# A World Without Economists?, Part 2

Willard W. Radell

In the last IUP Economics Department Newsletter, I discussed a politician, an engineer, and a business executive who believed that success in their chosen fields made them experts in economics. In Part II I will deal with a chemist, Frederick Soddy, and an inventor, Arthur Kitson, who did most of their work on economics in the early 20<sup>th</sup> century after earning distinction in their professions. The discussion is somewhat complicated by the attempts of some contemporary economists to resurrect the writings of Soddy and Kitson from what Keynes referred to as the “Trinity of crankdom {with C. H. Douglas and J. T. Peddie}.”

Frederick Soddy (1877–1956) was a professor at Oxford who won the Nobel Prize in Chemistry in 1921, in part for identifying the concept of atomic isotopes. An opponent to Einstein’s special and general theories of



relativity, Soddy held the view that the keys to understanding the fundamental laws of nature lay in chemistry and not in abstract mathematical models of physics.

On economics, Soddy was similarly heterodox, believing that the economic profession had degenerated into “chrematistics,” which was in his view the science of making money through the chimera of compound interest. Writing in 1981, Herman Daly wrote a sympathetic article praising Soddy’s view that energy units should be the basis for economic activity rather than monetary units. Soddy was one of the godfathers of the technocracy movement of the 1930s, which held that the monetary side of the economy was illusory and that the more tangible physical side (measured in ergs?) was the proper object of public economic policy.

Both Soddy and Kitson (1861–1937) advocated prohibition of fractional reserve commercial banking, which would be replaced with a debtless money supply synchro-

nized with physical production through a price index monitored by a central statistical bureau that would eliminate the business cycle. Both advocated a form of “100% money,” similarly advocated by Irving Fisher and Major C. H. Douglas, that would ensure that the effective reserve requirement of the banking system would be 100%. Although they rejected the gold and silver standards, they also rejected the fractional reserve systems that could be used under any monetary system.

Soddy and Kitson (with some help from Thomas Edison and Henry Ford) viewed themselves as prophets of a “new economics” who would expose the “fraudulent” basis of economic practice and thought. Most of their economic discoveries were common knowledge to some respected economists of their day (e.g., Keynes, Takahashi, Hahn), but Soddy and Kitson wrote as if their economic ideas were a big secret. Space does not allow a complete list of the “discoveries” that weren’t, but I will list a few.

1. Commercial banks create money out of nothing when they make loans.
2. Money tightening induces recession.
3. Gold standards are unstable because the value they are based upon fluctuates due to market phenomena (John Stuart Mill observed that well before 1850).
4. If every commercial bank customer tried to withdraw their money on account at the same time, the banks could not comply (every 19<sup>th</sup> century bank run proved that).

Soddy and Kitson’s writings drip with normative content. Like the non-economists in Part 1 who decided to set the economics profession straight, Soddy and Kitson believed that money lent at interest is “usury” and morally wrong. Showing no concept of the time value of money, nor of the social utility of discounting, they advocated an economy in which there is no credit. Commercial banking was “usury” in their world and should not exist. Financial intermediation was a fraudulent institution that merely served to enrich the few by impoverishing the majority in Soddy and Kitson’s view. At that point Soddy and Kitson entered the “tin-foil hat” realm of “crankdom” by identifying the source of the dysfunctional banking system as an international conspiracy of Jewish bankers. Soddy and Kitson’s “proof” for the conspiracy was a fabricated,

*(Continued on page 3)*

## A World Without Economists? continued

(Continued from page 2)

plagiarized and forged document, “The Protocols of the Learned Elders of Zion”.<sup>1</sup> Soddy’s citation of the “Protocols” came in his book *Wealth, Virtual Wealth and Debt*. It is so easy to dismiss amateur economists who believed that conspiracies of Jewish bankers were the source of major economic problems that at this point, if you are still reading this, you are wondering why Radell is bothering to disparage such bad economic thought that is over 70 years old. Unfortunately, some modern economists have published articles on Soddy and Kitson that question Keynes characterization of these folks as “cranks.”

Herman E. Daly, “The Economic Thought of Frederick Soddy,” *History of Political Economy*, 1980 characterized Soddy as being at the vanguard of a Kuhnian paradigm shift in economics. Daly wrote that the “neglect of Soddy’s economics is unfortunate because, although Soddy is admittedly unconvincing in his frequent attribution of war and all other evils to fractional reserve banking, he nevertheless has much to teach us ...” (p. 471). Daly seemed unaware of the influence of Kitson’s work on Soddy as he didn’t cite Kitson. Moreover, he gave no clue as to who Soddy believed had set up fractional reserve banking and Soddy’s connections to fascist propaganda. In other words, the sanitized version of Soddy presented by Daly, created the mistaken impression that Soddy was undeserving of the label “monetary crank.”

David Hammes and Douglas Wills have recently attempted to resurrect Kitson as an economist in “Thomas Edison’s ‘except one’: The Monetary Views of Arthur Kitson Revisited.”<sup>2</sup> Hammes and Wills “...found that Kitson’s monetary thought is more orthodox than has previously been claimed by, among others, John Maynard Keynes, and more recently in the economics literature.” Hammes and Wills plea that Kitson be removed “...from the ‘doghouse’ of ‘crankdom’ ... [to] place him in a more mainstream tradition of monetary economists [42].” Part of the reason that Hammes and Wills might think the “crank” designation is unfair to Kitson is that they did not read *The Bankers Conspiracy* to prepare their article, because “...the authors have not been able to obtain a copy of this book [42].”<sup>3</sup> That Thomas Edison found Kitson to be the only respondent to his survey who totally supported his monetary beliefs is not enough to reclaim Kitson from the domain of crankism, especially since Edison’s friend, Henry Ford, took it upon himself to widely disseminate the infamous “Protocols” as fact, *after* they were proven to be completely fabricated.

Certainly it is true, as Daly, Hammes and Wills have asserted, that there is something to be learned from reading Kitson and Soddy. However, the problem with cranks is that a person ends up expending large amounts of time to gain small amounts of economic insight. When you read Keynes, Buchanan, Mill, Smith, Krugman, Baumol, Jevons, Veblen or Basu you can gain economic insight on a par with the time you put in.

All this does not mean that there is no role for non-economists in economics as a discipline. Newcomb, Babbage, Kahneman, and Nash are only a few of those who made significant contributions to economics without either being economists, nor dwelling in the realm of economic crankdom. We economists can be cranks too by crusading into other disciplines that we have not thoroughly studied, but that’s another story. As a profession we should not ignore cranks who attempt to parlay success in other fields into the presumption that something is wrong with economics that can be fixed by amateurs. As economists we should be more bold in demonstrating the value of what we know. We should directly challenge the cranks and amateurs who create a twisted vision of a world without economists.

*“The problem with cranks is that a person ends up expending large amounts of time to gain small amounts of economic insight.”*

*–Willard Radell*

<sup>1</sup>Kitson, Arthur, *The Bankers’ Conspiracy Which Started The World Crisis*, pp. 40 and 41. (To read an excellent short history of the forged and fabricated protocols see: [www.holocaust-history.org/short-essays/protocols.shtml](http://www.holocaust-history.org/short-essays/protocols.shtml))

<sup>2</sup>Hammes, David, and Douglas Wills, 2005, Thomas Edison’s “except one”: “The Monetary Views of Arthur Kitson Revisited,” *Journal of Economic Studies*, Volume 32, Number 1, pp. 33–46.

<sup>3</sup>My copy came from the University of Oklahoma Library on Interlibrary Loan. While *The Bankers Conspiracy* is not in most Libraries, WorldCat shows it in nineteen libraries.

## Faculty Notes

“Making Economic Principles Personal: Student Journals and Reflection Papers,” co-authored by **Stephanie M. Brewer Jozefowicz** and **James J. Jozefowicz**, was published in the Spring 2006 issue of the *Journal of Economic Education*.

“Religious Free Riders: The Impact of Market Share” co-authored by **Stephanie M. Brewer Jozefowicz**, **James J. Jozefowicz**, and Professor Emeritus **Robert J. Stonebraker**, was published in the September 2006 issue of the *Journal for the Scientific Study of Religion*

“How Things Have Changed: Income Inequality in Pennsylvania in the 1990s,” co-authored by **Carrie Jenkins ('06)** and **James J. Jozefowicz**, was published in the Spring 2006 issue of the *Pennsylvania Economic Review*.

“A Blueprint for Success in the U.S. Film Industry,” co-authored by **Stephanie M. Brewer Jozefowicz**, **James J. Jozefowicz**, and **Jason M. Kelley ('03)**, was accepted for publication by *Applied Economics*.

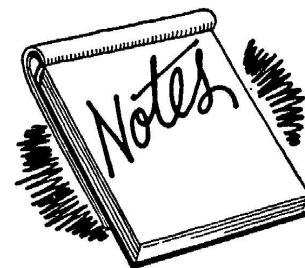
**Willard Radell's** paper, “Storming and Catastrophic System Failure,” has been re-printed in *Key Readings in Crisis Management: Systems and Structures for Prevention and Recovery*, Denis Smith and Dominic Elliot, editors, published by Routledge. As the featured publication (September 2006) of the National Hazards Center Library, the book is described as “a collection of seminal papers that address issues in crisis management and organizational theory” by reviewing “approaches and limitations of crisis management processes and their cultural and psychological dynamics from both theoretical as well as practical perspectives.”

**Stephanie M. Brewer Jozefowicz** has been nominated as a candidate for election to the Executive Committee of the National Association of Economic Educators.

**David Yerger** and **Jack Julian** presented “Assessing the performance of rural Pennsylvania labor markets since 1990,” *Pennsylvania Economics Association, Annual Conference*, Indiana, Pennsylvania, June 2006 (with David Yerger). **Jack Julian** also served as discussant for two papers at the PEA meetings.

**Yaya Sissoko** presented “Demand for Money Balances in South American Countries”, *Pennsylvania Economics Association, Annual Conference*, Indiana, Pennsylvania, June 2006 (with **Mete Feridun ('02)** economics minor).

**Yaya Sissoko** presented “Impact of FDI on Economic Development: A Causality Analysis for Singapore, 1976–2002” at the *6th Global Conference on Business and Economics*, Cambridge, Massachusetts, October 2006 (with **Mete Feridun ('02)** economics minor).



### Faculty

Dr. James A. Dyal

*James.Dyal@iup.edu*

Dr. Sarah Jackson

*Sarah.Jackson@iup.edu*

Dr. James J. Jozefowicz

*James.Jozefowicz@iup.edu*

Dr. Stephanie M. Jozefowicz

*Stephanie.Jozefowicz@iup.edu*

Dr. Jack D. Julian, Jr.

*Jack.Julian@iup.edu*

Dr. Nicholas Karatjas

*Nicholas.Karatjas@iup.edu*

Dr. Todd B. Potts

*Todd.Potts@iup.edu*

Dr. Willard W. Radell

*Willard.Radell@iup.edu*

Dr. Yaya Sissoko

*Yaya.Sissoko@iup.edu*

Dr. David B. Yerger

*David.Yerger@iup.edu*

### Faculty Emeriti

Dr. Arthur H. Martel

*amartel@auxmail.iup.edu*

Dr. Robert J. Stonebraker

*stonebrakerr@winthrop.edu*

Dr. Donald A. Walker

*dawalker@iup.edu*

# Student Notes

The following students were recognized at the department's commencement ceremony on May 13, 2006 for their outstanding achievements with the following awards.

McGraw-Hill Award – **Neil Meredith**

Dr. Brewer Award – **Carrie Jenkins**

Wall Street Journal Award – **Jennifer Predmore and Vanessa Wayne**

**Elizabeth Hall, Jennifer Swartz, and Jonathan Wahlen** have been inducted into Omicron Delta Epsilon, the international honor society for excellence in undergraduate economics.

**Elizabeth Hall** is this year's recipient of the **Donald Walker Scholarship**.

**Hrvoje Rados** is this year's recipient of the **George A. Chressanthis Scholarship**.

**Eric Gavazzi, Carrie Jenkins, and Vanessa Wayne** graduated from the Department of Economics Honors Track.

The following students presented papers at the *2006 Pennsylvania Economic Association Conference* at IUP in June 2006:

**Elizabeth Hall** "Variations in Educational Attainment and Unemployment Outcomes Across Rural and Urban Pennsylvania"

**Tiffany Hicks** "God and Growth: Christian Adherence and Development in Sub-Saharan Africa"

**Stephanie Perkovich** "Factoring the Finance Into Film: A Study of Box Office Revenue in the Motion Picture Industry"

**Jennifer Swartz** "How Does the Turkish Economy Relate to Other European Union Economies? An Application of the Neoclassical Growth Model"

**Zoë Thorkildsen** "An Exploration of Dependent Variable Choice in Educational Production Functions" and "The Application of Game Theory to Economics of Conflict"

The following students gave poster presentations at the *Undergraduate Scholars Conference* on the IUP campus in April 2006:

**Rebecca Galloway** "The Effects of Immigration on Unemployment in the Netherlands: An Analysis of Twenty-Six Labor Market Regions"

**Eric Gavazzi** "Terrible Towels, Pigskin, Helmets and Hard Hits: Determinants of NFL Attendance"

**Kerri Hoopes** "Estimation of Hedonic Price Equations for California Wines: What Drives Market Price and Why?"

**Chris Krahe** "Young Adult Decision Making: Male Relative Cohort Size and Fertility Theory, 1959–2001"

**Jennifer McAnulty** "Factors that Affect Growth in Upper-Income Developing Countries"

**Neil Meredith** "The Keystone Conundrum: A Look at Pennsylvania County Unemployment Rates"

**Stephanie Perkovich** "Factoring the Finance Into Film: A Study of Box Office Revenue in the Motion Picture Industry" (won Best Paper Award)

**Jennifer Swartz** "How Does the Turkish Economy Relate to Other European Union Economies? An Application of the Neoclassical Growth Model"

**Zoë Thorkildsen** "The Importance of State-Level Analysis of Educational Production Functions"

**Michael Troy** "Winning Isn't Everything: Attendance in Major League Baseball"

**Rebecca Galloway** presented "The Effects of Immigration on Unemployment in the Netherlands: An Analysis of Twenty-Six Labor Market Regions" at the Europe: East and West Undergraduate Research Symposium at University of Pittsburgh in April and won first prize in her session.

During the summer of 2006, **Chris Krahe, Neil Meredith, and Jennifer McAnulty** worked as interns at National Economic Research Associates in Chicago under the direction of **Dr. Karl McDermott ('76)**.

*Scholarly research is an important component of undergraduate and graduate education. For the student looking to pursue professional work or graduate study in economics, showing the ability to do research can be a highlight of a resume. The Department of Economics at IUP provides myriad opportunities for students to develop and execute their own research projects.*

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# News from the Center for Economic Education

Stephanie Jozefowicz

The IUP Center for Economic Education remains very active and productive. Jim and Stephanie Jozefowicz continue to serve as Co-Directors. They have a range of involvement from participation in economic and personal finance education activities at the local, state, and national levels.

At the national level, Stephanie has been nominated as one of two candidates representing Center directors for the executive committee of the National Association of Economic Educators. Stephanie was introduced as a nominee during the National Council on Economic Education annual conference in New York City in early October. Formal elections will follow in November.

At the state and local levels, cooperative partnerships continue to unfold. One teacher training initiative between the IUP Center and the Federal Reserve Bank of Philadelphia is in development. As part of laying the groundwork for this partnership, Jim and Stephanie spent a week in June participating in the "Keys to Financial Success" curriculum teacher training program held at the Philadelphia Fed. The long-run goal is to extend this training opportunity to Western Pennsylvania teachers.

A second partnership has been a central focus of the fall semester. Many newspapers regularly run Newspapers in Education (N.I.E.) series on various educational topics. Jim and Stephanie have worked with the local *Indiana Gazette* to

publish a 26-week series called "It Just Adds Up" throughout the 2006-2007 academic year. "It Just Adds Up" targets math skills using economics and personal finance concepts and includes lesson components for teachers to utilize in their classroom and/or parents to discuss with their children at home. This has been a very exciting opportunity, and it is certainly creating new points of contact in the local community for the Center.

This fall's local teacher workshop activity includes a Stock Market Game workshop held at IUP, Economics for Elementary Teachers workshop sessions held as part of a county-wide in-service day for Allegheny County, a series of three *Financial Fitness for Life* workshops held in partnership with the *Indiana Gazette*, a *Financial Fitness for Life* workshop held for Family and Consumer Sciences teachers in conjunction with Dr. Sally McCombie, and a *Bringing Home the Bacon* workshop held at IUP.

Change seems to be one thing that is constant for the IUP Center. After a year's service as part-time field representative for the IUP Center, Carol Occhuzzo regrettably has resigned to enjoy full retirement. We wish Carol all the best in her future endeavors. Additionally, as of this fall, the IUP Center's service area expanded to a six-county region and now includes Bedford, Blair, Cambria, Indiana, Somerset, and Westmoreland Counties.

## Department's Assessment Plan

Todd B. Potts

The Department of Economics has recently undertaken the development of an outcomes assessment plan. Simply put, an assessment plan is a tool for our department to evaluate whether or not we are achieving certain learning goals we have set forth for our students. The results of our assessment plan will provide our department with valuable information which will help us to improve the learning that takes place inside our classrooms.

The department will be assessing two groups of students: those enrolled in our principles courses and our majors enrolled in our microeconomic and macroeconomic analysis courses. Each group will have their own set of learning goals and our assessment plan will collect data as to how effectively we as a department are meeting these goals.

For example, perhaps our department has a stated goal that when students leave our principles of microeconomics or principles of macroeconomics class, they should be able to display critical thinking/analytical skills. To properly examine

whether or not we are achieving this goal, we need to look at more than simply exam or homework grades. We need to look closely at how students are performing on specific questions on exams/assignments that pertain specifically to the stated goal. We would also gather feedback from the students themselves via surveys and/or questionnaires regarding whether or not they believe the goal has been achieved. From the information gathered, we can better understand our strengths and weaknesses and develop a plan to address those areas that need improvement. As opposed to course grades, all course work and responses on surveys utilized will be completely anonymous.

To design and implement our assessment plan the department has created the Outcomes Assessment Committee. This is a three-person committee consisting of professors Todd Potts, David Yerger, and Jack Julian. The committee plans on implementing the assessment plan for students enrolled in ECON 121/122 next semester and assessing our majors in ECON 421/422 in fall 2007.

# Indiana University of Pennsylvania

Department of Economics  
213 McElhaney Hall  
441 North Walk  
Indiana, PA 15705-1087

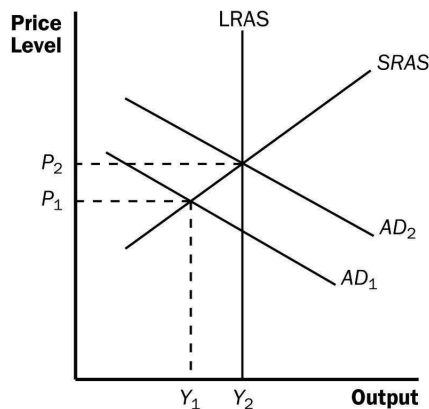
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## Alumni Newsletter

Department of Economics ♦ Indiana University of Pennsylvania ♦ Fall 2006



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