

# ECONOMICS NEWSLETTER



A newsletter from the Department of Social Sciences

THE UNIVERSITY OF MICHIGAN-DEARBORN

SUMMER 2008

## Great Job

### Student Awards Recognize Achievement

Two economics majors, **Maurice Taylor** and **Toni Vellmure**, received the campus's highest honor: the **Chancellor's Medallion**. **Maurice** was also selected as the **Economics Honor Scholar**. **Michael Kiel** received the **Joan Robinson Award**, which goes to the student with the top performance in the intermediate theory sequence (EC301 & EC302). **Dan Germony** received the **Wall Street Journal Award** in recognition of his excellent academic record and contributions to the community through extra curricular activities. **Amada Maly** received the Economics Athlete Award.

Eight students were initiated into the economics honorary **Omicron Delta Epsilon** (ODE) this academic year: **Dan Germony**, **Michael Kiel**, **Kyung Lee**, **Michael O'Shea**, **Brian Tam**, **Kimberly Williams**, **Thomas Wilk**, **Antoni Wroblewski**.

## Congratulations Graduates!



In the Fall 2007 term the following economics majors graduated:

**Adam Breslawski**, **Michael Combs**, **Natosha Floyd**, **Kathryn Frania**, **Jonathan Guest**, **Jozefina Kalaj**, **Jeff King**, **Ryan McNutt**, **Patricia Quigley**, **Dawn Southwick**, **Mena Stavenga**, **Sandra Stubleski**, **Yekaterina Ternyayeva**.

In the Winter 2008 term the following economic majors graduated: **Erin Berger**, **Rebecca Chefan**, **Dan Germony**, **Michael Grech**, **Tarik Haygood**, **Rob (Rabih) Jaber**, **Michael Kiel**, **Sean Nichols**, **Michael O'Shea**, **Maurice Taylor**, **Toni Vellmure**.

## UM-D Takes Third Place in the Fed Challenge!

Economics students **Kurt Edlebrock**, **Matt Wrase**, and **Dan Germony**, along with finance majors **Christopher Allen** and **Yeonhee Shim** placed third in the Midwest Regional Fed Challenge. Teams are judged on their 20-minute presentation on the current state of the U.S. economy, including a short-term forecast, and their responses to questions from a panel of professional economists and representatives of the Federal Reserve System. Only teams from Northwestern University and the University of Chicago outscored the UM-Dearborn team reports **Coach/Prof. Miteza**.

## Alumni Updates

Former Economics Club president **Chris Demetriou ('07)** reports that his "first year of law school is finally over and it was quite an adventure. It's amazing how often issues in economics arise in law."

**Tarik Haygood ('08)** continues to develop his online business District 81 Clothing, which provides men's clothing online with worldwide distribution. Look for the company's new website: [district81clothing.com](http://district81clothing.com). **Tarik's** advice to economics students considering starting their own businesses is: "Start small with a strong foundation of planning and organization and grow at a steady progressive pace. Learn from your mistakes, but don't let them stop you from pursuing your goals. And always remember that you haven't failed until you stop trying."

**Kyung Lee ('08)** will begin the graduate program in Public Health at Emory University in the fall.

**Sandra Stubleski ('07)** works as an Operations Research Analyst, developing life cycle cost estimates for Army equipment and analyzing the best plans of action based on cost factors.

**Maurice Taylor ('08)** will start the law program at Harvard University in the fall.

## Economics Club

Economics Club had a fun and productive year under the leadership of President **Nada Iskandar**. In the Fall term the club organized a panel discussion on the economies of the Middle East featuring Professors Twomey (economics) and Amin (history). They opened the Winter term with a bowling party and in March some members attended the Midwest Economics Association meetings in Chicago. In the 2008/09 academic year **Tom Wilk** will serve as club president and **Renee Miller** as vice-president. The club still needs a treasurer and a secretary. If you are interested in participating in the economics club please contact Prof. Smith ([pksmith@umich.edu](mailto:pksmith@umich.edu)).

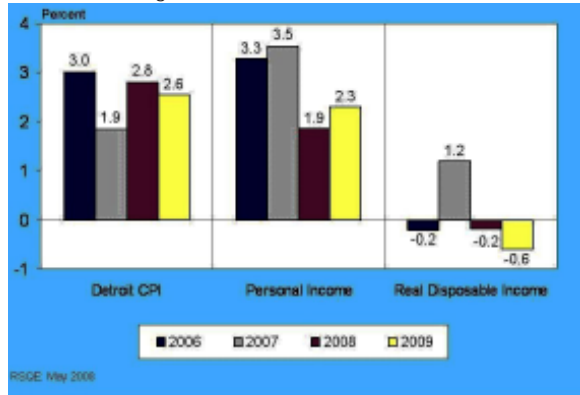
## Students Present Research at Meeting of Minds Conference

**Josephina Kalaj** presented her paper on the gravity model of international trade and **Tom Wilk** presented his research on the determinants of high school graduation rates in the Metro Detroit area at the 2008 Meeting of Minds conference at Oakland University this May. Tom reports: "The M.O.M. experience is inspirational. You're able to socialize with students from different schools and many different backgrounds. It's a fun learning environment and you're able to 'pick and choose' from a wide range of speaker topics and really get a true sense of academic research in southeast Michigan. Communication and interaction among the presenters, students, and teachers is encouraged, creating an excellent opportunity for networking and learning. I gained confidence in speaking in front of crowds and M.O.M. helped expand my resume by this added experience and the possibility of publication. M.O.M. makes you feel like you're a part of something bigger than your normal class and offers a sense of accomplishment. I definitely plan to participate next year. It's a definite plus to any student planning on pursuing higher education."

## Economic Forecast for Michigan and the Nation from RSQE

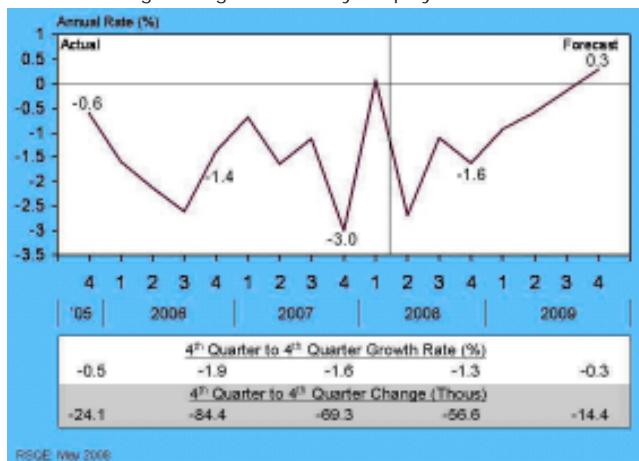
What's in store for the Michigan economy? The Research Seminar on Quantitative Research (RSQE) on the UM-Ann Arbor campus released its latest macroeconomic forecast last week. RSQE predicts a slightly lower Consumer Price Index for the Detroit metropolitan area in 2009 and better personal income growth, but a continued decline in real disposable income.

Michigan Inflation and Income Growth



Employment growth is forecast to continue to be negative, but is expected to decrease at a lower rate in 2009.

Michigan Wage and Salary Employment Growth



RSQE also produces national macroeconomic forecasts; see their website for more details at: [www.umich.edu/~rsqe](http://www.umich.edu/~rsqe).

## Faculty News

**Prof. Miteza:** Published his paper “Exchange Rates and Non-Linear Dynamics in Output: Evidence from Bulgaria” in the *East-West Journal of Economics and Business* (Vol. 9/1) and presented his paper “Non-Linear Dynamics in Money Demand: Evidence from Korea” at the Western Economics Association Meetings, Seattle.

**Prof. Smith:** The manuscript for her book “Poverty among Low-Income Americans: Is Public Assistance the Problem?” has been accepted by the Vanderbilt University Press.

**Prof. Twomey:** Is collaborating with UM-Dearborn political scientists on a study of the incomes of Arab-Americans in the Metro area using the U-M 2003 Detroit Arab American Study.

**Prof. Van Horn:** Gave three research presentations this year: UM-Ann Arbor’s Economic History Seminar, the Social Science History Association Meetings, and the World Congress of Cliometrics. He was awarded the UM-Dearborn Seed Grant as well as the Arthur Cole Grant in Aid from the Economic History Association.

## Update on Mortgage Crisis

Michigan’s recent housing story has its foundation in traditional Economics. As employment declined in the state, fewer households demanded new housing, which in turn caused sales of existing homes to decline. No one foresaw the additional impact that would come from the “mortgage meltdown” — a crisis that has damaged the national housing industry now for eighteen months. This second and extensive hit to home financing has contributed to the loss of an additional 30,000 jobs in Michigan construction. Michigan’s financial services employment—which grew from 2000 to 2005—is now back to employment levels of 2000.

The “non-conforming” sector of the mortgage industry has been virtually eliminated since January of 2007. With one in ten borrowers unable to finance through alternative lending means, housing sales (and resulting values) slumped. Traditional banks then tightened their lending requirements for average borrowers, contributing to further decline. Nationally, existing home sales and building permits fell to the lowest levels in a decade.

A housing bubble can be seen by comparing increases in a state’s personal income and its housing values. For example, Michigan home values rose 1% higher than the state’s personal income growth from 2000 through 2005. At the same time, home prices in the southwest, Florida, and California jumped by 8%—twice the increase in personal income. That disparity between growth in home prices and underlying personal income created the “housing bubble” often discussed in the press. In layman’s terms, “what goes up MAY come down.”

Michigan home values are now roughly back to levels seen in 2001 and 2002, while national values remain significantly higher than 2001-2002 prices. We can expect more “correction” in national housing while Michigan’s adjustment may be coming to a close. Two reputable forecasters, The University of Michigan’s RSQE and Comerica Bank, both have suggested a recovery in Michigan housing in 2009, with turnarounds in national housing to follow as the US economy rebounds later that year.

### TENTATIVE WINTER 2009 SCHEDULE OF UPPER DIVISION COURSES

<b>Econ 301</b>	Intermediate Macro Van Horn	MW	1:05-2:20 pm
<b>Econ 302</b>	Intermediate Micro Crowell	MW	9:55-11:10 am
<b>Econ 305</b>	Economic Statistics Pietrykowski	TR	11:30 am-12:45 pm
<b>Econ 311</b>	Money and Banking Van Horn	MW	11:30 am-12:45 pm
<b>Econ 311</b>	Money and Banking [RESERVE SECTION]	M	6:10-9:00 pm
<b>Econ 344</b>	Middle East Twomey	TR	9:55-11:10 am
<b>Econ 347</b>	International Finance Sobiechowski	MW	4:35-5:50 pm
<b>Econ 381</b>	Urban Pietrykowski	TR	1:05-2:20 pm
<b>Econ 390</b>	Religion Topics Hull	TR	4:35-5:50 pm
<b>Econ 415</b>	Econometrics STAFF [Abdelrahman]	MW	3:00-4:15 pm
<b>Econ 421</b>	Labor Pietrykowski	W	6:10-9:00 pm

Note: Professor Miteza will be on sabbatical for the 2008/09 academic year and Professor Smith will be on sabbatical in the Winter 2009 term.

Our plan for classes for the next three years is available on our website: <http://www.casl.umd.umich.edu/economics/>