The tuition hikes in recent years once again focused attention on the role the state government is expected to play in supporting higher education. State appropriations used to pay for almost 70 percent of the cost of a college education. During the last several fiscal years, however, the state’s share has declined to approximately 50 percent. Students and their families are expected to make up the rest. These developments are a result of the devolution of federal fiscal responsibilities since the mid-1980s and economic problems dating back four or five years.

The Federal Government no longer provides as much funds to states as it used to, particularly for some social services. States are expected, and sometimes mandated, to assume a higher share of the burden for such services. This has forced state governments to make some unpleasant and unpopular fiscal decisions, both to increase their revenues and to control their expenditures. Given how unpopular tax-rate increases have always been, the states have had to look for other ways to increase their revenues. One measure they took was to increase their tax base by eliminating some tax exemptions. They also started making the “users,” those who benefit the most directly from a service, pay a larger share of the costs of some services. On the expenditure side, the states tightened the eligibility requirements for some social services and programs in order to reduce the number of beneficiaries and so better control spending on those programs. They also had to reallocate their limited funds according to a new set of economic, social, political, and legal realities and priorities. This meant some state departments and agencies had to adjust to actual cuts in their annual appropriations. Obviously, the lingering effects of the economic crisis of the late 1990s simply exacerbated the situation.

As is well known, Iowa has faced the same issues. During the last three years, the Regents Institutions have had their appropriations reduced and their students have been hit with several rounds of tuition hikes. This has led to an indignant outcry and raised questions about the state’s commitment to higher education. Some contend that it is the state’s obligation and responsibility to keep tuition costs to students and their parents “affordable.”

But why is government so involved in higher education to begin with? Why do most of us take government support for higher education for granted, and complain so when that support is reduced? The standard answer to these questions is that most people perceive education as a public good with positive externalities. Therefore, government support for education is needed to promote efficiency and equity. After all, so the argument goes, school is where we are socialized, where we first learn how to interact with people other than family members. Through schools and education, we are exposed to people from different backgrounds and come to understand, appreciate and respect the differences among us; this promotes social cohesion. Education also makes us better informed citizens, capable of making better decisions, political and otherwise. (A cynic might say it makes us more predisposed to accept the system into which we are born.) Yet another argument is that education is an investment in people; it produces human capital which enhances our social mobility and our ability to earn a living. Public support also means greater access to education for the underprivileged.

While all these arguments have merit, it should be clear upon reflection that they are better marshaled in favor of continued public support for K-12, not for higher education. The K-12 years are perhaps the most important years in our “socialization.” Our intellectual and social experiences during those years arguably define more of who we are for the rest of our lives than higher education does.

Perhaps the strongest argument in favor of public support for higher education is that college education increases productivity. The contention is that there is a synergistic relationship between college education and technological change. While college education prepares students for the demands of an increasingly technological workplace, college educated people are also the brains behind technological advances. Such advances increase overall economic productivity which generates an external benefit – improved standards of living for everyone!

Evidence, however, indicates that higher education is essentially a private good. Its most important impact is on the lives of the students themselves. It helps to improve first and foremost the students’ own economic welfare. With everything else the same, annual earnings increase an average of 5 to 11 percent for each year of college education. (H. Rosen, Public Finance. Seventh ed. McGraw-Hill. 2005. p. 106) According to the U.S. Census Bureau, an average college graduate with a Bachelor’s degree can expect to earn $2.1 million (in 1999 dollars) during his or her work life. An average high school graduate, on the other hand, can expect to earn only $1.2 million (also in 1999 dollars). (U.S. Department of Commerce, Current Population Report P23-210, July 2002.) The argument that higher education should receive public support and that tuition should be subsidized would be more convincing if it could be shown that the earnings of college graduates fail to reflect their higher productivity.

Contrary to common belief, public support for higher education may also have an unintended adverse impact on the income distribution. State support for higher education transfers funds from taxpayers to college students. The average taxpayer is not a college graduate. Given the aforementioned disparity in expected lifetime earnings, public support for higher education implies that those who are “less fortunate” today are subsidizing tomorrow’s “more fortunate.” Some would contend that college graduates will eventually pay back “more than their share” to the state and its taxpayers. Perhaps so, but that argument would be more convincing if the overall (effective) tax system was truly progressive.

There is also the question of interstate “brain drain.” According to the 2000 U.S. Census, “Iowa lost 11,691 more single, college-educated residents ages 25 to 39 than it gained from 1995 to 2000,” and only North Dakota had a worse record during the same period. (“Iowa is next to last in keeping college-educated young people.” The DesMoines Register, November 20, 2003.) According to another study, conducted by the U.S. Department of Education, only 42.2 percent of the students who obtained their college degrees in our state in 2000 were still residing and working in Iowa in 2001; there were only four states with lower retention records.

(Continued on page 8)
“State Support and Higher Education (contd)"

(“Migration of college graduates,” Economic Trends, January, 2004.) Whatever the reasons for this outmigration, the point remains that Iowa, the “education” state, is educating a substantial number of its college students for the benefit of the rest of the country. Iowa’s taxpayers are subsidizing the economies of other states.

It is argued that if the recent trends in state support for higher education continues and the students are expected to pay increasingly higher tuitions, a large number of young people from underprivileged families will no longer be able to afford higher education. This is a legitimate concern. It can be addressed, however, in a number of ways. One solution might be to create a need-based scholarship program for academically promising students. Another might be to establish a loan program from which prospective students can borrow at the going rate of interest against their future incomes; it could be similar to an “income-contingent student loan” fund but structured to be virtually self-financing. There are other possible solutions. In short, it is possible to design programs that target the underprivileged students that are both more efficient and more equitable than the current system whereby the taxpayers are subsidizing all college students, rich and poor alike, by the same amount.

Students, their parents, university administrators, professors, staff members all have a vested interest in state support for higher education. This, however, should not make us overlook facts. The main issue is the elementary question of economics - how to best allocate the limited public funds among all the functions and services we have come to expect the public sector to perform! If we can show that the last dollar spent for higher education would in fact benefit the state more than it would if spent for any other purpose, then we have every right to clamor for higher levels of funding and support for higher education. The points made above indicate that the answer is not obvious.

—Bulent Uyar

The Economics Club

As I begin my fifth year as faculty advisor to the economics club, I am delighted to report that our membership remains strong. About 35 students attended our initial meeting on September 14, 2005. Rae True is the club’s president, and Jenny Ruser is the vice-president. Nate Wittmaack is our Treasurer, and Nan Jungjaturapit is our Secretary. Zach Counsell, Julie Kunze, Mike Melyo, and Nathan Miller are our members-at-large. We planned three activities for the fall semester: a picnic, a speaker’s night, and a poker tournament.

We held our picnic on September 29th at Seerley Park. About 20 students and faculty attended. In November we will have a speaker’s night to provide information to students preparing for law school or graduate school. In December we will have our third Texas Hold ‘Em poker tournament. Students compete for prizes (not money) in an event designed to reward those skilled in statistics and probability! Faculty serve as celebrity dealers. Many students swap stories with Prof. Hakes about great hands and “bad beats.”

Our big event of the school year is our trip to Chicago in the spring. Last year we visited the Board of Trade, Federal Reserve Bank, and Options Exchange. A UNI alum and former student of mine, Joe Engels, works at the Options Exchange and spoke to our group. We began the trip with a visit to the Shedd Aquarium. On our trip we hosted a group of five exchange students and one faculty member from Moscow, Russia. Many of the students went to the Second City comedy club for a fun evening.

Rae is a veteran leader, having been involved with the club since her freshman year. We have an excellent group of members and a very active club. Rae and I are thrilled to have so many students willing to volunteer for club activities, and we look forward to our future club events.

—Lisa Jepsen

Comments from Club President

I have been an active member in the Economics Club for four years. I was the Vice President last year and currently serve as club President. One of my favorite events is the annual trip to Chicago. Each year we have visited the Chicago Board of Trade which provides a live view of the open outcry trading floor and the Federal Reserve Bank of Chicago, where a Human Resources representative offered valuable career advice. We have also visited the Chicago Board Options Exchange (CBOE), where a former UNI student and now CBOE employee gave us an overview of the securities industry and CBOE’s state of the art electronic trading system.

As president of the Economics Club, I serve as a representative on the College of Business Administration President’s Council. My main role is to organize the annual Graduation Celebration. This is an event where the CBA honors its graduating students for their hard work throughout their college career. Included in this event is a dinner provided by the UNI Department of Residence and entertainment provided by chosen UNI business students. A grand prize of $1000 will be awarded for the best entertainment of the evening.

—Rae True
Janet Rives on Being Retired

“But I’m too young to be retired!” Well, that’s what I kept thinking until last week when I made an appointment with the Social Security Office to set up my Social Security payments. Hmm, guess I am old enough to be retired after all.

The official date of my retirement was May 2004, but I had been on Phased Retirement for three years prior, teaching only in the fall. Since full retirement, I’ve been teaching in UNI’s Hong Kong MBA program (in June 2004 and again in June 2005). Moreover, Shahina Amin has kept me busy doing research and writing articles about child labor and economic development. Some days it’s difficult to decide whether I’m retired or not...except for the fact that the alarm clock is never set for 6:30 a.m. anymore! Now see what you can look forward to? And I’m talking to those of you who were students of mine in the ‘80s; you’re next!

I spend seven months of the year in Cedar Falls and five months in Oro Valley, Arizona (on the northwest side of Tucson). While in Iowa, I enjoy golfing at Beaver Hills a few times a week, walking my little “rescue dog,” Periwinkle, up and down Grand Boulevard, growing flowers, meeting with a group of writers, having lunch and playing poker with UNI pals, and generally hanging out. While in Tucson, I enjoy golfing about once a week at various Southern Arizona courses, being in a book group, visiting with my mother (age 90!), sister, niece, cousins, and new and old Tucson friends. Most years I’m lucky enough to see a U of A basketball game. And each February I volunteer at the PGA tournament, usually spending my time telling people on the second green to please be QUIET. College teaching was great preparation for that job!

I loved my thirty-five year career as a college professor, especially the last twenty-one at UNI. And what was so good about that? That’s an easy one: the wonderful students I met in and out of the classroom, the fact that I had the privilege of teaching and doing research in economics (a subject of never-ending interest to me), and the great colleagues and staff members who made my life so comfortable and fun. The best part is that I can still keep in touch with all of you. Please let me hear from you at Rives@uni.edu.

Departing Faculty...

Janet Rives being congratulated by Fred Abraham on her retirement.

...and New Faculty

We welcome Dr. David Surdam to our department this year. David earned his Ph. D. from the prestigious University of Chicago in 1994 and taught for several years at Loyola University of Chicago. He has also worked as a Research Analyst for the State of Oregon and taught at the University of Oregon from 2001-2003. David has a variety of specialty areas including Industrial Organization, Economic History, and Sports Economics and has published a number of articles in these fields. He will be teaching an experimental course on sports economics for the spring 2006 semester which promises to be fascinating.
From Our Emeritus Faculty

Chuck Strein. We did not go very far this summer. We did drive to Mexico last October, and spent two weeks driving around. We are looking forward to flying to Mexico this winter for a couple of weeks. I am still trying to learn Spanish, but... the old brain isn’t as young as it once was. Jan is fighting breast cancer. Her surgery was last December, followed by chemo treatments. The prognosis is positive. Doing well and feeling good. Her hair is growing back dark and curly. For the time being she enjoys the new look. I have been working for Habitat for Humanity when they call. I also substitute teach in the local system, which I enjoy. I fill in for whoever is absent at the school. Elementary through high school including special ed classes. I would prefer to teach econ, but they have never heard of it! Our home is 99.9% complete. I always wanted to build a house, but I now never want to do it again. It is too much work. We do a lot of landscaping, which we enjoy. Getting perennials through a Minnesota winter is a challenge. This summer was our 50th wedding anniversary and we planned a big trip. That didn’t get done yet. Perhaps next summer. Our grandsons are in 2nd and 4th grade and love to fish and are good athletes. We are looking forward to the ice hockey season. They live about 5 hours away in Chippewa Falls, Wisconsin. We bought a used pontoon last summer, a nice boat, and we are now looking forward to the ice fishing season. We enjoy it. Please say hello to those who would remember me.

Don Cummings. We sold our acreage in Janesville as of August 5, 2005. We had sold all our furniture but sent by van a lot of other belongings--pictures, clothes decorative items, etc. We arrived in Green Valley, AZ August 10 and moved into the house we had bought here in Green Valley. We love it here. Yes, we miss much that Iowa has but we like it here for now. Nothing beats that bright, warm sunshine!

Charles Gillette. Enjoying retirement by not working! This fall I am taking part in a Just Faith program that meets one evening a week. Last year I made a couple of trips to Astoria, OR, one before and one after my sister died. My wife Meredith is still doing some part time teaching for Cardinal Stritch University in English and Humanities.

Thanks to daughter Emma and her husband Sam, we have another grandchild living here in Milwaukee. Henry was born last spring on Mother's day. Another daughter, Maris, is still teaching at Haverford University but is doing field work in China this semester. Finally my son Adam is an Associate at a law firm in Minneapolis.

Wylie Anderson is prospering in retirement in Stanley, Kansas with his wife Rosemary. Enjoying his grandchildren and his golf game as well as long evening walks.

The Russia Trip - 2005

In May of 2005, we sent five of our top economics students to Moscow as part of our exchange program. I was fortunate to be their escort, along with Farzad Moussavi, Dean of the College of Business. While in Moscow, each of us presented a paper at an economics conference at Moscow Linguistics University and we attended sessions in which Russian students and professors presented business and economics papers in English.

We arrived in Moscow on Victory Day, the Russian holiday that celebrates the end of World War II in Europe. Since more than 20 million Russians died in World War II, it is a far more significant holiday in Russia than VE Day is in the United States. We visited the great sites of Moscow, including Red Square, Victory Park, the Russian Central Bank, and the Russian Knesset where we met with a Russian Senator. If you visit Moscow, be prepared to drink a lot of vodka, and be prepared to walk everywhere.

It’s a strange time for Russia. The young are capitalists, the old are socialists, and the middle-aged could fall either way depending on their education and job skills. The young often have two full-time jobs and fads and style are very important to them. The old seem bitter and confused. They fail to see the efficiency of an unplanned market system. They believe that there was nothing fundamentally wrong with a “planned” economic system. They think Russia just needed a better plan.

When I look back on the trip, I don’t think so much about the places we visited. I mostly remember the great hospitality we received. Due to my experiences in Russia, I now try to be more hospitable to foreign visitors here. I know that when they leave the U.S., their strongest memories will be of how they were treated, not what they saw.

–Dave Hakes
Faculty Notes...as they report it!

Lisa Jepsen is in her sixth year of teaching at UNI. She continues to teach principles and intermediate microeconomics. She now teaches managerial economics following the retirement of Janet Rives. In addition to teaching law and economics, she advises the growing number of economics majors applying for law school. Her research focuses on labor economics, economic demography, and law and economics. She recently had an applied law and economics article accepted in *Contemporary Economic Policy*.

Hans Isakson’s current teaching includes Introduction to Economics and Land and Real Estate Economics (an experimental course). He also teaches Microeconomics from time to time in the summer. His current research projects include:

1. A study of the impact on housing values of proximity to swine confined animal feeding operations.
2. A study of the market prices of land purchased by a neighbor.
3. A study of the components of the land value-size elasticity.

Dave Hakes is currently teaching Money and Banking and Principles of Macroeconomics. He is writing another study guide, this time for a Money and Banking text. Dave has a paper forthcoming on whether monetary policy is affected by the Fed chairman’s appointment cycle. He is currently working on the impact efficiency wages on employment and output.

Ken McCormick used his Professional Development Leave in the Fall to work on his book, tentatively titled, “Veblen’s Economics for the Uninitiated.” He plans to retire on the royalties it will earn. In the meantime, he will continue to teach Directed Research, Math Econ, Intermediate Macro, Principles of Macro and the History of Economic Thought.

Shahina Amin enjoys teaching Labor Economics, Principles of Macroeconomics, and Principles of Microeconomics. She also continues to enjoy her research on child labor in Bangladesh and benefits of one spouse’s education on other spouse’s earnings. Two of her papers (co-authored with Shakhil Quayes and Janet Rives) on child labor are forthcoming in *World Development* and the *Journal of Developing Areas*. Another research (with Lisa Jepsen) on the impact of a wife’s education on her husband’s earnings in Malaysia has been published in the *Journal of Economics*. Shahina states that when she looks back at the last 5 years of her time here at UNI, she can say without any hesitation that she could not have done any better without the care and support of her colleagues. On the family side, she says everybody is doing fine. Her second grader son and “soccer-player” husband keep her on her toes and she loves it!

Ken Brown continues to teach the Introduction to Decision Techniques, Urban and Regional Economics, and MBA Managerial Economics courses. Next fall he’ll begin teaching the Introduction to Econometrics course on a regular basis. Ken continues to do research related to growth and development of cities, housing markets, and sports economics. His most recent publication, “Impact of Local Public Services and Taxes on Dwelling Choice within a Single Taxing Jurisdiction: A Discrete Choice Model” was co-authored with Bulent Uyar and is forthcoming in *Journal of Real Estate Research*.

Jennifer Fuhrman is happy to be teaching economics again! She still teaches several sections of Introduction to Decision Techniques, but she is enjoying teaching Principles of Macroeconomics this fall and is looking forward to teaching Principles of Microeconomics and Introduction to Economics this spring.

David Surdam is developing a course on the economics of sports. Concurrently, he is doing research on the nature of professional sports leagues, particularly with respect to scheduling and revenue sharing.

Imam Alam is currently teaching undergraduate Statistics, Economic Development and MBA Quantitative Analysis. He is enjoying teaching the MBA course. Students in his Development class are learning more about the less developed countries, about poverty, unemployment, theories of growth, etc. He always enjoys teaching this course because he can share his own research experience with the students. Imam’s current research is on the determinants of investment and savings, and the effects of economic liberalization on investment.

Bryce Kanago continues to teach Intermediate Macroeconomics and Money and Banking. Ongoing research projects involve inflation, the cyclical behavior of prices, and unemployment. Last year he completed the WRC’s Ironman Triathlon which required completing a Triathlon over the course of about five weeks.

Lois Lindell reports that work in the Center for Economic Education continues to keep her busy. Additionally, Lois is completing a term as co-chair of the technology committee of the National Association of Economic Educators and serves as a member of the editorial review board for the National Council on Economic Education’s on-line lesson project EconEd Link.

Barb Mardis states that Decision Techniques hasn’t gotten any easier from either the student or professor point of view! She spends a lot of time trying to come up with assignments that involve “real” applications that freshmen will be able to understand.

Technology, of course, shows no signs of slowing down. In the Info Tech area we spend a lot of time trying to keep ahead of all the “bad guys” - the people who find it amusing to develop viruses and worms to infect our systems. We have configured a new web server this fall and hope to unveil a new, improved CBA website in the spring semester. Visit http://www.cba.uni.edu frequently to keep up on what’s new! We’d love to include news about you, too - there is a link to Submit Alumni News right on the CBA home page. Use it!

Bulent Uyar continues teaching Business Statistics, Public Finance, and Cost-Benefit Analysis. His current research area is housing markets. He and Ken Brown recently had an article published in the *Journal of Real Estate Practice and Education*. His most recent article, also co-authored with Ken, is forthcoming in the *Journal of Real Estate Research*.

Bev Barber has been at UNI 13 years, ten of them as secretary in the Economics Department. Bev says she can honestly say that the ten years have flown by. She loves her job and the Department Head and economics faculty are the best! Bev and her husband, Mike spend a lot of their free time with their two grandchildren, Sam and Nick.

Fred Abraham is starting his 33rd year in the UNI Economics Department, the last 15 as head.. Not bad considering he came here planning on a one year stay. Still teaching principles of Macroeconomics and Introduction to Econometrics. He reports that he has had over 13,000 students! Currently doing research on long run trends in the stock market. His youngest son graduates high school this year and Fred will be an "empty-nester."
The Center for Economic Education marks 30 years of service to Iowa Educators. This fall marks the 30th anniversary of the Center’s establishment at UNI making it one of the oldest outreach centers on campus. The core mission of the Center remains the same – to increase the quantity and quality of economics taught in K-12 classrooms. Changes have been made in program delivery with the increased use of on-line technologies and resources. The Center continues to offer summer workshops for K-12 teachers, provide customized professional development training for classroom teachers as well as offering student enrichment programs designed to encourage economic education. Visit the Center’s website at http://www.cba.uni.edu/cee for additional program information.

Shahina Amin socializing with students at the Stock Market Game luncheon.

Lisa Jepsen

University Book and Supply annually provides funds to be given to an outstanding teacher in each college. The recipient must be an untenured faculty member. We are pleased to announce that last year Lisa Jepsen received this award. She joined the faculty in 2000 and has done a great job in the classroom from her first day here. In addition, she created the Law & Economics class which has been so popular, especially with our students planning to attend law school. Good job Lisa!

Bulent Uyar

Bulent Uyar received the CBA’s Alumni Outstanding Service Award for his service to the University and Economics discipline. He chairs the CBA’s Faculty Research Committee and is just finishing serving as treasurer to the MEEA among other activities. Over the years he has been part of over 20 department, college and university committees. We think of the university as a place for education and research, but without people to take care of the maintenance of our programs, we would soon grind to a halt. Congratulations to Bulent!
Guess Who?

Can you name the alumni in these pictures? Send your guesses to Fred at f.abraham@uni.edu

Alumni #1
1979

Alumni #2
1976

Alumni #3
1974

Alumni #4
1977

Alumni #5
1976

Janet Rives & Rachelle Yousefi

Fred relaxing at the President’s Picnic

Hans Isakson & David Surdam discussing economic policy

Fun Times

Rachelle Yousefi, Shahina Amin, Imam Alam and Lisa Jepsen.

Fred & Ken at the Stock Market Game Luncheon
The University of Northern Iowa is an equal opportunity educator and employer with a comprehensive plan for affirmative action.

*Seated:* Shahina Amin, Lisa Jepsen, Bulent Uyar, Barb Mardis, Jennifer Fuhrman

*Standing:* Bev Barber, Department Secretary, Ken McCormick, Imam Alam, Fred Abraham, Department Head, Dave Hakes, Bryce Kanago, David Surdam, Hans Isakson, Ken Brown, Lois Lindell