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EDITOR

Jacqueline Khorassani, Ph.D.
Associate Professor of Economics, Marietta College

ASSISTANT EDITOR
Rachel Ruth, C'06

CONTRIBUTORS
Evan Sutton, C'06

Special thanks to
Dr. Greg Delemeester,
& Paula Lewis

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NASA : The Experience and the Benefits

By: Rachel Ruth

Speaking to the Economic Roundtable on August 31, 2004 was Dr. Kathryn Sullivan, the President and CEO of COSI. Dr. Sullivan's achievements and titles do not end there though. She is a former astronaut, oceanographer and a Captain in the US Naval Reserve.

Her speech focused mostly on her time spent as an astronaut, but it was most interesting. She

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The Rise of Income Inequality in the U.S.

By: Evan Sutton

On April 14th, 2004, the ERT had the privilege of listening to Jack Schmitt, a self-proclaimed "one-handed" labor economist who is a Senior Research Associate for the Center for Economic and Policy Research, a "think tank" in Washington, DC. Dr. Schmitt is co-author of *The State of Working America* and has also written several articles for the *American Prospect* on topics such as

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discussed the feeling of being in the shuttle and taking off, being propelled to a speed of over 17,500 mph in 8.5 minutes. Once in space she told of the inability to achieve adequate rest because, while in orbit, you circle the Earth every hour and a half, meaning a sunrise will occur every 45 minutes! When in the path of the sun on the light side of the Earth, the shuttle faces temperatures upward of 255°F, and the opposite is true on the dark side, temperatures fall to the -255°F range. The average space shuttle mission lasts roughly one to three weeks while those that are docked on the International Space Station usually serve a three to six month term.

Many of the technological advances that we take for granted today were developed as a result of federally-funded research to aid the country's space race of the early 1960s. Among these advances were insulation, computer chips and fuel cells. According to Sullivan, given that the economic benefits of the space program far outweigh the initial up front costs, government expenditures on the space program should not be cut.

One of the main concerns of Dr. Sullivan's speech was for the lack of federally funded core innovation in this country. The lack of fundamental research and innovation in recent years has in part lead to the development of the X-Prize. The X-Prize is a $10 million prize to the first privately financed team that can successfully launch three humans into space (defined as 100km above the earth's surface) and repeat the feat within two weeks with the same spacecraft. The hope of the X-Prize Foundation is that this will spur a new passion for core innovation--not just inventing new toys or trivial things, but changing the way things have fundamentally been done. For example, inventing a new energy source, or changing the way existing fuel cells work would change the workings of the world, injecting power back into economies.

Upcoming Speakers

September 29, 2004, **Dr. S. Fred Singer**, President of the The Science & Environmental Policy Project, **Topic : Controversy About Global Warming: Is There No End?**

November 17, 2004, **Ted Kennedy, Jr.**, President of the Marwood Group, Business Development and Governmental Relations Firm, **Topic : Facing the Challenge.**

February 23, 2005, Dr. Mark V. Pauly, Professor of Health Care Systems, Business and Public Policy, Insurance and Risk Management, and Economics at the Wharton School, University of Pennsylvania; Chairperson of Health Care Systems Department.

September 14, 2005, Dr. Kevin Niewoehner, President and CEO of the Institute for Scientific Research.

For questions and comments contact: **Jacqueline Khorassani, Marietta College, Marietta, OH 45750, (740) 376-4621 khorassj@marietta.edu**.

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job training, unemployment insurance, minimum wage careers, and health care.

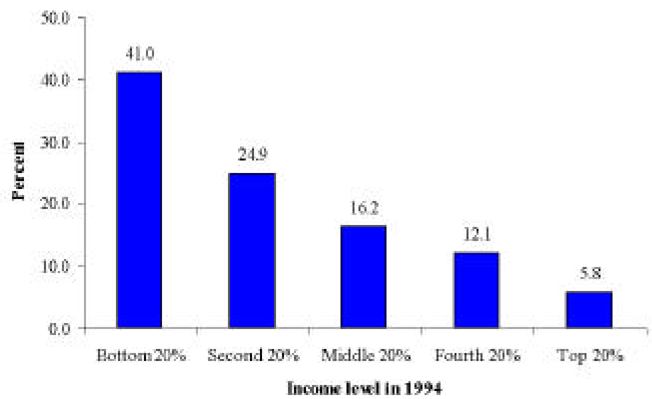
Dr. Schmitt spoke to the ERT on the topic of rising income inequality in the United States. According to Schmitt, income inequality in the United States has been steadily increasing since the gas crises of the late 1970s. Prior to that, between 1947 and 1979 the annual growth rate of family income was between 2.3% and 2.5% for all family levels. However, since 1979 growth has witnessed an "economic staircase." The lowest 20% of families in the United States witnessed a growth rate of only 0.02% in their annual income, while the top 5% witnessed a growth rate of 1.5% in their annual income.

Families today are smaller, receiving more education, and working more hours than they were prior to 1979. In 1979, a typical family had 3.71 members; the median hours of work per family was 3,272 per year, and the percentage of the labor force with a college education or better was 18.7. In 2000, a typical family had 3.17 members; families were working a median of 3,932 hours per year; and 27.5% of the US working population had a college education or more. Nonetheless, the family income growth rate in recent years has been much smaller than in the years prior to 1979.

Not only has the growth rate of income decreased, but economic mobility has also gotten smaller, which is represented in Figure 1. According to the figure, 41% of families whose income fell in the bottom 20% of income distribution in 1969 were still in the lowest 20th percentile in 1994. Moreover, only 5.8% of families whose income fell in the bottom 20% in 1969 moved to the top 20th percentile in 1994. This data shows that we do have a good deal of economic mobility--though not nearly as large as we think it is.

Figure 1. Family income mobility, 1969-1994

Where families in bottom 20% in 1969 were in 1994



Dr. Schmitt also compared the United States' income inequality and mobility with those of other industrialized countries such as Canada, Australia, the United Kingdom, and several other European countries. Schmitt's study shows that the US has the highest income inequality among the above nations. Even though our average income is around 30% higher than those, our poorest 10 percent families makes close to the same amount as the poorest 10 percent of families in the above nations. On the other hand, a US family in the top 90th percentile makes a great deal more than other families in the top 90th percentile in any of the other countries examined.

Schmitt's findings reveal that the United States has the smallest rate of economic mobility compared to foreign countries. In the mid 1990s roughly 29.5% of low-income American families exited low-income status. During the same time period, 36.4% of low-income families in Canada, 41.1% of low-income families in France, 46.9%, of low income families in Germany exited low-income status. During the same time, other nations such as Ireland, the Netherlands, the United Kingdom and Denmark all saw more than 50% of their low-income families exiting low-income status.

Dr.Schmitt concluded his talk by going over a list of possible reasons for the recent rise in income inequality and decline in economic mobility in the United States. Some of the items on this list are decline in unionization, decline in the inflation-adjusted value of the minimum wage, deregulation and privatization, and globalization.

The New York Stock Exchange: Its Importance and Its Future

By: Rachel Ruth

On June 15, 2004, the Economic Roundtable of the Ohio Valley gathered at the Marietta Country Club to hear Robert Kampmeinert speak. Robert W. Kampmeinert is Chairman and CEO of Parker/Hunter Incorporated, an investing firm with a local branch. Mr. Kampmeinert's lecture was entitled, "The New York Stock Exchange: Its Importance and Its Future".

Beginning with a brief introduction, Mr. Kampmeinert provided an overview of the functions and activities of the NYSE. Some highlights of that include: providing an auction market for equity securities, fostering the generation of capital, regulating member firms while also providing liquidity to investors. The NYSE is a non-profit organization, but one that still brings in revenue. While it seems to the average person that the Exchange could not make revenue, it indeed does. Mr. Kampmeinert cited the revenues for 2003 as $1,074,140,000, a mind-boggling figure to someone not familiar with the Exchange. The NYSE generates its revenues primarily through various service fees, including listing, data processing, market information, trading and regulatory charges.

The next point that Kampmeinert touched upon was how the Exchange functioned. There is what is commonly knows as 'the floor', where the trading takes place. Here, specialists, floor brokers, trading posts and the SuperDot (super designated order turnaround system) all come together to facilitate trading. Presently, most of the orders do not pass through floor brokers as they have in the past, now an automated system processes trades electronically. Most are familiar with brokers whose object is to "minimize market impact", provide market anonymity, information and intelligence. A specialist, on the other hand, is assigned to a particular firm and trades only stock for that firm while acting as an agent and as principal in the transaction.

Technology has transformed the way that the Exchange does business. In the past decade, Kampmeinert notes that over two billion dollars have been spent on technology. Broker booths have been re-designed, flat panel screens, electronic display books, cellular phones and hand held broker terminals have all been introduced to help the Exchange handle over six thousand messages per second! While other exchanges exist, 82% of trades are executed at the NYSE. This is one of the reasons that the NYSE is so important. The NYSE is the "largest equity market in the world" and is committed to best price, liquidity, anonymity and speed. The sheer size and volume of the Exchange aids in price discovery, liquidity and the opportunity for investors to achieve best price.

To wrap up, Kampmeinert cited some of the challenges and issues that he believes will be faced by the Exchange in the future. He believes that more and more money will be spent on technology for the floor so that order capacity can grow exponentially. Competition will also play a great role in the future, competition for listings and order flow among domestic and non-domestic companies. Kampmeinert also foresees a possible lessening of the requirement for best price, as best price is not always in the best interest of the client and fragments the market. After a host of recent corporate scandals, including that of Enron, Congress passed the Sarbanes-Oxley Act in order to protect investors by improving the accuracy and reliability of corporate disclosures made pursuant to securities laws. With one of the most important dates arriving on November 15th of this year, most public companies must meet the financial reporting and certification mandates for any end-of-year financial statements. The effects of this law will be seen in the coming years, as to whether it will help or deter the market. Overall, the NYSE is healthy and recovering nicely from the latest recession. While the way in which trading takes place may change in the future, there seems to be no end in sight for the Exchange.