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Special Thanks to

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The Financial Prospects for Small Liberal Arts Colleges

On Wednesday, June 2, 1999, Dr. Irene M. Moszer, Vice President for Finance and Administration at Marietta College addressed a luncheon meeting of the ERT .

Dr. Moszer, who holds a Ph.D. in economics from Bryn Mawr College, spoke on the topic of "The Financial Prospects for Small Liberal Arts Colleges".

Dr. Moszer started her talk by pointing out that within the last 100 years the number of people attending colleges and universities has increased sharply, both in absolute and relative terms.

There has also been a shift in the distribution of programs from liberal arts and sciences programs to professional

and technical programs. A hundred years ago about 50% of awarded degrees



were in liberal arts and sciences programs. Now only 33% of all awarded degrees are in liberal arts and sciences.

When it comes to the differences between public and private colleges, Dr. Moszer pointed out that private colleges rely heavily on tuition and fees to cover their expen-

ditures while state appropriations are the major source of income for public universities.

A careful examination of the sources of costs in private colleges reveals that "academic programs are the real cost drivers within private institutions."

Many private colleges have added to their academic programs "without a careful analysis of their relative worth"

simply to attract more students at the time. Due to increased market competition, these colleges are now forced to cut back on their expenditures on academic programs to hold their total cost down.

Dr. Moszer's ad-

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Moszer

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resources from the weakest to the strongest programs. She argued against an across the board spending cut because it will result in mediocrity for all programs.

Dr. Moszer then focused on the specific steps that these colleges have to take in order to weigh the cost of each program against its benefit. She stressed that this evaluation process must be done as openly as possible. "There is nothing worse than undertaking an evaluation process that is not well understood, considered secret and potentially menacing."

Dr. Moszer then pointed out that, according to a study by the *National Center for Education Statistics*, from 1976 to 1995 the FTE (full time equivalent enrollment) in undergraduate colleges has increased by 24% while the number of faculty and staff at these institutions has increased by 40% resulting in a drop in productivity across these institutions.

"There is nothing worse than undertaking an evaluation process that is not well understood, considered secret and potentially menacing."

Next, Dr. Moszer distinguished between two types of private liberal arts colleges (Baccalaureate I and Baccalaureate II) and discussed the main differences between the two.

In general, Baccalaureate I institutions have more resources than their counterparts enabling them to have more selective admission standards.

According to Dr. Moszer "Increasingly, Baccalaureate II colleges will face pressure not only from larger public institutions with broad program bases, but against liberal arts colleges that can still afford to offer distinctiveness and individualized instruction."

In conclusion, Dr. Moszer argued that to stay competitive in today's market for higher education, small private liberal arts colleges must cut back on the number of their academic programs and shift their resources to those programs that add real value to their marketing base and make them distinctive in

UPCOMING SPEAKERS



September 15, 1999, Dr. Alan Krueger (Ph.D. Harvard University), Professor of Economics, Princeton University. **Topic: "Are American Schools Really Broken?"**

October 27, 1999, Dr. Douglas Gomery (Ph.D. University of Wisconsin), Professor of Journalism, University of Maryland, **Topic: "History and Economics of the Media."**

November 1999, Terrence M. Morris, (California Institute of Technology, Ph.D. Courses completed in Physics; MBA, Harvard) Founder/Owner, Morningside Ventures, **Topic "Representing Chinese Venture Capitalists."**

February 8, 2000, Dr. Karol I. Pelc (Ph.D. University of Uppsala, Sweden; Ph.D. Wroclaw University of Technology, Poland), Professor of Technology Management, Michigan Technological University, **Topic "Japanese Management Practices During the Economic Turbulence of the 1990s."**

April 2000, L. William Seidman (J.D. Harvard University), CNBC Commentator, former Chairman of the Federal Deposit Insurance Corporation (FDIC), former Chairman of Resolution Trust Corporation, former Dean of College of Business at Arizona State University.

June 2000 (To be scheduled.)

September 2000, David Angel (B.S., Marietta College), Founder of Information Storage Devices, inc., Chairman of Fabless Semiconductor Association, **Topic: "Managing High Technology Companies in the Digital Age."**

October 2000, Dr. Alfred Broadus, Jr. (Ph.D. Indiana University), President of the Federal Reserve Bank of

Should China Be Permitted to Join the WTO?

By: Kristen Price

For decades, China has tried to join the World Trade Organization (WTO) and its predecessor the General Agreement on Trade and Tariffs (GATT). GATT was an agreement, originally signed by 22 countries, to reduce tariffs and create an agency to oversee world trade. The WTO, formed in 1995, is an institution that encompasses GATT and sets rules governing trade between members. Unlike GATT, the WTO can rule and make decisions on trade disputes between member countries. China joined GATT in 1947 under the Nationalists, but withdrew in 1949 when the Communists took over China. It was not until 1986 that China formally applied again, though negotiations were never completed and have been continuously stalled because of major political issues.

Another reason that talks about China becoming a member of the WTO have been prolonged is due to Chinese protectionist policies. China has tried to make moves that would impress the WTO, such as cutting import tariffs to 23% and making the yuan (China's currency) partially convertible in 1996 and then cutting import tariffs again in 1997 to 17%. Although China has been looked upon with more favor by the WTO, it still deters trade in other ways that have made the WTO reluctant to consider it for entrance. In 1998, an economic slowdown led China to adopt many protectionist policies such as limiting imports, enforcing unusual health and safety standards on random items such as jigsaw puzzles, and setting up price cartels. A price cartel is an alliance among various companies that establishes manipulative prices in an attempt to control the markets for the goods and services they produce. These policies were enforced strictly on certain imports deemed undesirable by the Chinese government in an attempt to protect their industries by keeping imports out.

Despite China's protectionist policies, China has not been able to curb its recent economic slowdown and it has come to the realization that it needs to open its economy more to foreign trade in an attempt to find a way to lure investors. Due to Chinese protectionist policies and the lack of a reliable rule of law in China, foreign investment has begun to fall. China's membership in the WTO should reassure investors on China's stability because China would be required to follow the trade regulations set by the WTO. China's membership in the WTO should also curb the vast amount of smuggling that takes place in China due to stringent import laws.

China will benefit greatly by becoming a member of the WTO, but why will its membership be beneficial to the United States and other countries? If the Chinese continue to show good faith in reducing tariffs and other trade restrictions and then possibly become a member of the WTO, the price and quantity of imports into China will change for the better for its trade partners. By reducing tariffs and therefore the cost of imports, more Chinese will buy foreign goods and more of them. For example, if the U.S. is able to sell more products in China, it can begin to reduce its trade deficit with China, which is currently one-third of its total trade deficit.

As long as China complies with all WTO rules, its membership will only help other members. Denial will not minimize the impact of Chinese protectionism. We will still want to trade with China even if it is not a member of the WTO, and to deny them membership will only diminish the WTO's advantage over China and we can expect to see China revert back to their old protectionist policies.

Is Less Really Better?

The Changing Face of the International Automotive Industry

By: Megan Staley

“The Big Three” soon will have new meaning to the world. Typically viewed as an American phenomenon of the three large automakers in Detroit (Ford, Chrysler and General Motors), the new paradigm is one where the “big three” will be global mega-corporations.

Automobile firms need to merge in the current economic market to stay competitive.

One benefit from mergers is the ability for each company to be able to “tap economies of scale in technology development, in engineering new products and in purchasing parts and raw materials” (Simison et. al.)

Being able to spread costs of “developing vehicles, accessories and technology over million of units, not thousands or hundreds of thousands” is paramount to survival (Healey).

Money also can be saved in mergers, as DaimlerChrysler hopes, by being able to transport

parts more efficiently, sharing components between models and even paying less for commodities like steel (Taylor).

Another benefit from merging is that moving into new geographic regions is too costly, but merging with a company and sharing the facilities is much simpler and cost efficient.

Also, by having the increase in plants and distribution centers, there is the possibility that national and political boundaries can be avoided. A company that spans several continents has extensive political and economic influence in the world economy (Healey).

The combination of Ford Motor Company and Volvo means that Volvo will benefit from Ford’s existing global distribution network, giving Volvo the opportunity to use its saved finances toward new car models. Also, Ford’s market share in Europe will increase 1.7% with its acquisition of Volvo (Palmer).

There are increased benefits from

merging because if one company is doing poorly in a foreign market its new partner may have the advantage there.

In the realm of international economics, automobile mergers play an important role. Automobile companies are looking for markets in which to expand. By combining efforts, each can benefit from the other’s existing trade agreements and distribution systems.

Having a stronger voice internationally will enable the newly merged firms the opportunity to be a “heavy weight” at the bargaining table.

However, one must not be fooled by the current kudos being given to these companies. In the 1950s, the Studebaker-Packard and the Hudson-Nash mergers failed, as has the 1994 BMW-Rover combination.

While the immediate benefits of automobile mergers on the international economy seem positive – increase in

market share, ability to use each other’s parts and distribution systems and gain in stock prices – the long-term effects must be watched.

Works Cited

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