

# E NEWS

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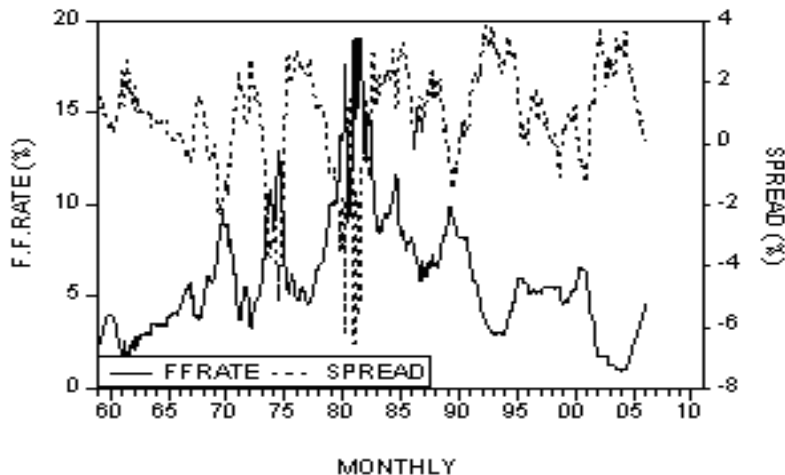
## Economic Outlook

By: Natalie Howard

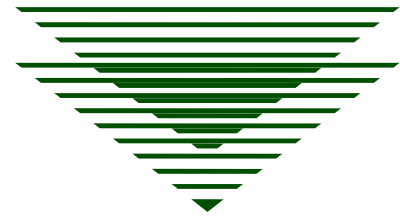
The economic stance has weakened further in the past few months. Growth in the consumer markets have slowed and labor markets have deteriorated as well. Unemployment rates have hit their highest point since 2005 and the average American household's income is being eroded by rising inflation. Concerns about employment and income prospects, together with declining home values and tighter credit conditions, have caused consumer spending to slow down considerably.

In efforts to prevent further weakening of the economy, the FMOE eased the monetary policy. They lowered the federal funds rate, by a 75 -basis-points to 2-1/4%. This is the second time this year that they lowered the rate, in January they lowered it by 125 basis points. History shows that the FMOE has eased the policy in a systematic fashion at the time of stock market declines with the exception of the 1987 stock market crash. Over the last 30 years or so, the FMOE cut the federal funds rate 9 times.

FED FUNDS RATE VS YIELD SPREAD



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By lowering the fed funds rate, the FMOIC hopes to increase the money supply in the economy, to bring about more consumer spending. The lower rate will free up funds that banks can loan out. However, with high consumer prices, the main concern with the lowered funds rate is inflation. The combination of slow growth and high inflation is often deadly.

While the Fed can control the short-term interest rates by adjusting the fed funds rate, it has less control over longer-term interest rates, which form the upward or a downward sloping yield curve. In his 2006 speech addressing the yield curve, Bernanke concluded that the narrowing the spread between the long-term and the short-term interest rates may imply that the present interest rate position of the Fed is either too easy or too tight. He raised the possibility that the narrowing in the yield spread could be due to expectations that short-term interest rates are likely to fall in the future as a result of a possible economic slowdown or a recession. And it seems that he was indeed correct, as we now face a major economic slowdown!

Consequently, whenever investors expect an economic slowdown they shift their money from short-term securities towards long-term bonds. From this shift of money, inversion in the yield curve emerges.

Historically, inversions of the yield curve have preceded many of the U.S. recessions. Due to this history, the yield curve is often seen as a very accurate forecast of the changes in the business cycle. An example is when the U.S. Treasury yield curve inverted in 2000 just before the U.S. equity markets collapsed.

Some economists are a pessimistic about the future of our economy, saying that it is self-correcting and that we will be out of the dark sooner than later; however there are

many economists that think that this is the biggest financial crisis in decades.

### References:

#### Reflections on the Yield Curve and Monetary Policy

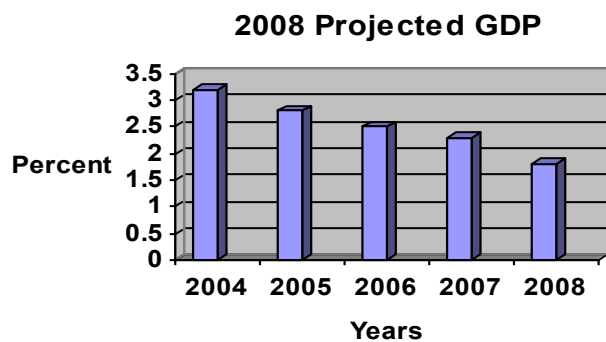
Federal Reserve Bank of St. Louis

#### The Impact of Inverted Yield Curves

### The National Economy

By: Heather Stelmack

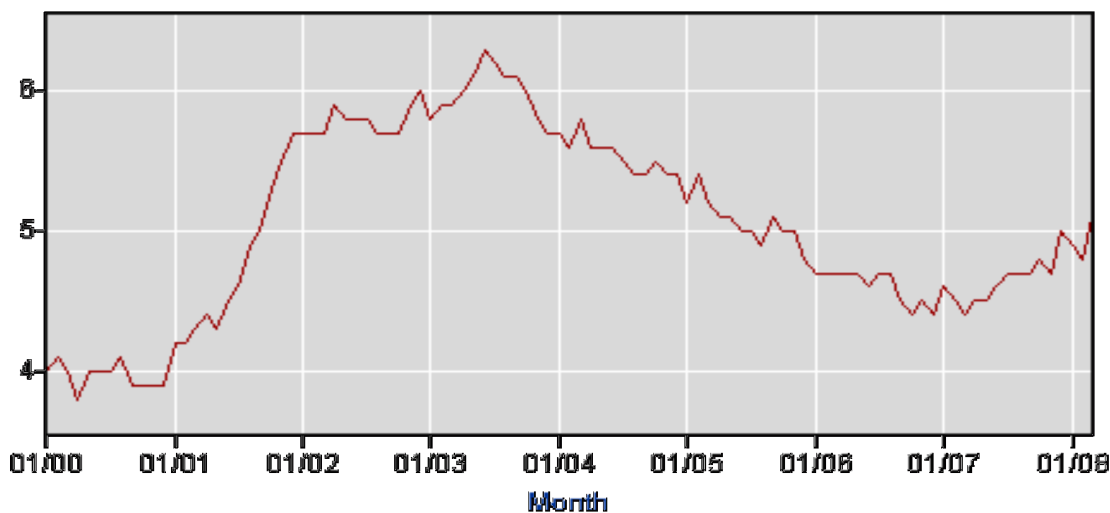
The national economy has substantially weakened since last quarter and continues with a downward trend in April 2008. Although 2008's first quarter statistics on the national economy have not yet been released the Federal Reserve has predicted the GDP to be anywhere from 1.3-2.0 percent. These predictions all stem from a number of factors, including a further intensification of the housing market correction, tighter credit conditions, amid increased concerns about credit quality and ongoing turmoil in financial markets, and higher oil prices. The FOMC has made substantial reductions in the target federal funds rate through January of 2008 in hopes of output growth to pick up to a pace around or a bit above its long-run trend by 2010. Inflation is expected to decline in 2008 and 2009 from its recent elevated levels as energy prices level out and price increase.



Recently released data of 2008 shows personal income has increased \$56.0 billion, or 0.5 percent, and disposable personal income (DPI) increased \$48.7 billion, or 0.5 percent in February 2008. Personal consumption expenditures (PCE) increased \$12.0 billion, or 0.1 percent. In January, personal income increased \$30.4 billion, or 0.3 percent, DPI increased \$43.7 billion, or 0.4 percent, and PCE increased \$42.0 billion, or 0.4 percent. In February real disposable income increased 0.3 percent, compared with an increase of 0.1 percent in January. Real PCE was unchanged in February; and increased 0.1 percent in January.

In 2008 the unemployment rate reportedly rose from 4.8 to 5.1 percent in March. Over the past 3 months, payroll employment has declined by 232,000. In March, employment continued to fall in construction, manufacturing, and employment services, while health care, food services, and mining added jobs. The civilian labor force rose to 153.8 million over the month of March, offsetting a decline in the prior month.

**Unemployment Rates Ages 16**



References:

- Washington Times
- CNN

**Slowing Growth and Prices May Well Be Leading to Stagflation**

By: Mark T. Meacham

The 1970's are marked in history as a very turbulent decade in US economic history. The '73 oil embargo, '79 Iranian energy crisis along with rising employment were all included in arguable one of the most infamous decades of the 20<sup>th</sup> Century. Apart from these specific issues, the 1970's economy will always be associated with the term stagflation. Stagflation, simply put, is the worst of both worlds where weak economic growth is coupled with rising inflation.

The current US economy looks as though it's on a similar path and the proof is in the numbers. First and foremost, recent government statistics on Gross Domestic Product (GDP) indicated a mere .6% growth in the last 3 months of 2007. That's a total of 2.2% growth for the entire year and is the lowest rate in five years. The growth end is obviously quite dismal and is it probably fair to attribute the

majority of that to the sub-prime mortgage melt-down.

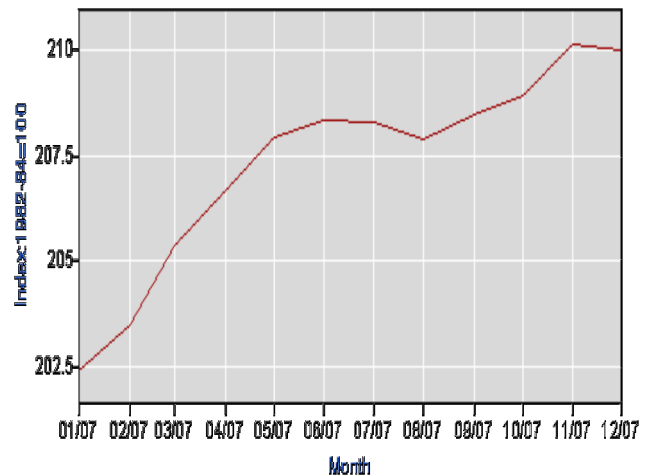
This disaster has caused drastic declines in home prices, an uncertain and volatile stock market as well as other economic issues that contribute to slowing growth. The Federal Reserve has made it clear that re-stimulating the economy is top priority. On January 30<sup>th</sup>, 2008 the Federal Funds rate, the rate depository banks lend to other depository banks overnight, was cut to 3% from 3.5% making it the fifth consecutive rate cut (The Fed had not cut rates even once since mid-year 2003). Another possible contributor to the recent trends in weak growth could be the Bush administrations continuous deficit spending (tied with Iraq and Afghan wars) and its large tax cuts. Either way you look at it, growth (in terms of GDP) has certainly slowed and it is of prime importance that the US finds efficient ways for re-stimulating the economy.

Rising inflation, the second of the two headed monster, has also been a key concern as the consumer price index (CPI), a popular economic indicator that, simply put, measures the cost of living by examining price changes in a set “basket” of goods and services, rose by 4.1% in 2007 (a rise of 5.6% for Q4, 2007), its highest rate in almost 20 years. Some believe that the recent Fed easing (in efforts to stimulate growth) could have brought the benchmark rate below the rate of inflation, thus increasing the possibility of an inflation rush in the near future. This, along with high commodity prices and a weak dollar are putting upward pressure on inflation.

It is also possible that the inflationary problems could be due to the economic development of Asia. The rise of emerging nations, such as India and China are creating a growing demand for scarce resources. One example of this “competition” for limited resources is oil. Many feel that the

price of crude oil will continue to fluctuate after last year’s \$100 per barrel episode, and perhaps fluctuate to the upside as demand continues to grow. Other commodities as well, such as wheat, rice, corn and other grains have felt the increasing demand, as their prices increased dramatically in 2007. Interestingly enough, in November of 2007, China’s inflation rate hit 6.9% which is an 11 year high.

The graph below shows CPI for all urban consumers for the year 2007.



The y-axis represents the CPI-U (consumer price index for all urban consumers) and is based upon an average between 1984 and 1982 base of 100. On January 2007, a CPI-U of 202.5 means that inflation has picked up 102.5% since 1984. It is quite clear from the graph that inflation had picked up a good amount over last quarter with a range from 110% to 102.5% in a mere 12 months.

The stagflation of the 1970’s was a true monster, and the US had to take desperate measures to fix it. The Federal Reserve raised their rate to above 20% in an attempt to control inflation and it worked. This put the economy into an even deeper recession, but some of the most prosperous times followed that action. Today, as is the case of the 1970’s, the risk of

stagflation is indeed a problem and must be dealt with. Former Federal Reserve chairmen, Alan Greenspan, claimed to be the greatest central banker who ever lived by Princeton University's Professor Blinder, was quoted in his new book "The Age of Turbulence" as saying "There is little we can do to avoid the easing of global disinflationary forces. Episodes of higher interest rates will be required." One could look at it that way (with all due respect to Mr. Greenspan), or once could view inflation (when controlled) as a symptom of growth. If the true cause of inflation is due to the rapid growth of Asia, then that must mean that India and China are in the midst of an economic boom that will lift millions out of poverty.

References:

- Cnn
- BBC
- New York Times

**Unemployment, One Step Closer to Recession**

By: Justin Herman

In the past few months unemployment in the United States has been on a rapid increase. The unemployment rate is the highest it has been since Hurricane Katrina in 2005. The unemployment rate this quarter rose to 5.1 percent. The job losses were spread across industries and service companies. Some forecasters are predicting the unemployment rate to grow 0.2 percent each quarter through 2009. They have also forecasted a huge decline in job openings per month from 101,000 to just 39,000. These are recent forecasts that were released in February 2008:

**Unemployment Rate (%)**

	Previous	New
<i>Quarterly Data</i>		
2008	Q1: 4.8	5.0
	Q2: 4.9	5.1:
	Q3: 5.0	5.2
	Q4: 5.0	5.2
<i>Annual Avg. Data</i>		
2008	4.9	5.1

In February there was what the Bureau of Labor Statistics calls 'Mass Layoffs.' There were 1,672 mass layoffs, each of these containing at least 50 people getting laid off. The total number of workers laid off was 177,374 based on seasonally adjusted statistics in the month of February. The unemployment rate in February was 4.8 percent.

Unemployment got even worse in the month of March when 80,000 jobs were lost. There has been a lot of attention on the recent housing problems. It seems that policy makers need to start taking the unemployment problem seriously because many Americans are struggling. Many people on Wall Street believe that we are in fact in recession, however, Ben S. Bernanke, the Federal Reserve chairman said the other day, "a recession is possible," but not necessarily upon us. This increase in unemployment was the biggest since March of 2003 when the economy was still shaky from the recession in 2001. Since the beginning of 2008 232,000 jobs have disappeared in the U.S. In every sector of the work force, unemployment rose except for teenagers. They work

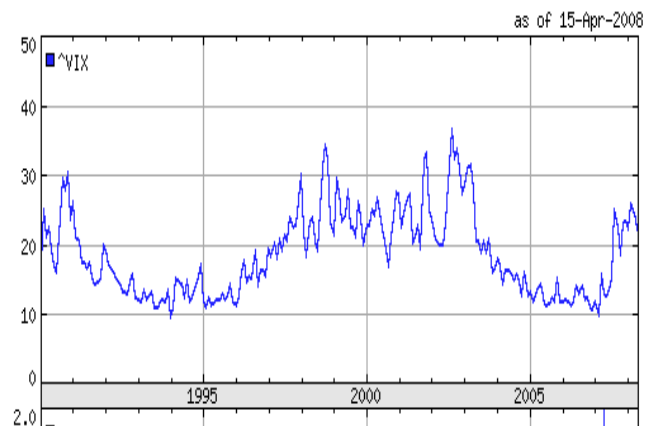
for cheaper prices thus causing employers to lay off veterans, and decrease their labor expense. Construction suffered the biggest amount of unemployment with 51,000 in March. The Manufacturing sector was also very weak with 48,000 people being laid off. Many people depend on their paycheck every week to survive, with a lot of people losing that money; we are in for a rough road ahead. The unemployment problem seems to worsen by the day.

### Stock Market Volatility

By: Chris Tierney

“When the VIX is high, it’s time to buy!” This line has been stated many times by smart investors, and as history proves, they are right usually. The “VIX” itself is the ticker symbol for the Chicago Board Options Exchange Volatility Index. It is a very popular measure of the implied volatility of S&P 500 index options. The main word here is *implied*, meaning a measure of the *expected* volatility over the next 30 days. This is not the same as *actual*, which is strictly based on historical data. Without explaining the mathematical jargon, a VIX index of 15 would mean that the S&P 500 is expected to move up OR down 15% annually, or 4.33% over the next 30 days. This is all based on a 68% probability, or one standard deviation. All of this equates to most investors believing that if the VIX is above its historical average of 20, it’s time to buy equities.

As you can see from the chart below, the VIX jumps shortly after a major uncertainty appears in the economy. It jumped when Iraq invaded Kuwait, after the Asian financial crisis of late-1997, after September 11<sup>th</sup> 2001, and after the housing market busted in 2007.



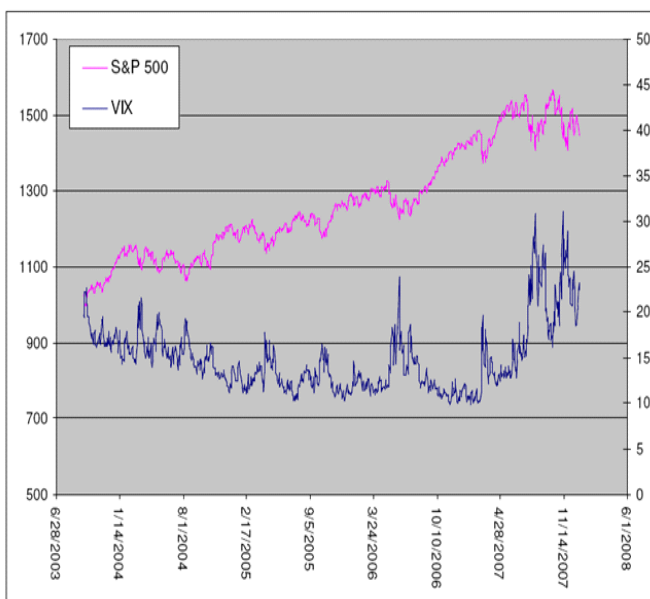
To be even more specific, buying the first large spike in the VIX has paid off time and time again. When volatility is

#### Reference:

[U.S. Department of Labor](#)

high during unpredictable economic shocks like above, most investors are selling, driving stocks lower. If you buy shortly after the spike, and wait out the shock, you will be rewarded. By this logic, one might suspect that the opposite statement “When the VIX is low, its time to sell!” would hold true as well. Unfortunately, this is just not the case, and never has been since the VIX was created in 1986

To apply the VIX and overall stock market volatility to more recent events, one might ask if the VIX is a good indicator of a recession, or more importantly, the end of a recession. I assure you, after much research, there is no clear answer to this, as explained by the chart below.



From this chart, one can see that there is definitely a negative correlation between the S&P 500 and the VIX index. This correlation, however, is nowhere near perfect, with the VIX jumping or dropping un-proportionally to the S&P several times. Looking back at the first chart in this article, one might draw the conclusion that the VIX is currently topping out, and therefore an increase in the S&P 500 may follow shortly.

Whether or not this will come to fruition, one thing is for certain: volatility in the stock market is high these days, so don't stress out over a 3% drop in your stocks in one day. The official VIX only dates back to 1986, but according to Jason Goepfort, who created a faux-VIX going back to 1900, the official average VIX of 20 is very high compared to what it would have been over the past 100 years. He also says that the stock market goes from extended periods of high volatility to extended periods of low volatility, each lasting about five years. He said that statement in 2003, and almost perfectly predicted the increase in volatility recently. Whether or not Jason was on to something, the days of the great moderation are certainly over, and increased volatility is something we're all going to have to deal with.

#### References:

##### The New York Stock Exchange

### **The Value of the Dollar: Helping Or Hurting the United States Economy?**

By: Dina Gaughan

The current value of one Euro from the European Union to the United States dollar is 1.57, and one Canadian dollar to United States dollar is .98 (see chart below). This continuous decrease of the U.S. dollar has many people wondering if this is helping the U.S. economy or hurting it. Many Americans feel that the declining dollar simply looks bad. We are, after all, used to standing at the top of a numerical list. One must keep in mind when it comes to currency, a higher value neither brings national success nor predicts future prosperity. The measure of a nation's wealth is the goods and services it produces, not the relative standing of its currency.



#### Euro to U.S. Dollar Exchange Rate, 5 Yr. Span

Economists say the declining dollar has both advantages and disadvantages for the economy. For consumers who like to buy foreign commodities, it means their standard of living will go down as they pay more money for these goods. For American workers on the assembly lines at many major companies, it means their employers' products will be more in demand. Europeans can afford to purchase more from American companies, but at the same time are complaining the Euro is too strong and therefore too difficult to export goods and services.

The declining dollar does create price inflation for imports into the U.S. Luckily, Imports only make up approximately 16 percent of the American economy and many foreign suppliers are reluctant to risk their position in the American market by raising prices by extremely large amounts. Also, the wealthy classes are usually the ones who bear this cost on luxury imported goods because they can afford it most easily. Many large retailers like Wal-Mart stock goods from other countries where currency values have not decreased as much against the dollar, which overall helps the

working class.

The lower value of the dollar also makes American exports more competitive. Americans are able to sell many of their products abroad at favorable prices. Even after a serious real estate decline, the American economy is continuing to expand, and this mainly due to the strength of our export sector, as encouraged by a low value for the dollar.

In the case of the dollar, many people need to stop thinking of its value as the standard of economic success. In terms of market prices, people can always find reason to be unhappy. The currency is either too strong, thus reducing the amount of exports, or too weak, making it very expensive for importing and purchasing foreign commodities. The American economy has its problems, but so far the low value of the dollar has proved to be more a benefit than a cost.

#### References:

Yahoo.com

Federal Exchange Commission

### **Devaluing of the Dollar Compared to the Canadian dollar and the Euro**

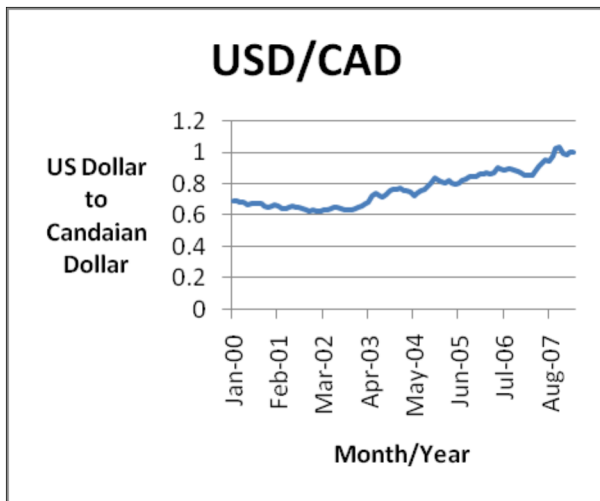
By: Mark Schaffer

Currency exchange rates fluctuate every day. The main reasons are relative interest rates, trade imbalances, political stability, government intervention, and speculators. The problems with the dollar in the U.S. is for the last couple of years we have run a trade deficit, inflation is becoming a concern with the increases in food and energy prices, and growing negative sentiment in the U.S. could lead to investment elsewhere. The devaluing of the dollar leads to lower purchasing power and a rise in prices by all countries that trade with the U.S.

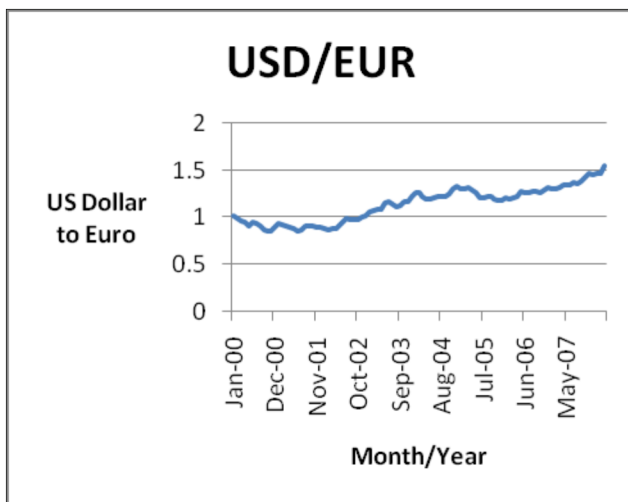
When you look at the U.S. dollar compared to the



Canadian dollar from January 2000 to March 2008 it shows that the U.S. dollar has depreciated relative to the Canadian dollar. In January 2000 about .70 U.S. dollars could buy you one Canadian dollar and as of March 2008 the relationship is now about 1 U.S. dollar equals 1 Canadian dollar.



The Euro did not become a major currency until 1999. In January 2000 the relationship between the U.S. dollar and the Euro was about 1 to 1. Now as of March 2008 the relationship is to buy 1 Euro it will cost you \$1.55.



The biggest concern in the future is that foreign investment will not be towards the dollar and instead move towards the Euro, Swiss francs, and other foreign currencies.

In a worst case scenario goods, such as oil, could be pegged to the Euro instead of the dollar. With the dollar being weak now it will encourage more exportation of goods compared to the importing of goods. Domestic businesses should benefit from the weakening of the dollar because foreign goods shipped here will be a higher price. The Federal Reserve will continue to look at this issue to make sure inflation does not take over the nation.

References:

The Federal Reserve

**Income Inequality**

By: Brian Wertheimer

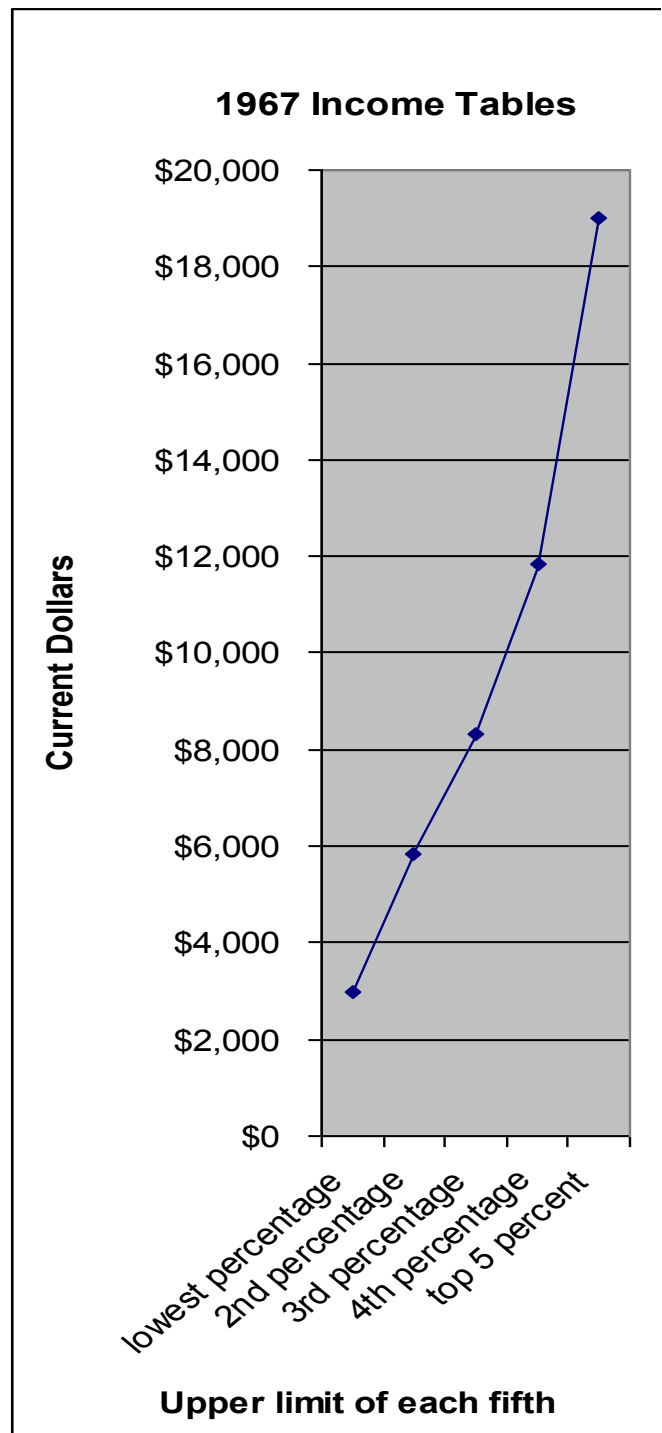
Income inequality in America tends to be on the rise, although this might be a misconception as people associate income inequality with poverty. We continuously hear the saying that “the rich get richer and the poor getting poorer.” This is an accurate statement based on U.S. census statistics, although these numbers can be misconstrued by the public. The U.S. government uses many tools to obtain a measure of inequality such as the gini coefficient, income received by the top 20 percent divided by the bottom 20 percent, and the poverty threshold.

The gini coefficient is a tool that ranges from zero to one: zero being perfect income inequality and one being perfect income inequality. In 2005, the U.S. Census Bureau had a total gini coefficient of 0.440 up from 0.376 in 1947. This compares to gini coefficients ranging from 0.2 to 0.6 in historically egalitarian countries such as Poland, Bulgaria, and the Czech Republic. Some South American countries such as Brazil have greater gini coefficients due to the sparse powerful elite that dominate the economy.

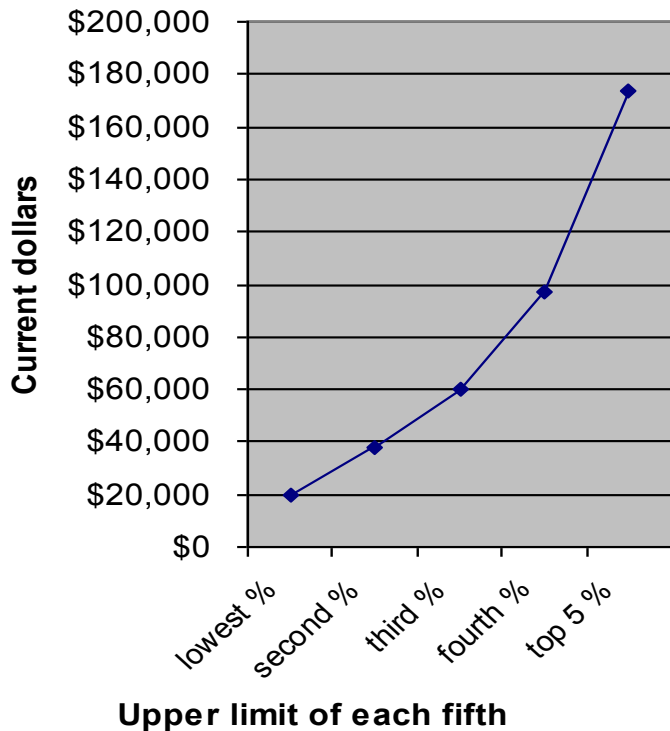
In the latest numbers from 2006, from the U.S. Census Bureau, it is stated that the lowest fifth of the total American population has a yearly income average of \$20,035, the second fifth has \$37, 774, the third fifth makes approximately \$60,000, and the fourth limit makes about \$97,032 while the top fifth makes \$174,012. The total aggregate income received in 2005 has astounding numbers as the lowest fifth shares 4.0 percent, the second fifth is about 9.6 percent, the third fifth is about 15.3 percent, the fourth fifth about 22.9 percent, the highest fifth makes about 48.1 percent, and the top five percent of the population earns 21.1 percent.

The percentage of the American population under poverty is a key aspect in determining the U.S.'s income inequality. The U.S. Government has an estimate of weighted average poverty threshold. The threshold depends on factors such as unrelated individuals and reference if they are older or younger than the age of 65. The estimated threshold in 2007, was approximately \$10,587. In these times of recession and inflation and increasing energy costs, this data suggests that the number of Americans, may fall below the poverty threshold line and income inequality may also become more prevalent.

There are many potential solutions to the nation's dilemma as many advocated raising income taxes instead of sales tax as it is a regressive tax also known as "soak the poor tax." In a recent article in the New York Times it was stated that, "Connecticut was the only state in the nation where the poorest 20 percent of people lost ground over the last 20 years." The study also reveals "the nation's top tier rose 36 percent as the bottom tier rose 11 percent in the past two decades." Many feel that the disparity gap between the rich and poor will only continue to increase if the government doesn't enact tax hikes and not tax breaks in order limit this current situation of income inequality in America.



**2006 Income Table**



References:

The New York Times

**Consumer Protection**

By: Ghalib Dahir

Consumer Protection is a class of government rule which guard the welfare of consumers against unjust, misleading, or fraudulent practices in the marketplace. In United States this is mainly done by the branch of Federal Trade Commission (FTC), known as the Bureau of Consumer Protection along with the regulations at the state level.

The major role of Bureau is to conduct investigations, fine and sue companies and people who are disobey the law. It also develops set of laws to defend consumers, and

educates consumers and businesses about their rights and responsibilities. The Bureau also accumulates complaints about the end user fraud and identity theft and offers them to law enforcement agencies across the country. The Bureau of consumer protection has seven divisions and each has its own areas of expertise.

Of the seven, one area consists of law that masters in the finance related affairs. There are many laws to ensure the safety of consumer in the field of money or associated. Following is a brief introduction to some of the rules along with there description:

**The Fair Debt Collection Practices Act**

(FDCPA), as the name suggests relates to the debt collection practices. This federal law was enacted in 1977 to eliminate abusive and deceptive debt collection practices. This act also provides consumers with a power to dispute and attain the legalization of balance due information and to make sure its accuracy. This act provides lenders with methods to use for communication with the debtors along with fines that can occur in result of violation of act.

**The Fair Credit Reporting Act (FCRA)**

give powers to consumers to find out what information credit reporting agencies have on their files. Only accurate, relevant and timely data can be reported on files. Consumers have power to dispute any errors or mistakes and credit reporting agencies are required to provide with the reasoning of what's on file otherwise delete the information. In addition, every individual is entitled to obtain a free credit report from three big reporting agencies at no cost every year.

**Truth In Lending Act (TILA)**

this law is established to protect borrowers when obtaining any kind of loans. This act ensures that lenders provide the complete information about the cost of the loan and the terms associated

with repayment of the loan.

**Real Estate Settlement Procedures Act (RESPA)** is a federal law that requires lenders to provide home mortgage borrowers with information about known or estimated settlement costs.

The **Check Clearing for the 21st Century Act** which is more commonly known as Check 21 Act. This act allows the receiver of paper checks to create a digital version of the check, thus remove the need of additional usage of the physical document. This act was passed in 2003.

The **Truth in Savings Act (TISA)** as name suggests requires financial institutions to provide all the costs that are associated with the savings accounts so consumers can come up with a meaning decision regarding savings account. This act was passed in 1991.

References:

Federal Bureau of Consumer Protection

**Bear Stearns**

By: Eric Lasso

Founded in 1923, Bear Stearns Companies Inc. serves multiple markets by providing financial services to corporations, governments, institutions, and individuals. The investment bank specializes in capital markets, wealth management, and global clearing services. Currently, the firm employees over 14,000 people. Headquartered in New York City, the company also has other locations in over 10 countries worldwide.

In 2005 Bear Stearns was noted as being one of "America's Most Admired" companies. In 2006 the approximate amount of their total assets was approximately \$350.4 billion. 2007 introduced the firm's first substantial financial loss due to the American mortgage crises and crashing hous-

ing market; losses continued into the fall and winter of 2007.

On March 16, 2008, an agreement was collaborated between Bear Stearns and J.P. Morgan Chase. The merge was overseen by the Federal Reserve under the agreement that J.P. Morgan Chase would bid to purchase Bear Stearns for a mere \$2 per share; a shocking comparison to \$170, the amount of a single share of Bear stock in early 2007.

J.P Morgan Chase offered to purchase Bear Stearns with the cooperation of the Federal Reserve. The Federal Reserve approved a \$30 billion loan to assist J.P. Morgan Chase with the purchase of the collapsing firm.

On March 24, 2008, J.P. Morgan Chase agreed to increase their offer from \$2 to \$10 per share for the purchase of Bear Stearns, which would provide 39% ownership of Bear Stearns to J.P. Morgan Chase. Also, J.P. Morgan Chase announced a reduction in their loan amount from the Federal Reserve from \$30 billion to \$29 billion.

As of April 7, 2008 it is expected that the merger will close on April 8, 2008. J.P. Morgan Chase is expected to purchase 95 million Bear Stearns' shares. BearStearns.com is announcing the J.P. Morgan Chase and Bear Stearns official merger agreement for J.P. Morgan to purchase 39.5% of Bear Stearns.

References:

Bearstearns

New York Times

**Enron Revisited**

By: Ghalib Dahir

"History repeats itself," and it seems like that the United States regulators are not learning from the past financial crises. Enron and WorldCom along with other financial

scandals that happened not too long ago, triggered the changes in corporate and accounting reporting standards with the passage of Sarbanes-Oxley Act of 2002, commonly called SOX or Sarbox. This act was named after sponsors Senator Paul Sarbanes and Representative Michael Oxley.

The legislation establishes new or enhanced previous standards for all U.S. Public company boards, management, and public accounting firms. This law does not apply to the privately held companies. This Act which consists of 11 categories or sections, range from additional Corporate Board responsibilities to criminal penalties, and requires the Securities and Exchange Commission (SEC) to implement rulings on requirements to comply with the new act.

This law imposed the additional costs to all of the public companies only due to the unethical behavior of some handful corporations. There is lot of parallels between the financial scandals that occurred earlier in this decade and sub prime mortgage crisis. The most obvious one is the passive role of the regulators and proposing new rules for avoiding similar scenarios in the future. Both included the loss of confidence in stock markets, losses of jobs and negative affects on returns of securities.

To avoid the unethical lending practices Federal Reserve proposed new mortgage rules. Following is the brief introduction of the proposal for the loans:

Prohibit a lender from engaging in a practice of lending without considering borrowers ability to repay the loans from sources other than the home's value.

Prohibit a lender from making a loan by relying on income or assets that it does not verify

Restrict a prepayment penalty so homeowners can refinance their home with incurring additional fees

Prohibit lenders from paying mortgage brokers "yield spread premiums" that exceed the amount the consumer had agreed in advance the broker would receive.

Prohibit certain servicing practices, such as failing to credit a payment to a consumer's account when servicer receives it or failing to provide a payoff statement only to later penalize the with late fees.

Prohibit a creditor or broker from encouraging an appraiser to misrepresent the value of a home.

Prohibit misleading or deceptive advertising practices for closed-end loans

Require truth in lending disclosure to borrowers early enough to use while shopping for a mortgage. Lenders could not charge fees until after consumer receives the disclosures, except a fee to obtain a credit report.

Additionally many individual states changed certain rules regarding home loan that went into effect at the begging of 2008. These states include California and Colorado mortgage brokers who must follow federal lending guidelines. State of New York is requiring all loan officers to undergo a criminal check and register with the state. Delinquent homeowners of Colorado will have 110 to 125 days to get caught up on payments before their homes are sold, compared to 45 to 60 days previously. Many states who are hit-hardest are have set up offices with a toll free phone numbers to assists homeowners to get in touch with lenders for renegotiation their loan agreements.

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Fox News

Wall Street Journal

### Local Economy

By: Samer Analham

The nation's current economic slump has been taking notice more and more in Pennsylvania, more specifically the Pocono region. The United States unemployment rate rose to 5.1% in March 2008. In Pennsylvania, unemployment grew to 4.9% in February from the 4.8% recorded in January 2008. In two out of the three counties in the Pocono area, unemployment rose to levels higher than the national average in February. Monroe County, which has a civilian labor force of 82,600, has an unemployment rate of 5.3% and Pike County, which has a labor force of 26,700, had an unemployment rate of 6.5%. Wayne County was the only exception with an unemployment rate below the national average at 4.5% out of a labor force of 25,900.

According to the Center for Workforce Information & Analysis, employment totals for the non-farming industry have increased from 5,707,300 to 5,723,100 for February 2008. During this same period in 2007, employment was only at 5,690,800. Most of the increases in employment occurred in service providing jobs with gains of 30,900 jobs. Other significant gains were in education and government jobs of 22,600 and 19,700 respectively. All other industries posted either moderate losses or minimal gains.

<b>Monroe County (February)</b>				
	<b>Civilian Labor Force</b>	<b>Employment</b>	<b>Unemployment</b>	<b>Unemployment Rate (%)</b>
<b>2008</b>	82600	78200	4300	5.3
<b>2007</b>	79900	76100	3800	4.8
<b>2006</b>	79500	75400	4100	5.1
<b>2005</b>	77700	72800	4900	6.3
<b>2004</b>	75600	71300	4200	5.6
<b>2003</b>	74300	69800	4500	6.1
<b>2002</b>	72000	67900	4100	5.8
<b>2001</b>	70800	67800	3000	4.2
<b>2000</b>	68300	65400	2900	4.3

<b>Pike County (February)</b>				
	<b>Civilian Labor Force</b>	<b>Employment</b>	<b>Unemployment</b>	<b>Unemployment Rate (%)</b>
<b>2008</b>	26700	25000	1700	6.5
<b>2007</b>	26400	25200	1200	4.4
<b>2006</b>	25900	24300	1600	6.0
<b>2005</b>	25800	24100	1800	6.8
<b>2004</b>	24600	23200	1400	5.5
<b>2003</b>	23900	22500	1300	5.6
<b>2002</b>	22900	21600	1300	5.7
<b>2001</b>	21800	20900	1000	4.5
<b>2000</b>	20900	20200	800	3.6

These trends show we may be headed for a recession.

#### References:

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