

# THE

# OPTIMAL

# BUNDLE

THE PENN STATE ECONOMICS ASSOCIATION  
THE OPTIMAL BUNDLE

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## Jobs Are Jumping

According to the recently released October jobs report, the U.S. economy is still headed in the right direction. With about 161,000 non-farm jobs added last month, the unemployment rate is now settled at 4.9%. Many economists have expressed confidence in the job market, which was accompanied by an increase in wages due to the tougher competition for workers. The 2.8% year-over-year increase in hourly wages is being touted as the fastest increase since the Great Recession. Despite all this good news, there is still the concern of whether or not the Fed will hike rates in December. Nariman Behravesh, Chief Economist at data and analytics firm IHS Markit, stated that there is a "very high likelihood that the Fed will hike in December—unless there's some stock-market convulsion around the election." Giving the market time to adjust to a hike before it happens is a key to maintaining the current path of growth. For now, however, we can focus on the fact that our economy is back at it again with the positive returns. — MW

## Stock Up Before Stock Crashes

Since 2009, the Dow Jones has rapidly grown from around 7,000 to presently flirting with the 18,000 mark. As recent history shows, the U.S. economy typically experiences a recession every seven to ten years. For example, in 1987, the stock market briefly tumbled. In the early 1990's there was a short recession, then followed with the post-9/11 crash and finally the Great Recession. So now the question begs, when is it coming? This election could be the cause of the next downturn. For the past few months, the Dow has surged whenever positive news has emerged for the Democratic candidate, Hillary Clinton. Keep in mind, this is not exactly a stock market endorsement of Clinton. However, the stock market struggles when faced with 'uncertainty,' which is predicted to be more severe under Trump than Clinton. Uncertainty is often related to what 370 prominent economists—in a letter protesting Trump's candidacy—point to as "misinforming the electorate, degrading trust in public institutions with conspiracy theories and promoting willful delusion over engagement with reality." ... CONTINUED ON PAGE 2

## Hardliner Communists Actually Are Softies

Beijing-based Wanda Group has completed the purchase of entertainment giant Dick Clark Productions for \$1 Billion. The iconic California firm is responsible for productions such as The Golden Globe, Billboard Music and American Music Awards. The purchase follows the ambitious plan that the Chinese conglomerate has envisioned for entering major Western markets. In 2012, the group purchased Kansas-based AMC Theaters for \$2.6 Billion and earlier this year, Wanda acquired Legendary Entertainment, makers of blockbusters such as "Jurassic World" and "The Hangover" franchise, for \$3.5 billion.

While this is Wanda's first investment in American television, the conglomerate has also purchased Swiss-based sports marketing company InFront for a price of \$1.2 billion. InFront distributes exclusive broadcasting rights for FIFA events, including those for the 2018 and 2022 World Cups. The move did not come without the unease of some U.S. lawmakers, who fear that weak scrutiny in foreign acquisition of American entertainment companies could pose "concerns about propaganda and control of the media." Wanda Chairman Wang Jianlin addressed those concerns by noting that the U.S. exports far more media and so-called "soft-power" to China. Expect staunch opposition to Wanda Group from the next president should the Donald win today.

— NG Sources: [on.wsj.com/2fmZTuz](http://on.wsj.com/2fmZTuz)



## Monetarism and Marijuana

**OP-ED** Shortly before his death, renowned economist Milton Friedman began to shift away from advocating monetary adjustments and more towards government policy outside economics. In 2005 Friedman added his signature to an open letter urging local, state, and federal governments to legalize marijuana and regulate it like alcohol. The open letter includes a report, *The Budgetary Implications of Marijuana Prohibition*, by Harvard economist Jeffrey Miron. The report has gained signatures of prominent economists such as Vernon Smith and Oliver Hart—both Nobel laureates—and Penn State Economics Department Chair Barry Ickes. The report highlights that repealing marijuana prohibition and legalizing it like alcohol would save \$7.7 billion a year in enforcement costs and bring in an additional \$6.2 billion in tax revenue.

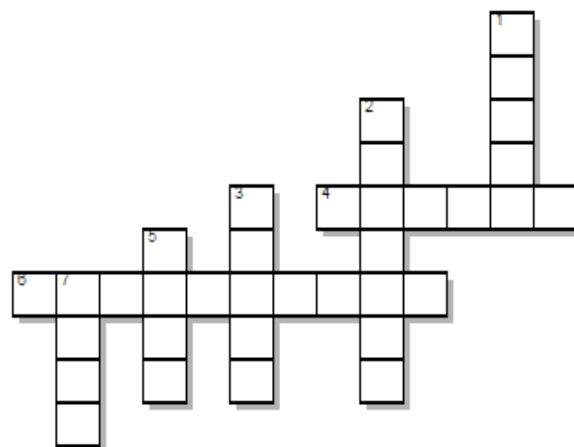
This academic support complements record high public support where 60% of the U.S. public is in favor of legalization according to a Gallup poll conducted just last month. Four states—Colorado, Washington, Oregon, and Alaska along with Washington D.C.—have recently voted to legalize marijuana. This upcoming election will have five states—California, Nevada, Maine, Arizona, and Massachusetts—voting on whether to legalize weed as well. Recent polls have shown large majority support for these ballot initiatives in California and Nevada but much closer races in Arizona and Massachusetts.

With state governments, the public at large, and—most importantly—expert economists favoring legalization, it is quite odd that federal policies on marijuana are stuck in the past. Despite having admitted to marijuana use in his past and campaigning on a promise to curtail the severity of anti-marijuana policies, President Obama and his administration have remained staunch opponents of medical and recreational marijuana. Barack Obama has continued the campaigns of Ronald Reagan and Richard Nixon, and as such the hope for a rational marijuana policy has once again fled.

For most of American history, cannabis was not only legal, but in fact a cash crop. In the mid-twentieth century, appealing to exaggerated dangers of the drug, Congress criminalized marijuana. The prejudice within the law still exists, as African Americans are three times more likely to be arrested for possession despite using the drug at similar rates to whites. The drug war has filled our jails disproportionately with minorities. The next president must deal with the marijuana question: the government can either continue down the path of the status quo in blindness to evidence or adopt the legal framework demanded by the American public and academic experts. We must hold politicians accountable and be highly critical of any government official peddling century-old propaganda that is economically detrimental, as pot does not make the government dopey.— PS Sources: [bit.ly/1sL8JY8](http://bit.ly/1sL8JY8), [bit.ly/2emHvmH](http://bit.ly/2emHvmH)



## Why Did the Chicken Cross the Word?



### ACROSS

- 4 When is the late drop deadline?
- 6 Which party is expected to win the U.S. Senate?

### DOWN

- 1 This Chinese company recently bought Dick Clark Productions.
- 2 What events does EA need more of?
- 3 This economist wrote "The Budgetary Implications of Marijuana Prohibition."
- 5 Who did Penn State annihilate in football this past weekend?
- 7 Which Trump visited State College yesterday?

## Stock Up Before Stock Crashes

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But this view can only try to project the near future of the state of the stock market, with notably unpredictable long-term reactions of whoever it is that takes office this coming January. Wall Street would most likely prefer a Clinton administration, but this is not by any sense due to their love for her, as it is due to her opponent's volatility. — AC

Sources: [bit.ly/2ePKq6s](http://bit.ly/2ePKq6s), [cnnmon.ie/1hBUtJ6](http://cnnmon.ie/1hBUtJ6), [on.wsj.com/2fedvs7](http://on.wsj.com/2fedvs7)