

THE

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Editor: Nicolas Guerrero

Contributors: Marissa Reuther, Peter Scharf,
Patrick Reilly, Nazmus Mallick

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The Fed Hits the Brakes

The Federal Open Market Committee (FOMC) met on Wednesday to discuss monetary policy. The FOMC is made up of the Federal Reserve Board of Governors and five Reserve Bank presidents. At the meeting, the Fed announced that they would not be raising short term interest rates, but they indicated that they may raise rates by the end of the year. The Fed also confirmed that it will start to shrink its securities holdings starting in October. Due to the recession, the Fed's balance sheet grew to an unprecedented size, and they will now initiate plans to reduce it. Janet Yellen's term ends in February, and there is speculation as to whether or not her term as Fed chairwoman will be renewed. Ms. Yellen has not met with President Trump since February, but Mr. Trump has not yet said if he is nominating somebody else. —MR

Sources: <http://on.wsj.com/2hsraCh>

Facebook Shares

Facebook CEO Mark Zuckerberg planned to create a separate class of nonvoting stock, allowing him to sell off some of his own shares to fund the limited liability corporation, Chan Zuckerberg Initiative, but still retain full control of the company. However, it turns out Zuckerberg's controversial stock plan will not go through after all. On Friday, he announced, via his social media platform, that the tremendous gains in Facebook stock allow him to sell a small enough number of shares to maintain control while still funding his LLC. The gains in Facebook stock were not the only motivation behind his change of plans.

Sources: <http://on.mktw.net/2yvU9sK>

Mark Zuckerberg was amidst a suit from investors who protested the controversial move when it was first announced. Had he not abandoned the plan, Zuckerberg would have had to go to court next week. Despite some disagreement with investors, the Facebook Chairman affirms: "I want to be clear: This doesn't change Priscilla's and my plans to give away 99% of our Facebook shares during our lives."—PS

A German Challenge

As the dominant force of the Eurozone, Germany was the key player during the debt crisis of 2014-2015. Several factors contributed to Germany's fortune including rising output per capita and falling unemployment rates. Yet rapid development in other nations, notably those in Asia are pounding on their superpower status lately. Rapid industrialization throughout Asia dried up exports of industrial goods for Germany. Motor vehicle and parts were the greatest source of export for Germany for years. Conservative investment by small and midsize firms, known as 'mittelstands' tapped on the brakes of growth very sharply. Their traditional focus on hardware instead of software dimmed the prospects of long-run growth for the future. Many startup companies failed to show promises due to risk-taking aversion. The future is very much uncertain for Germany. But the world is waiting to watch how recently re-elected Angela Merkel will handle these challenges to maintain strong growth. —NM.

Sources: <http://on.wsj.com/2y1ZJ9k>



EDITORIAL

Venezuelan Madness

In the years following World War II, per capita income in Venezuela was the fourth highest in the world. For decades, the country enjoyed steady economic growth due to exports in crude, and to the envy of its Latin American neighbors—political stability. Today, Venezuelans are living in a country void of any resemblance of its not so distant past. The cause of the current economic crisis lies in the ever-perilous seed of populism. *Chavismo*—a term encompassing the ideals of “21st century socialism”—was carefully tailored by a charismatic Hugo Chavez appealing to the majority of voters who backed his message of equality and anti-imperialism in 1999. As Chavismo grew in popularity, so did his executive powers. Before long, the once technocratic Central Bank was pursuing the objectives of a Bolivarian Revolution under close supervision of the Socialist Party. Price controls and mandated wage increases were imposed on the private sector, leading to a severe fall in investment and employment. After Chavez’s death in 2013, his vice president Nicolas Maduro was elected—also by a wide margin. Low oil prices caused strains in the supply of essential goods and have resulted in uprising. Inflation peaked at 800 percent and due to an almost symbolic exchange rate, currency is now being traded in the black market. Maduro, committed to the revolution—but most likely fearing for his political future—declined to follow through a constitutional provision that calls for early elections. Rather he labeled the protestors as terrorists and squashed the parliamentary opposition.



There are four observations Americans should make as a country in our own hemisphere plunges into dictatorship. First, the far-left in the United States, Spain, and Britain remain indifferent to the suffering of millions of Venezuelans. Jeremy Corbyn, leader of Britain’s opposition party, endorsed the Bolivarian Revolution. Second, the possible military option implied by the White House last month weakens the incentives of the Venezuelan opposition to challenge the government while strengthening Maduro’s conspiracies of “imperial intervention”. Third, populism comes in different forms but creates equal harm to society. Chavez and Maduro were democratically elected, which leads us to conclude that voters share some responsibility for their current struggle. Easy solutions to fiscal problems combined with fervent nationalism led to the erosion of Venezuelan institutions. Lastly, at a time when more than half of young Americans reject capitalism, we should be weary of the slippery slope that comes with the alternative. The Venezuelan delegation will boast about their low inequality at every diplomatic summit, yet that has not prevented the brain drain of a valuable labor force needed for the near future. —NG

Advice Column: By Victoria

Question from Anonymous: *I am a sophomore and still cannot decide whether to major or minor in economics. What do you recommend?*

The decision of what to major (or minor) in is a big question and boils down to personal preference. Do you enjoy economics? If the answer is yes, perhaps you should consider majoring. Personally, I have an easier time when I am doing things I am passionate about. If you hate the courses but think it’s great for a resume, majoring may not maximize your utility. There is no point in doing something that will be a constant struggle. Economics has a core group of classes that you need for the major and minor. I would suggest taking those courses first and deciding based on how they felt to you. —V

- Give us your perspective.
- Op-Ed entries welcome. Subject to review by editorial board. Send your pieces to optimalbundle.psuea@psu.edu
- Join PSUEA for the Penn State-Indiana football game on Saturday, September 30
- Contact Member Relations for details.
- Have a question for Victoria?
- Anonymously drop your question off during meetings or E-mail education.psuea@psu.edu

