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THE EFFECT OF GENDER ON PERCEIVED VALUE OF HUMAN CAPITAL IN MANAGEMENT

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ABSTRACT

This study examined earnings inequality in Thailand. In general, there is relatively higher ratio of men to women at high level management in a manufacturing sector. Women are typically employed in low level positions such as bookkeeping, human resources and secretarial staffs; and mainly in the service sector such as banking, retail trades, education, hospitality and tourism.

The data source used in this study was an original survey conducted for men and women at high level managerial positions. A human capital model was employed to assess factors affecting earnings among men and women at managerial level in Thailand. These factors included education, work experience, marital status, job satisfaction, number of hours at work and at home, frequency of travel and gender. The empirical analysis found that education, work experience, marital status and frequency of travel had a significant effect on all samples in the study. However, only education and work experience profoundly affected earnings for men.

AN ECONOMIC TREATISE ON RECOGNIZING WORLD WAR IV

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ABSTRACT

This paper analyses the idea that the world has not only experienced World War I and World War II but has also fought World War III and is currently waging World War IV. Socio-political and economic factors are applied to the wars of the 20th and 21st Centuries to make the case that these four World Wars should be reclassified and taught as such. The wars of the 20th and 21st Centuries are termed the Wars of Democracy, given that fact that all of the wars involve nations that were democratic in governance against forces that were non-democratic in governance. A simplified classification of the World Wars for Democracy I, II, III, and IV is presented. The non-democratic antagonists are recognized as promoting the causes of Imperialism (World War I), Fascism (World War II), Communism (World War III) and Religious Fanaticism (World War IV). These non-democratic antagonists share commonalities necessary for the existence of their causes. Each non-democratic group found it necessary to identify weaker, easy to persecute, opponents either within or without their countries. These weaker groups were used as threats to the non-democratic causes that needed to be conquered and/or annihilated. Second, each non-democratic protagonist was compelled to constantly imprison, execute and combat oppressed groups within their homeland and conquered borders. These oppressive actions had an economic consequence since the actions caused the non-democratic forces to utilize scarce resources in less advantageous ways. Thirdly, all of the non-democratic forces had fewer resources and productive capacity than the democratic forces. Due to the constant strain on economic resources, it can be reasonably deduced, that the non-democratic forces did not possess or could not maintain technological proficiency over their enemies. Fourth, the non-democratic forces did not provide a compelling socio-political, economic or religious/moral appeal to their citizenry, outside the realm of physical force, to enable a long-term plan of conquest. Religious fanatics waging World War IV have all four of the above factors working against them.

Misconceptions about world wars are also presented. One basic misconception is about the linear nature of war. War is seen as occurring during a finite period of time and each specific war is occurring as a unique singular event. When actual time lines of various conflicts are studied, one finds that World Wars are overlapping. A second misconception is that wars end in a specific year. World War I is considered to be over as is World War II, however, the socio-political, religious, and economic causes of these wars have not ended. Timelines also demonstrate that World Wars do not end even though the major conflicts of that war may be declared over by major conflict de facto cessation or treaty. Subtle non-violent aggression, often economic in nature, continues on a regular basis, promoted by state sponsored political and economic policies.

Lastly, the paper presents the case that economics is the primal cause behind all wars. A major assumption of this work is that in answering the economic question of 'who gets it' the death

and destruction of war is perpetrated. Non-democratic leaderships and those that still follow their causes, to accomplish their ends, all call for the forceful seizure of wealth, by the confiscation of private property or natural resources. Their causes cannot compete in laissez-faire, wealth creation types of markets and procedures, with free democratic institutions, and freedom of religious choice.

INTRODUCTION

In 1832, General Carl Von Clausewitz recognized the political aspect of war when he stated "….war is nothing but a continuation of political intercourse, with a mixture of other means" (Clausewitz, 1873). All wars possess varying emphases on social, political, religious and economic factors. Genghis Khan is quoted as saying "Man's greatest good fortune is to chase and defeat his enemy, seize his total possessions, leave his married women weeping and wailing, ride his gelding (and) use the bodies of his women as a nightshirt and support" (Ratchnevsky, 1991). Khan recognized the rewards of war as the attainment of the enemy's most valuable resources. A more accurate analysis of the wars calls for the introduction of economics as a primal cause of all wars and the addition of democratic infusion into the prevalent religious and socio-political analysis that is commonly presented. It has been accurately stated, "Much of human history has consisted of unequal conflicts between the haves and the have-nots" (Diamond, 1999). When speaking of this economic referencing of the wars of the 20th and 21st Centuries, it should not be confused with the concept of waging economic war that can be defined as a separate subject (Eatwell, Milgate and Newman, 1987).

All one needs to understand in order to interpret the major economic cause of wars is to understanding that every society must determine three economic questions. These three questions are fundamental in economic teaching. Each country or society must decide first, what to produce, second, how to produce what will be made, and then thirdly, to determine who gets the products and resources that are produced.   It is the assumption of this work that it is in answering this third economic question of 'who get it' that leads to the death and destruction of war. At a minimum, this assumption needs to be applied to analyzing any war. The 20th-century and 21st century slaughter of human life in Africa, Ireland, the Balkans and sundry other places have been placed on tribal differences ethnic origin and/or religion. Underlying it all, however, is the economic reason that people are arguing struggling and killing each other.   The universal economic reason is that these warring individuals, tribes, or religious groups want to be the ones who 'get it'. The victors of the warring parties want to be the ones that control the factors of production determining who will get the best job positions, who will control the allocation of and obtain revenues from scarce resources, and who will control societal institutions.

CLASSIFICATIONS OF WARS

This paper will make that case that the World has not only experienced World War I and World War II but that the United States has also fought and is currently fighting communism in World War III and that we are at the beginning stages of fighting World War IV (Cohen, 2001). The conventional referencing of the wars that occurred in the 20th Century and the referencing of wars that continue into the 21st Century are in need of reformation. A simplified classification of the

World Wars for Democracy I, II, III, and IV should recognize the non-democratic antagonists socio-political and religious causes. These causes were Imperialism (World War I), Fascism (World War II), Communism (World War III) and Religious Fanaticism (World War IV). The common factors in all of these Wars for Democracy I, II, III and IV was that the non-democratic antagonist shared the same traits. First, their cause had to be supported by violence and armed enforcement. Not one of the non-democratic antagonists could have their socio-political-religious ideology exist without force. All demonstrated extreme violence against weak non-violent third parties. Imperialist attacked weaker neighbors and enslaved them while Fascist used the Jewish population as scapegoats. Communists attack capitalist wealth creators and developed class warfare, and Religious Muslim Fanatics specifically target women, Jews and Christians. Fanatic political ideology or fanatic religious theology cannot exist by allowing free choice.

MISCONCEPTIONS OF WARS

War is seen as occurring during a finite period of time and each specific war is occurring as a unique singular event, When actual time lines of various conflicts are studied, one finds that World Wars are overlapping and while one may be at the middle or end stage another World War may be beginning. It could be said that World War II grew out of the ashes of World War I. Germany was decimated economically at the end of World War I and a destitute German people seized on the promises of a better life by following Adolph Hitler. Every war seems to contain the seeds to produce future wars. This is because the true causes of wars have never been defeated. The seeds for World War III and World War IV also grew along side of and out the ashes of World War I.

Besides the non-linear succession of wars is the misconception that wars end in a specific year. World War I is over as is World War II, however, the socio-religious-political causes of these wars have not ended. Fascist regimes can still be found in various countries throughout the world. All of these aggressive political, economic, and religious ideologies exist where they can, by force, and even though the forces of democracy declare a particular war over it needs to be emphasized that all these wars are still going on today, only without the massive arms and conflicts of earlier years. Even today, at the expense of other democratic countries, France and Germany appear willing to work with Muslim religious fanatics and promote their own economic imperialistic designs in the Middle East and Africa. China, Cuba, Korea and various other countries still cling to Communistic ideologies, however, they face constant pressure to change from democratic economic forces. In addition, it is, in the author's analysis, an egregious error to treat disparate regional wars and conflicts, such as Korea and Vietnam, as non-connected unique events. All of these wars should be treated instead for what they actually were; decades long battles against communism making up World War III. Historians and educators need to correct these time and relational misconceptions in their analysis of World Wars.

CONCLUSIONS

World War I, World War II, World War III, and World War IV can be classified as the Wars for Democracy. In the final analysis, there is no difference operationally, between Imperialism, Fascism, Communism, or Religious Fanaticism. These World Wars were instigated by non-democratic forces that came to power by force and can only be maintained by force. The recognition of four World Wars is not easily discernable because each had radically different formative and procedural characteristics. These wars do not become readily comprehensible in classification until one formulizes within them the unifying factors of economics and democracy.

A variety of socio-political and economic factors allow one to reasonably predict the outcome of World War IV. First, each non-democratic foe had or has less economic resources and productive capacity than the democratic opponents. Each non-democratic protagonist was compelled to constantly imprison, execute and combat oppressed groups within their homeland and conquered borders. These oppressive actions had an economic consequence since each actions forced the non-democratic forces to utilize scarce resources in less advantageous ways. Second, each non-democratic group had to find weaker, easy to persecute, opponents either within or without their countries. These weaker groups were used as threats to the non-democratic causes that needed to be conquered and/or annihilated. Third, due to the constant strain on economic resources the non-democratic forces could not maintain technological proficiency over their enemies. Fourth, the non-democratic forces did not provide a compelling socio-political, economic or religious/moral appeal to their citizenry, outside the realm of physical force, to enable a long-term plan of conquest. It may reasonably be concluded that by promoting democratic processes and providing economic incentives, which induce wealth creation, the outcome of World War IV will favor the democratic forces.

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AN APPROACH FOR SOLVING THE COMING FINANCIAL CRISIS IN SOCIAL SECURITY

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ABSTRACT

Although Social Security contributions have increased by 961-fold since 1938 (60-fold, even after adjusting for inflation), more retirees, longer life-expectancy, increased benefits, and relatively fewer FICA workers have offset these increases.

The projected $560 billion in OASI taxes in 2004 will take care of this year's retirement payments, but demographic reality will result in outflows exceeding contributions by the year 2018 and a complete depletion of the Trust Fund by 2044.

Bipartisan commissions have tried to avert the financial crisis by adjusting the policies and formulas, but the "fixes" have been compulsory and not fully effective and have been a disincentive for people who are otherwise compelled to participate.

An average worker deferring retirement for one year is better off by $16,411 (considering net wages), and the government is better off by $22,343 for that year (with deferred payments and more taxes). These numbers create large incentive opportunities.

As a solution to the coming financial crisis we propose that the federal government offer upfront cash payments and other rewards for those who choose to defer retirement. Our models show that with only 7% of potential retirees accepting such incentives, the Social Security system would be preserved for an additional 8 years, and 14% would add nearly 20 years of financial viability.

INTRODUCTION

As is the case with many government programs, size often increases significantly with time, and so it has been with Social Security. In the approximately 65-year history of the social security programs, the worker contributions that were 1% of the first $1,400 in the late 1930s have evolved to where contributions by both employee and employer are now 15.3% of the first $87,900 (2004). So instead of a $14 "potential contribution" per year per participant, the "potential contribution" is now $13,449 or about 961 times greater. Even after being adjusted for inflation the "potential contribution" per employee is over 60 times greater than what it was in the late 1930s.

Social Security benefits are, of course, more generous than they were in the early years and involve a greater percentage of the population, and the 60-fold increase in "real" payroll contributions is not even sufficient to keep up with the future needs of the program; it is estimated

that by the year 2018 outlays will begin to fall short of contributions, and by 2044 the fund will be completely exhausted (SSA Report, 2004).

Mathematically, either (1) a greater amount needs to be paid into the fund, and/or (2) more returns need to be earned on investments, and /or (3) people need to retire at a later age, and/or (4) recipients need to be given less in benefits, and/or (5) fewer retirees need to receive benefits (i.e., through some form of means testing). Of course, there is opposition when suggestions are discussed, so what do the experts have to say?

A REVIEW OF THE LITERATURE

While some writers claim that the Social Security crisis is "just propaganda, spread by people determined to shake your faith in the government's most popular program" (Quinn, 2004), others state that "virtually everyone familiar with US Social Security financing understands that the system cannot pay currently legislated benefits for more than another three or four decades without significant, probably politically unacceptable, tax increases" (Pozen, Schieber, and Shoven, 2004).

While much of the academic literature suggests (1) increasing contributions, (2) deferring retirement, and/or (3) reducing retirement benefits, the greatest attention at present seems to be focused on increasing the trust fund earnings. One advocate, for example, states that idle tax dollars need to be "earning money through investment [and Social Security needs to be] transformed into a privatized system. It is time the world's foremost market economy put the market to work…" (Blackwell, 2002).

ESTABLISHING A FOUNDATION OF THINKING

While writers give attention to free-enterprise concepts, their suggested solutions are almost without exception heavily oriented toward compulsion and lack of incentives. In the case of Social Security, that may be part of the problem, and we suggest at the outset that free-enterprise-type incentives may be the solution. Among other things, we need to keep in mind that incentives and disincentives work, and they work in both positive and negative things as illustrated in the examples shown below in Table l.

Table 1 Examples of the Impact of Incentives		
Primarily Economic:		
	Leading to positive results:	**Leading to negative results**
Positive economic incentives (that give more money):	Increasing tax breaks to businesses creates jobs in central cities	Increasing welfare payments results in more people on welfare
Economic disincentives (that take away money):	Increasing fines reduces speeding in highway construction zones	Reducing welfare payments forces many mothers to leave their homes for jobs

Primarily Non-Economic:		
Positive non-economic incentives (that provide more "psychic" benefits):	Increasing patriotism brings more people into the military after Pearl Harbor	Glamorizing violence leads to more violence
Negative non-economic incentives (that take away "psychic" benefits):	Increasing jail time and other punishments reduce various types of crimes	Punishing people leads to bitterness and more undesirable behavior

THE CURRENT SOCIAL SECURITY PLAN IN RELATIONSHIP TO INCENTIVES

Policies and formulas that have been established in the past to help with the problems have generally required people (1) to pay more money into the system while they work, (2) to work more years before they retire, and (3) to receive fewer benefits when they do retire. Likewise, (4) social security trust funds have been continually placed in investments that yield lower returns than commercial pensions and (5) surveys show that most people question whether they will ever receive the retirement benefits for which they've paid. In relationship to the incentives and disincentives format of Table 1, all five of these realities would be plotted on the negative side under disincentives--hardly an encouraging note.

POTENTIAL INCENTIVES IN THE SOCIAL SECURITY PROGRAM

To illustrate the power of free-enterprise incentives that potentially exist in the social security program, consider the positive impact that deferring retirement has on both workers and the government. If we consider a worker who earns $36,000 per year and has a taxable income of $30,000 per year, deferring retirement by one year will mean that the worker gives up about $12,597 in after-tax retirement benefits ($14,400 minus $1,803 in approximate taxes) but will have another $29,008 in net yearly earnings ($36,000 minus $2,754 in FICA and $4,238 in approximate income taxes). The net benefit to the worker in deferring retirement for a year will be $16,411.

As to the government, the benefit is even greater. When the same worker decides to work another year, the government saves $12,597 in retirement payments ($14,400 minus $1,803 in approximate taxes) but also receives another $9,746 in revenue ($5,508 in FICA and $4,238 in approximate income taxes). The net benefit to the government is $22,343. When an investment return on the trust fund is added, the benefit to the government is even greater. Since the government is coming out even better on the deal, couldn't a case be made for giving upfront cash incentives, even generous incentives, to entice potential retirees to defer retirement?

A PROPOSED APPROACH FOR BUILDING IN MORE INCENTIVES

To illustrate, what if there were simple formulas that were well communicated through advertising campaigns that gave those at retirement age some upfront cash incentives to defer retirement as well as significant increases in their retirement benefits when they did retire. The government would continue to receive more FICA and income taxes as well as defer social security payments; the recipient would benefit from (1) additional years of wages, (2) upfront cash payments for deferring retirement, and (3) increased benefits when the retirement was taken.

We have considered, for example, "upfront cash" payments of $100 per month in the first year of deferred retirement, $200 per month in the second year, and have continued this $1,200 per year increase with no maximum cutoff. As to the "increased benefits" when retirement is taken, we have used an even 6% increase in eventual retirement benefits for the first year of retirement, an additional 6% increase in the second year and so on with no maximum cut-off. The results are shown below:

	Table 2							
	Financial Projections under the Current and Proposed Social Security Plans (Eight-year increments)							
1.	**Calendar Year:**	2004	2012	2020	2028	2036	2044	2052
2.	Percent increase in OASI workers	.0125	.0125	.0125	.0125	.0125	.0125	.0125
3.	Number of OASI workers (millions)	155.8	172.1	190.1	209.9	231.9	256.1	282.9
4.	Percent increase in OASI recipients	.0258	.0258	.0258	.0258	.0370	.0370	.0370
5.	Number of OASI recipients (millions)	40.4	49.6	60.8	74.5	98.5	131.8	176.2
6.	**Social Security (OASI) projections under the "current plan" (adjusted for inflation):**							
7.	Beginning OASI Trust Fund ($ billions)	$1,355.3	$2,230.9	$2,951.0	$3,340.7	$2,885.6	$399.6	-$5,616.8
8.	OASI contributions per worker and employer	$2,964	$2,964	$2,964	$2,964	$2,964	$2,964	$2,964
9.	Total OASI contributions ($ billions)	$461.8	$510.1	$563.3	$622.2	$687.2	$759.0	$838.3
10.	OASI taxes on benefits per recipient	$317	$317	$317	$317	$317	$317	$317
11.	Total OASI taxes on benefits ($ billions)	$12.8	$15.7	$19.3	$23.6	$31.3	$41.8	$55.9
12.	OASI Trust Fund rate of return	.0618	.0400	.0400	.0400	.0400	.0400	.0400
13.	Total OASI Trust Fund earnings ($ billions)	$75.2	$85.1	$115.0	$132.8	$121.2	$34.7	-$184.1
14.	Total inflow of OASI funds ($ billions)	$549.8	$610.9	$697.6	$778.6	$839.7	$835.5	$710.1
15.	**Status quo outflow to OASI funds:**							
16.	Average OASI payments to recipients	$10,289	$10,289	$10,289	$10,289	$10,289	$10,289	$10,289
17.	Total OASI payments to recipients ($ billions)	$415.9	$509.9	$625.1	$766.4	$1,013.8	$1,355.8	$1,813.1
18.	OASI administrative expenses ($ billions)	$0.6	$0.6	$0.6	$0.6	$0.6	$0.6	$0.6
19.	Total outflow of OASI funds ($ billions)	$416.5	$510.5	$625.7	$767.0	$1,014.4	$1,356.4	$1,813.7
20.	**Net status quo OASI changes:**							
21.	Net increase in OASI funds ($ billions)	$133.4	$100.5	$71.9	$11.6	-$174.8	-$520.9	-$1,103.6
22.	Ending OASI Trust Fund ($ billions)	$1,488.7	$2,331.4	$3,022.9	$3,352.4	$2,710.8	-$121.3	-$6,720.4
23.	**Calculations on deferring retirement:**							
24.	Workers at the retirement age (millions)	40.4	49.6	60.8	74.5	98.5	131.8	176.2
25.	Percent of potential recipients deferring retirement	0	.07	.07	.07	.07	.07	.07
26.	Number of workers deferring retirement (millions)	0	3.5	4.3	5.2	6.9	9.2	12.3
27.	**Social Security (OASI) projections under the "proposed incentives plan" (adjusted for inflation):**							
28.	Begin. OASI Trust Fund (for deferral assumptions)	$1,355.3	$2,331.4	$3,713.9	$4,646.6	$4,877.5	$3,307.8	-$1,483.2
29.	More OASI contributions per deferred retiree	$0	$3,816	$3,816	$3,816	$3,816	$3,816	$3,816
30.	More OASI total contributions ($ billions)	$0	$13.2	$16.2	$19.9	$26.3	$35.2	$47.1
31.	Less in OASI payments per deferred retiree	$0	$14,400	$14,400	$14,400	$14,400	$14,400	$14,400
32.	Less in OASI total payments ($ billions)	$0	$49.9	$61.2	$75.1	$99.3	$132.8	$177.6
33.	Total OASI positives ($ billions)	$0	$63.2	$77.5	$95.0	$125.6	$168.0	$224.7
34.	**Negative assumptions for the OASI fund:**							
35.	Incentive cash payments per deferred retiree	$0	$2,400	$2,400	$2,400	$2,400	$2,400	$2,400
36.	Total cash incentives paid ($ billions)	$0	$8.3	$10.2	$12.5	$16.6	$22.1	$29.6
37.	Less in OASI taxes received per retiree	$0	$1,803	$1,803	$1,803	$1,803	$1,803	$1,803
38.	Less in total OASI taxes ($ billions)	$0	$6.3	$7.7	$9.4	$12.4	$16.6	$22.2
39.	Total OASI negatives ($ billions)	$0	$14.6	$17.9	$21.9	$29.0	$38.8	$51.8
40.	**Net OASI changes from deferred retirements:**							
41.	Difference in OASI Trust Fund before earnings ($ b.)	$0	$48.6	$59.6	$73.1	$96.7	$129.3	$172.8
42.	Earnings on additional amt. in Trust Fund ($ billions)	$0	$1.9	$2.4	$2.9	$3.9	$5.2	$6.9
43.	Increase in OASI earnings from deferred retirements	$0	$50.6	$62.0	$76.0	$100.5	$134.4	$179.8
44.	Add in original Trust Fund increase ($ billions)	$133.4	$100.5	$71.9	$11.6	-$174.8	-$520.9	-$1,103.6
45.	New end. balance in OASI Trust Fund ($ billions)	$1,488.7	$2,701.9	$3,847.7	$4,734.2	$4,803.2	$2,921.3	-$2,407.0

A SIMULATION MODEL TO TEST THE POTENTIAL IMPACT

To test the implications of such an incentive program with voluntary participation, a fairly extensive simulation model was created for the purposes of this study, and several scenarios were tested to evaluate the sensitivity of the individual variables. A fine-tuning of the model eventually made it quite accurate in duplicating the official projections that are published each year in the Social Security Administration's Annual Report. For example, the SSA Report currently projects expenditures to become greater than contributions in the year 2018, expenditures to become greater than both contributions and trust fund earnings in 2029, and the OASI trust fund to be fully depleted by the year 2044 (as shown in lines 6 through 22 of Table 2).

In the simulation numbers that are shown in Table 2, a net growth rate of 1.5% per year has been used for the growth in the nation's workforce, and a net growth ranging from 2.58% to 3.70% per year has been used for the number of Social Security recipients. To effectively communicate the mathematical implications of the model, most variables have been held constant including currency valuation. In other words, inflation has been taken out of the equation by using 2003 dollars. It has also been assumed that contributions to FICA have remained at 15.3%.

In lines 27 through 45 of Table 2, the mathematical results are shown using the assumptions established for the new incentives program for deferral of retirement. For this incentives program, it has been assumed that 7% of the potential recipients would be "in deferred retirement" in any given year. The 7% of the recipient pool is about 2.8 million Americans which is less than 1% of the total population of America.

As shown in lines 27 through 45, the peak in the Social Security Trust Fund comes 8 years later in the proposed incentives program than it did under the current program (in 2036 rather than in 2028). Also notice that rather than being in the negative range in 2044, there would still be nearly $3 trillion in the Trust Fund. All told, over the 75-year period (used by the SSA as the planning period), the funds generated by a voluntary deferral program would generate over $13 trillion just in the OASI Trust Fund (with the assumptions given). With a 14% deferral rate, nearly 20 years of financial stability would be added to the program. With other assumptions, the incentives could be designed to eliminate the imbalances in the program and provide even longer viability.

SUMMARY

The evaluation of the approaching financial crisis in Social Security and alternative possibilities for solving the crisis has yielded the following observations:

(1) Payments into the Social Security program have increased by 961 times since its inception, and even adjusted for inflation, there has been a 60-fold increase.

(2) Offsetting the 60-fold increase have been (a) more retirees, (b) greater life expectancy, (c) greater benefits, and (d) proportionally fewer workers to pay the benefits.

(3) The Social Security trust fund will see (a) expenditures exceeding contributions in the year 2018 and (b) a depletion of the trust fund by 2044.

(4) Although government commissions have instituted changes to help avert the financial crisis, these compulsory programs have not brought viability to the program.

(5) Presented in the paper is an incentives program consisting of upfront cash payments and other rewards to entice workers to defer retirement.

(6) A simulation model shows that with only 7% of potential retirees accepting such incentives, the Social Security system would be preserved for an additional 8 years, and 14% would add nearly 20 years of financial viability.

REFERENCES AVAILABLE UPON REQUEST

A FIRM-SPECIFIC INPUT-OUTPUT (I/O) MODEL FOR FORECASTING CHANGES IN A DEFINED ECONOMY

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ABSTRACT

Despite the fact that economic I/O models can be traced to the 18th Century and Leontief in the 1930's, current models remain too complicated to be used effectively by policy makers without becoming oversimplified. It remains the goal of designers to develop models that are useful for regional, rural and urban community's public administration programs, and professional development training. This paper displays a model that avoids being overloaded with large quantities of financial statements and raw economic data, successfully identifies and quantifies expenditures that are linked to producer prices, deals with the 'imports' from outside a defined economic region, and separates activities by economic sector.

The model presented ameliorates the above difficulties by developing firm specific sectors, provides transaction matricies that describes average purchases and sales for a targeted firm or industry sector. The model uses the Minnesota IMPLN (3) program as the base software package and employs appropriate multipliers for defined economic regions along with a specific firm or industry while simplifying the input requirements. Outcomes can be customized for specific audiences.

The quantitative representation of I/O economic activity is identifiable for extraction, construction, manufacturing, trade, and services industries. The model can be employed at the firm specific level thus gauging, in a reasonable manner, economic impacts of potential new businesses in a community or region. The proposed approach and application has not been reported in the literature although the organization of the data stems from the work of Guaderrama (2000) and the designs of the transactions table can be linked to Schaffer (1999).

The data structure is organized into four quadrants: (1) purchases for the defined sector and destination or sales of the outputs for the sector, (2) final total expenditures (consumption, investment, government purchases, net exports from the defined region): the "Drivers of the economy, (3) incomes derived from the defined economic region (households, depreciation, retained earnings, taxes paid, and imports into the region): i.e., "final payments", (4) transfers between sectors (gifts, savings, taxes on households, purchases by final demand sectors from industries in the defined region). The result is production functions and ultimate multipliers yielding economic impact analysis based upon the inclusion of the specific firm or industry into a defined economic region.

The model may be suitable for development into a research and education tool for graduate education in public administration and for practical use by government officials and planners.

HAS FOREIGN INVESTMENT HELPED DOMESTIC CAPITAL OF SUB-SAHARAN AFRICAN ECONOMIES GROW? AN EMPIRICAL ASSESSMENT

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ABSTRACT

This study explores the important macro-economic effect of foreign direct investment on growth of domestic capital in Sub-Saharan African economies. The aim is to answer the question whether or not foreign direct investment helped these countries increase their domestic capital. Such an investigation is necessary because the nature of the relationship may have important implications for these countries when they formulate development strategies as well as policies toward foreign investment. To achieve this objective, an econometric technique is designed to estimate the contribution of foreign direct investment to growth of domestic capital, utilizing these economies' data from 1980 to 1990.

THE RESPONSES OF HOUSING MARKET TO MONETARY POLICY IN THE U.S.

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ABSTRACT

There is a general consensus according to accepted economic theory and empirical research that expansionary monetary policies will positively affect most sectors of the economy, such as the durable and non-durable good industries. Many studies have shown the responses of key economic variables (price and demand) on the housing market to such monetary policies. However, little research has been performed to observe the differentials across housing sub-markets, such as new home construction and existing home sales. Findings regarding these differentials across the two sub-markets will provide valuable insights for both economic policy makers and housing market agents. This study finds that the existing home sales market is more affected by expansionary monetary policies than is the new home construction market.

INTRODUCTION

Economists and policy makers constantly monitor the general status of the economy by weighing both aggregate data (e.g., GDP, inflation, unemployment) and sectoral data (e.g., production by industry) against proper economic policy. When economic growth is sluggish and unemployment rates are high, the central bank may need to adopt expansionary monetary policies. In theory, expansionary monetary policies stimulate production activities, increase consumer confidence, and raise employment levels. In recent years, the Federal Reserve System (FED), which is the central bank in the U.S., has adopted such expansionary monetary policies as the U.S. economy has experienced slow growth and recession since 2001. The execution of these policies has led to the lowest federal funds rate (*liquidity effect*) in the U.S. in over 40 years.

As a result, both consumers and producers can utilize these low interest rates to reduce their borrowing costs and increase their investment expenditures. This increase in expenditures should be realized in a corresponding increase in total GDP. However, numerous empirical studies, such as Christiano et al. (1997), have shown that prices of goods do not respond immediately to expansionary monetary policies. Using U.S. data, their research argues that prices remain at current levels for a substantial period of time. These results imply that the FED should maintain the expansionary monetary policies for durations sufficient to allow the lagged changes in price levels

to be realized. Therefore, such expansionary monetary policies will eventually lead to lower interest rates and higher GDP, positively affecting most industries in the economy. The durable-goods industry, which produces goods such as automobiles, computers, appliances, furniture, etc., is one of the sectors affected significantly by interest rate fluctuations. Another, perhaps better, representative of a market susceptible to interest rate fluctuations is the housing market.

This paper will study the effects of changing monetary policies on the housing market by observing the response differentials between new home construction and existing home sales to interest rate changes. Although several previous studies (Kau and Keenan, 1980; Wheeler and Chowdhury, 1993; Rahman and Mustafa, 1997; He and Winder, 1999; Ahmed and Dua, 2001; Capozza and Li, 2001; Raddatz and Rigobon, 2003; Davis and Heathcote, 2004) have examined the interactions and responses between numerous economic variables on the housing market and policy changes in the economy, little research has been performed to observe the behavior between these two housing sub-markets. It is commonly accepted that both new home construction and existing home sales are positively affected by expansionary monetary policies. However, the magnitude of the responses may differ between the two sub-markets.

Research into the identification of this response differential should be useful to various economic interests such as economic policy makers and housing market agents. Because new home construction involves construction activities while existing homes sales do not, increases in new home construction over existing homes sales will represent greater infusions to total GDP. Therefore, if new home construction is affected more than that of the existing home sales (or people prefer new homes to existing homes), then expansionary monetary policies will affect the economy more significantly as they create and induce higher construction activities and employment. Increased construction of new homes would put less inflationary pressure on the housing market thanks to increased supply levels to meet the higher housing demand. Alternately, if expansionary monetary policies (or shock) affect existing home sales more than new home construction, relatively less construction activities and employment would result. A reduction in construction of new homes would put more inflationary pressure on the housing market due to a lack of supply to meet the higher housing demand.

To identify the relationship and the responses in these two sub-markets, this paper employs a cointegration approach, which is a commonly adopted framework in recent time-series research. The Johansen cointegration procedure (1988) is used to determine the presence of any long-term equilibrium linkage between (1) new home construction and monetary policy and (2) existing home sales and monetary policy. The cointegration vectors are then constructed in hopes of identifying any differences between the magnitude and responses of the relationships to the same economic monetary policy.

This paper finds that the demand for existing home sales is more responsive to economic monetary policies (or shock) than is the demand for new home construction. Thus, expansionary monetary policies will induce more inflationary pressure, resulting in relatively less activity in construction and employment.

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A REVIEW OF KEYNESIAN ECONOMICS AND ITS APPLICATION DURING THE ADMINISTRATION OF PRESIDENT LYNDON BAINES JOHNSON

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ABSTRACT

John Maynard Keynes' The General Theory of Employment, Interest, and Money is considered to have had such substantial impact on public thought and action that it significantly altered the direction of our society. Even the phraseology used to describe this theory, the "Keynesian Revolution", signifies the perceived influence.

According to some economists, Keynesian doctrines and practices spread to the United States during and after World War II and remained prevalent until the late 1960's or 1970's. However, Keynes' influence in the U.S. is downplayed by many economists.

This paper will delve into the debate by analyzing the elements of the Keynesian economic policy that can be identified in President Lyndon B. Johnson's administration. One economic policy passed early in Johnson's presidency was the 1964 Tax Reduction Act. However, the resulting analysis for the time period 1963-1968 contradicts the claim that Johnson's policies were purely Keynesian and also finds there was not a strong Keynesian influence in the United States.

FOREIGN DIRECT INVESTMENT IN THE UNITED STATES: COUNTRY ANALYSIS

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ABSTRACT

Multinational corporations (MNCs) throughout the world must make critical business decisions in determining when and where to expand internationally. Foreign Direct Investment (FDI) refers to the investment in an asset(s) in a foreign country or market. The United States experienced a drastic increase in FDI throughout the 1980's and continues to expand in numerous industries and states. Firms must make several important decisions when undertaking a FDI including location, mode of entry, objectives of the FDI, and the degree of risk involved. The United States offers several positive characteristics for MNCs that will be explored throughout this paper. The purpose of this paper is to explore the factors that may lead a foreign firm to pursue FDI in the United States. Specific factors will be analyzed including the process firms undertake in choosing a location in the US, role of technology for a variety of industries, industry specific characteristics and risks involved.

A STUDY OF A SMALL COMPREHENSIVE IIA UNIVERSITY'S BRAND IMAGE

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ABSTRACT

The status of a brand can contribute much to the equity of the institution if the product is in good standing with the market. There are five essential points that evaluate a brand. In this case, a small comprehensive IIA university in the Mid-South is the brand studied. The university will be evaluated on tactics used to establish it, how successful it was, the companies and family brands that supported it, the financial equity it contributed, and the competitive threats it faced.

INTRODUCTION

Christian Brothers University (CBU), a small comprehensive IIA university, has given valuable equity to its name and educational purpose through its reputation in Memphis, Tennessee. It is a highly regarded educational institution that has had a reputation for academic excellence for over one hundred years. How did such a highly regarded university come into being? Was it already a part of a family of an educational association? Who founded and what was their purpose for establishing such a university? All of these questions and more can be summed up in the following points: 1) What tactics were used to establish CBU? 2) How was the success of the institution originally measured? 3) Did CBU have the support of other efforts by other companies? 4) Was it a part of a larger organization? 5) What kind of financial equity has CBU acquired? 6) Were there any competitive threats that CBU faced and how did the institution confront these threats? In order to study the brand, one would have to start researching around the year 1865.

TACTICS USED TO ESTABLISH CBU

The Christian Brothers, a Catholic teaching order, used many tactics to make the vision of having a school for higher education in Memphis a reality. They used seven major tactics for the establishment: applying for an establishment of higher education in Memphis, securing and funding a location for the school, gaining support of other Christian Brothers, dedicating the school, registering students, awarding degrees, and initiating a college alumni society. These tactics were used from 1864 to 1881.

The first tactic used was applying for an establishment of higher education to be located in Memphis. In 1864 the application was submitted. By September 1865, the Christian Brothers were in the process of implementing their second tactic. They purchased property on Wellington Avenue for $14,000, represented by Michael Gavin, a prominent Catholic merchant, on behalf of Reverend Thomas L. Powers, the pastor of St. Peter's Church. When the purchase of the property was final,

Brother Patrick, provincial of the Christian Brothers, promised that he would send members of the Order to Memphis in 1867 (Battersby (1971) p.1).

However, yellow fever hit New Orleans, killing 11 Christian Brothers, which made it impossible for Brother Patrick to implement his promise. As a result, the Brothers sold the site for the new school on Wellington Avenue. Unfortunately, the Christian Brothers had to start the process over. In 1871, the bishop and the clergy renewed their request for establishing a school of higher education and promised to raise $5,000 (Battersby (1968) p.25). The bishop visited every church in Memphis asking for donations.

In September of 1871, the Memphis Female College on Adams Avenue became available and the Christian Brothers purchased the property for $35,000. Adams Avenue was part of a distinguished neighborhood in Memphis with many mansions. Those mansions included the Magevney House--the first center of Catholic worship in Memphis--the Lee House, Fontaine Mansion, Bartholomew House, and the McIntyre House. The Brothers could now employ their third tactic, which was to gain support from other Brothers in the U.S.

The Great Chicago Fire of 1871 proved to be a strategic opportunity for Memphis. The Chicago fire destroyed the Brothers' Academy on Van Buren Street and left a number of Brothers free to take work elsewhere. Anthony of Rome (John Walsh) and Clement Bernard (Joseph Eu) were sent to Memphis and Brother Maurelian was summoned from Pass Christian, Mississippi to be the head of the new community (*Mississippi Vista* (1948) p.199). Brother Luperius left St. Louis and was the vice principal of the new school. Although the terms of the sale were deemed excessive and were strongly objected to by Brother Maurelian, the committee of citizens, who had been negotiating the purchase of the property, induced the provincial to accept. They promised to give generous financial aid if needed. The Christian Brothers acquired the Adams Avenue property on November 17, 1871.

The fourth tactic was a dedication ceremony that involved the neighborhood. On Sunday November 19, 1871, a procession formed at St. Peter's Church and made its way up Adams Avenue to Christian Brothers College (CBC) (Battersby (1971) p.4). A large crowd assembled in the neighborhood and Reverend Stephen Byrne, pastor of St. Peter's Church, performed the ceremony. Father Byrne, Colonel M. Magevney, Jr., and John Duffey addressed the assemblage.

The fifth tactic was getting students to register for classes. There were 26 students who registered on the first day of the opening of the school. By the end of the academic year, 87 registered and eight were boarders. The second session began in September 1872, and attendance had increased to 147 students. The community itself had increased to 12 Brothers.

In June 1875, CBC celebrated awarding its first degrees. The first Bachelor of Arts degrees were awarded to Richard A. Odium and Raphael E. Semmes. A commercial diploma was awarded to James F. Curtis (Battersby (1971) p.9). This marked the sixth tactic the Christian Brothers had accomplished. By the time the College had completed its first 10 years, student enrollment was stable and there were 12 Brothers in the community. In 1881, the Christian Brothers initiated the College Alumni Society, which was the last tactic they used to establish CBC as brand.

THE ORIGINAL MEASUREMENTS OF SUCCESS

CBU has had many measurements of success. Probably the easiest one to measure is the number of students registered for each year and the number of Christian Brothers on the faculty. What is the meaning of being registered? As defined by Br. Robert Werle (personal communication, April 6, 2004), prior to the time of transcripts, schools kept names of students that attended in registration books. The term *registered*, however, does not mean that the student graduated or received a diploma. At the end of the school year in 1871, CBC enrolled 87 students and was a part of a community of four Brothers.

In addition to enrollment statistics, CBC formed a successful band, brought Greek organizations to the campus, added a literary society, and became a member of the Southern Association of Colleges and Secondary Schools (SACS). The college band was formed in 1874 and served the school as well as the community (Battersby (1971) p.9). Professor Paul Schneider was the director and was a well-known musician. He had played in various theaters all over the U.S. The band was comprised of 30 students who were taking music lessons and an already established community orchestra (Battersby (1971) p.9). Both groups took part in festivals, parades, and college entertainment.

College events frequently featured the band and it became more and more in demand for public occasions. It participated in a festival or bazaar given at the Old Exposition Building on May 15 and 18, 1873. The band also played at the dedication ceremony of the fountain in Memphis's Court Square in 1876, which is noted on the rim of the fountain. Other events included the yearly parade at St. Peter's Church and the annual commencement exercises.

The band, led by Captain Charles F. Harrison, made a comeback the last few years it spent on Adams Avenue. The Knights of Columbus loaned 24 musical instruments to CBC (Battersby (1976) p.206). In the early 1930s, the band had grown from 24 to 40 members. The band members wore new uniforms of purple and gold as they marched in the Armistice parade in November 1931. For its performance, the band was awarded a trophy. Marching in this parade became an annual event for the band, with repeated trophies. "By 1933 it had become recognized as the best [band] in Memphis and was selected as the official Cotton Carnival Band" (Battersby (1976) p.206).

In 1964, Delta Sigma Pi became the first Greek presence at the school. Since its founding at CBC, there have been 655 members inducted into the fraternity (as of April 2004).

As another landmark of success in addition to student enrollment and involvement with prestigious organizations, the Christian Brothers enjoyed an abundance of recognition in Memphis through their involvement and influence on the community. The Christian Brothers' goal was to live at peace with the community that surrounded them. They were tolerant of any religion practiced by their students and wanted CBC to serve as a place where students could come together and unify. Soon after, their institution became recognized as a "Temple of Tolerance" (Battersby (1971) p.6). According to Battersby (1967), shortly after the last outbreak of yellow fever on the Silver Jubilee, the local press stated:

It is the one and only thoroughly established Catholic college in Tennessee, Arkansas, or Mississippi. It has grown apace with our city, and its magnificent buildings and grounds on Adams Street are only the exterior indications of its real greatness. Today it stands without a peer among the institutions of learning in Tennessee or adjoining states. The Brothers' college has done more towards upbuilding Memphis than any other one institution here (p.33).

CBU AND ITS CONTRIBUTION OF FINANCIAL EQUITY

In the early years, the school survived from the tuition that students paid for attending. A sample of costs and tuition in 1872 follows (provided by Br. Werle, personal communication, April 6, 2004): board and tuition per session of 10 months was $250; washing and mending were $20; day students, preparatory classes were $13; day students, collegiate and commercial classes were $10; and French, drawing, and music were extra charges.

From the moment the Adams Avenue property was purchased, CBC suffered from bad financial situations. Shortly after the dedication and opening of the school, a financial panic swept through the U.S. in 1873, which was primarily due to overinvestment in railroads (Battersby (1968) p.27). After buying the property on Adams Avenue, the Christian Brothers struggled to find the money for the school's first payment. Bishop Feehan organized an assembly of citizens from all denominations in order to raise $5,000. For additional fundraising purposes, a parade and a picnic was organized on June 4, 1872 at James Park. From these events, CBC received an additional $1,816 (Battersby (1971) p.4). Perhaps the most critical circumstance for CBC arose during the session of 1874-1875. CBC generated little income to pay the mortgage notes that came due. According to the *Mississippi Vista* (1948), CBC was in a predicament; the property was advertised for sale, and a public statement became a necessity (p.201).

Immediately after the news spread, an appeal was made for aid. A committee of citizens was formed and collected $3,000 for CBC. Thus, the situation was resolved (Battersby (1968) p.29).

When the Christian Brothers decided to move their institution to a new location, they needed to raise funds once again. During the 68 years they had served in Memphis, the Christian Brothers had never asked the city for funding. The Christian Brothers asked citizens to make contributions towards a new school that would better serve the community. A community fund-raising committee of 26 members was organized under the leadership of Ed Barry with the objective of raising $250,000 (Battersby (1976) p.205). The students attending CBC made their own campaign and succeeded in raising $6,200. When all the money was totaled from each fundraising event, the sum was $170,000 in cash and $282,000 in pledges. Mr. and Mrs. J.C. Pidgeon gave the first donation of $25,000 (*Mississippi Vista* (1948) p.209).

COMPETITIVE THREATS FOR CBC

CBC has faced many competitive threats since it opened. Some of CBC's noteworthy events included the decision to sell the Wellington Avenue property, the yellow fever epidemic, the Civil War, the growth of downtown, WWI and WWII, and the move from Adams Avenue to East Parkway.

One threat was the yellow fever epidemic. Another wave of the epidemic hit Memphis in August 1877. Despite the known fact that three yellow fever cases were on board, a ship from Rio

de Janiero, the *Emily B. Londer*, was allowed to dock in New Orleans in order not to spoil the coffee in the cargo hold (Battersby (1968) p.30). Unfortunately, additional cases developed and spread throughout the region. Most people were afraid for their lives and fled North.

Because of this outbreak, Brother Maurelian postponed reopening CBC after the summer break. After the winter, the yellow fever epidemic subsided and people slowly returned to their homes. CBC reopened its doors to 131 students on November 15, 1877.

Three wars also had a major impact on CBC. The aftermath of the Civil War was the first war that affected the school. World War I and World War II also had major impacts, especially on the college department. In 1915-1916, the college division was suspended due to the war in Europe. When students returned from WWI in 1918, there was no place for them at the school on Adams Avenue. The facilities were too small, which further delayed the opening of the college department. College classes again had to be suspended due to World War II in 1943 (*Mississippi Vista* (1948) p.210). However, the college classes that resumed in the fall of 1946 had the largest enrollment record in the history of the school.

In addition to wars and health hazards, downtown Memphis continued to grow and provided an unsuitable learning environment for the school on Adams Avenue. This growth also prevented further expansion of CBC. According to Battersby (1976), the Christian Brothers decided it was time to move due to this unexpected growth and the deterioration of the building (p.204).

The move from Adams Avenue to East Parkway South also proved to be a financial challenge. The Christian Brothers devised plans in 1938 to raise funds in order to build new facilities that would better accommodate their needs and students' educational needs (*Mississippi Vista* (1948) p.209). They felt that the industrialization of the neighborhood made expansion next to impossible, and they began searching for a new site for the school. When they finally picked the new home for CBC, intense fundraising took place and donations were welcomed. They found no problem with the city of Memphis raising money for them because of the long-lasting relationship that existed between the Christian Brothers and the City of Memphis. After enough funds were raised, the Christian Brothers built their new school and transferred to East Parkway South in 1940. They also opened a junior college in 1940. There were 267 students that attended the school, taught by 17 Christian Brothers on the faculty.

CONCLUSION

CBU has contributed much equity to its brand. From the beginning, CBU has been successful at educating students and motivating them to learn. This is related to the educational traditions set by De La Salle and the Christian Brothers who continue to uphold his standards. Although CBU has experienced financially-challenged margins, the Christian Brothers refused to let financial shortfalls come between them and giving a student the best education possible. Also, the Christian Brothers conquered all of the threats that were set before them.

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DEMAND ESTIMATION OF UNIVERSITY ENROLLMENT IN A BORDER REGION

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ABSTRACT

The ability to forecast enrollment and student credit hour production has always been fundamental to higher education planning. It is even more critical for universities serving a market characterized by low overall education and income levels. Knowledge of the effects of tuition rates, financial aid levels, along with regional demographic and economic conditions on enrollment is necessary to design a sound, affordable education package over time.

The University of Texas at El Paso (UTEP) has served the Paso del Norte region for 90 years. The institution is located on the US-Mexico border and has an enrollment of 18,500 students. UTEP plays a major role in increasing the education level of the areas' population. Towards this end, UTEP has experienced significant growth in recent years. With regional population growth trends and the State of Texas' "closing the gap" objective, more growth is anticipated. In addition, UTEP aspires to become a Tier I University ($100 million-plus in annual externally funded research) in the next 10 years. Couple this with severe resource constraints and the need to forecast enrollment which drives human and physical capital needs over time becomes even more critical.

At present, no formal model has been developed, at the University System level or at UTEP specifically, to identify the effects of price, financial aid, population (overall and age cohorts), and regional border economic conditions (income, employment and exchange rate) on enrollment and student credit hour production. This study provides such analysis and offers the reader a current methodology to forecast enrollment and estimate the relevant elasticities for an institution located in a low income, high growth, border region.

EVIDENCE ON JOB CHURNING

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ABSTRACT

Labor markets within the United States are highly dynamic. Employers experience market expansions, contractions, openings and closings that provide continual fluctuations in employment opportunities. Job losers and job leavers compete with new entrants and reentrants for job openings. This job churning eliminates and adds millions of jobs each month. Fortunately, two new data series are available to explore labor market dynamics. This paper explains the contribution of the surveys of Business Employment Dynamics and the Job Openings and Labor Turnover. The relationship with existing employment data is explored.

INTRODUCTION

The dynamics of United States labor markets provide a variety of measures that can appear confusing and even contradictory. For example, in recent months the estimates from the establishment survey and the household survey of the monthly employment situation survey have provided divergent evidence on the direction and health of the labor market. However, there are other employment dynamic measures that can be used to further explore labor market activity.

One relatively new measure is the Job Openings and Labor Turnover (JOLT) survey. This report captures employer reported changes in hires and separations. It also provides data on job openings. Thus, a measured job-opening rate can be discussed. This provides better data for modeling search activity, since both unemployment and unfilled vacancies can be measured.

The other relatively new survey is the quarterly measure of Business Employment Dynamics. Rather than measure employee turnover, this data attempts to capture the process of creative destruction within the economy. Job gains and losses are measured based upon the openings and closings of firms, as well as the expansion and contraction of existing employers. Both surveys have now been in existence long enough to analyze relationships between these series and other business cycle measures.

The differences between these surveys, of course, reflect differences in methodology, coverage, and design. This paper provides a comparative analysis of the relationship between these two new surveys of employment dynamics and the household and establishment data of the employment situation survey. Questions explored include: Are the changes in job openings, separations, or hires reported in JOLT correlated with the succeeding change in employment in either the establishment or household survey? What is the correlation between jobs created through openings and closings? How have changes in employment expansions and contractions moved over the business cycle? What asymmetries exist?

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