



NEWSLETTER

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AUBER 2006 Meet Me in Memphis!

The 60th Annual AUBER Conference is just six months away

(October 14–17) in Memphis, Tennessee. With the theme of “Barbecue, Business, Blues, and You,” this annual event promises to be informational as well as fun. Conference planners are filling the final sessions and speaker slots. Joining Dr. William Poole (President and Chief Executive Officer of the Federal Reserve Bank of St. Louis), Dr. Saul Hymans (Professor of Economics and Statistics and Director of the Research Seminar in Quantitative Economics at the University of Michigan), and Dr. Gene Huang (Chief Economist and Managing Director of the FedEx Economic and Industry Analysis Group) will be Dr. Emily Kolinski Morris, Senior Economist with the Corporate Economics and Strategic Issues Office at Ford Motor Company.

Meanwhile, the hosts of the event (Center for Business and Economic Research at the University of Arkansas and the Sparks Bureau of Business and Economic Research at the University of Memphis)

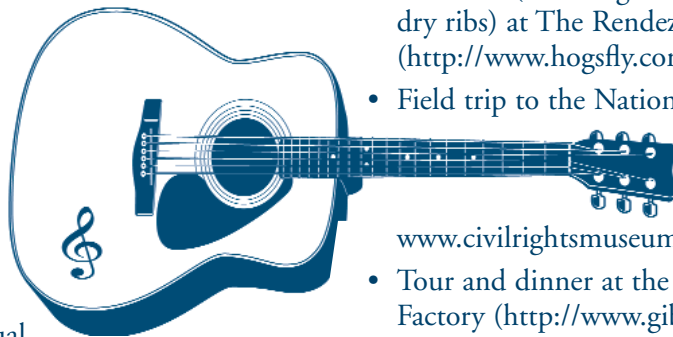
are working on some exciting outings. At this time, planned events include:

- Barbecue (featuring the world-famous dry ribs) at The Rendezvous (<http://www.hogsfly.com/>)
- Field trip to the National Civil Rights Museum (<http://www.civilrightsmuseum.org/>)
- Tour and dinner at the Gibson Guitar Factory (<http://www.gibsonmemphis.com/>)

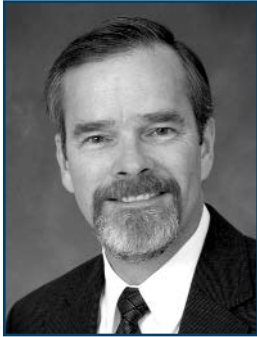
Arriving in Memphis should be no problem—Memphis is known as “America’s Distribution Center.” Memphis is within a day’s drive of many areas in the nation, but for those who prefer to fly, Memphis International Airport (MIA) serves a number of major airlines and is a hub of Northwest. (For more information, check out MIA’s web site at <http://www.memphisairport.org/>)

The conference itself will be housed at the Holiday Inn University of Memphis (<http://www.wilsonhotels.com/hiuom/hiuom.html>). As an international conference center, this hotel is specifically designed to host events such as the AUBER conference.

Make your plans now to attend this year’s conference! We’ll see you in Memphis!



News from the President



Jerry Conover
2005–2006
AUBER President

Our recent spring meeting, jointly sponsored with the National Association for Business Economics, turned out to be very successful and well worth the trip to the nation's capital. This year's theme for the annual policy conference was "Policies to Boost Economic Growth and Security—What's Needed?" The program included three sessions sponsored by AUBER, including one on immigration issues and reform, another on regional economic issues, and a third on comparing consumer price indices.

Many thanks to chair Eric Thompson and the spring conference planning committee for putting together an excellent program. I heard comments from many non-AUBER conference attendees that they found the sessions we sponsored very stimulating. Moreover, there were plenty of other sessions worth attending, too, dealing with a range of engaging policy issues. If you haven't been to a NABE/AUBER spring conference yet, you should definitely try to get to one soon. They bring together a great mix of economists from the business world, academic researchers, government officials, and media pundits. And, of course, we all have a great

time at the AUBER hospitality suite (a tradition that AUBER gladly has introduced to NABE).

While we're talking about conferences, I must say that October's AUBER conference in Memphis is shaping up to be a great one! The local conference arrangements, under the attentive direction of the University of Memphis and the University of Arkansas, are being planned around the theme of "Barbecue, Business, Blues, and You." You can be sure we'll have a fine time enjoying the ambiance of Memphis while taking in a very strong program. The fall conference committee, led by cochairs Paul Polzin and Pia Montoya, is orchestrating an excellent mix of solid content sessions presented by AUBER members, together with a very distinguished set of keynote addresses. This is one conference you won't want to miss.

Stay tuned for further details about the fall conference, and meanwhile keep enjoying the networking opportunities and committee activities that keep us engaged with AUBER 'til we're back together in person. ▲

Jerry Conover
Indiana University

U P C O M I N G C O N F E R E N C E S

NABE'S THIRD ANNUAL ECONOMIC STATISTICS SEMINAR: "HOW TO FIND AND USE ECONOMIC STATISTICS"

This third annual economic statistics seminar will be held on May 21–23 at the University of Maryland. Hear from the statistics producers and business users. Sessions will cover the national income and product accounts, employment statistics, industrial production and capacity utilization, the price indexes, profits, productivity, energy data, and flow of funds. AUBER members can register for the same price as NABE members. Extra: sign up for the baseball game (Washington Nationals vs. Houston Astros) on the evening of May 22. For more information and to register, follow the link: www.nabe.com/stats2006/

Questions? Please contact NABE at nabe@nabe.com or 202-463-6223.

2006 AUBER FALL CONFERENCE

October 14–17

Holiday Inn and Fogelman Executive Center • Memphis, Tennessee

2007 AUBER FALL CONFERENCE

October 13–16 • Hilton Garden Inn • Pensacola, Florida

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Highlights of the NABE/AUBER 2006 Washington Economic Policy Conference

For those AUBER members who were unable to attend the 2006 NABE/AUBER Washington Economic Policy Conference held in Arlington, Virginia, March 13 and 14, selected sessions are summarized below.

Immigration

Richard L. Wobbekind, AUBER Secretary/Treasurer and director of the Business Research Division at the University of Colorado at Boulder, presided over the session.

Angelo I. Amador, director of immigration policy for the U.S. Chamber of Commerce, discussed "The Business Perspective on Comprehensive Immigration Reform." The business community is interested in comprehensive immigration reform for three reasons: to stabilize the current workforce, to create jobs and job growth, and to fix a broken system. He notes that owing to the slow growth rate of the workforce and the aging of the baby boomers "Without immigration, our ability to fill future jobs is in serious jeopardy." With economically unjustifiable low quota numbers, if an employer needs an essential worker on a permanent basis, the wait is often 5–10 years—not a practical business solution. Comprehensive immigration reform is necessary to fit our immigration system to reality, to match our system to the economic needs of this country, and to increase security. The business agenda for immigration reform includes three points: realistically address the status of the approximately 12 million undocumented workers by providing an earned pathway to legality; create an essential guest worker program that meets workforce needs and allows circular movement; and ensure a timely, transparent, and secure process for employers and workers to obtain visas.

Doug Woodward, director of the Division of Research and Professor of Economics at the University of South Carolina, presented the results of a 2005 study of Mexican immigrants in South Carolina. A total of 381 Mexican nationals were interviewed across the state. (Of the estimated 400,000 Latinos living in South Carolina, 80% are from Mexico.) The construction industry employs the highest percentage of respondents (34%), followed by restaurants, with 9.7%. The average annual wage for all respondents is \$20,910, with total earnings of \$4.4 billion in the state. Accounting for remittances being sent to Mexico, some money going into savings in the United States, and leakage,

\$3.5 billion of the total \$4.4 billion is spent locally. In terms of education, nearly half (48.8%) of the immigrants interviewed have completed between 6 and 10 years of education, while roughly 33% have finished between 11 and 15 years. The study also found that the majority of respondents, 61.6%, plan to return to Mexico some day. Additional research could examine: specific spending behavior in South Carolina, household formation and housing implications, and job displacement and state/local tax effects.

Eric Thompson, director of the Bureau of Business Research at the University of Nebraska-Lincoln, presented the research findings of colleagues Bodvarsson and Van den Berg. They conducted a series of studies examining the fundamental question of whether immigration is an economic development problem or opportunity for small rural communities. Many rural areas in the Midwest have experienced decreasing population levels and wage declines due to the loss of manufacturing jobs and an increase in the size and level of mechanization on farms. This study suggests that the opening of the IBP meat packing plant in Lexington, Nebraska, seems to have reversed the negative trend not only in population, but in overall wages, even after controlling for other factors. They conclude that the combination of native out-migration and immigrant arrivals implies that the local community will change. The economy will change not only in terms of the structure, but also in terms of its social and political aspects. This is Lexington's largest long-term challenge, making immigration a centerpiece of the community's economic development program.

Emerging Regional Issues

Rosemary Marcuss, deputy director of the Bureau of Economic Analysis, presided over the session.

R. Keith Schwer, director of the Center for Business and Economic Research at the University of Nevada Las Vegas, presented "Economic Outlook in the West or 'Exuberance: Is it Rational or Irrational?'" Highlights from his presentation follow.

- Population and job growth in the western plains states (the Dakotas, Nebraska, Kansas, Oklahoma, and Texas) are less than 1%.

continued on page 4

Border Forecasts Now Available

The University of Texas at El Paso Border Region Modeling Project is now accepting orders for its *Borderplex Long-Term Economic Trends to 2025* publication. This report contains forecasts for the metropolitan economies of Las Cruces, NM; El Paso, TX; Ciudad Juárez, MX; and Chihuahua City, MX. The price for each report is \$10. To place an order, contact Brian Kelley at bwkelley@utep.edu or at 915-747-7762.

Highlights

continued from page 3

- Growth opportunities in the resource intensive states of Montana, Idaho, and Wyoming are based, in part, on demand for copper, lead, and other commodities.
- Commodity price increases will facilitate growth in the intermountain west—Colorado and Utah. Net in-migration population is also up in these states.
- In the southwest, Arizona and New Mexico are showing strong job increases, with 100,000 jobs added during the past 12 months in Arizona alone.
- Southern California is experiencing a robust increase in productivity.
- Northern California is marked by strong migration from coastal cities to the central valley.
- The northwest states of Washington and Oregon are both posting brisk job growth—greater than that for the nation.
- Nevada leads the West in job and population growth forecasts in 2006.

To answer the question posed in the presentation title, he responded with a quote from Keynes, “The market can stay irrational longer than you can stay solvent.”

James Diffley, Global Insight, presented “The Real Estate Market Has Peaked! What Next?” The housing market appears to have crested in 2005. Prices are leveling, unsold inventories are up, and the time to sell has lengthened. The number of building permits issued, housing starts, and home sales are also showing steep declines, but from very high levels. Affordability concerns are real in high-priced metro areas, but factors are mitigating this. While the wealth effect in an increasingly affluent society strengthens the demand for housing, this demand may now be income elastic. Diffley posited that “if rational expectations of long-term interest rates worldwide have indeed declined, asset values are permanently boosted.”

Skills Session: Comparing Price Measures—CPI/PPI/PCE

Maurine Haver, President of Haver Analytics, presided over the session.

John Greenlees, Associate Commissioner for Price and Living Conditions, Bureau of Labor Statistics (BLS), provided an overview of the BLS price series. He began with the Consumer Price Index (CPI) series, comparing the compositional differences between the three CPI series that the BLS

produces—the CPI-U, the CPI-W, and the C-CPI-U. Greenlees further discussed the differences in the way these series track consumer prices. He mentioned the Experimental CPI Series, which includes the CPI-E (track prices for the elderly); the CPI Research Series Using Constant Methodology; and the U.S. Harmonized Index of Consumer Prices (US HICP). Greenlees then outlined the various subset indices included in the Producer Price Index (PPI), and highlighted the recent changes to the composition of the current index, most notably the introduction of a number of new service industries, including commercial banking and Internet service providers. The PPI Service Sector Initiative will expand further in the next two fiscal years, with the inclusion of recreation and management consultant services. The PPI will also add various aspects of nonresidential construction into the index. Overall, the PPI has increased its coverage of services substantially in the last five years. By 2007, more than 77% of all service industry output is anticipated to be included in the index. Greenlees closed his presentation with a discussion of the international price program (IPP), which includes both goods trade indices and services trade indices. Finally, he mentioned that in 2007 the IPP will be expanded to track export travel and tourism, and export education.

Brian Moyer, Deputy Chief of the National Income and Wealth Division, Bureau of Economic Analysis (BEA), discussed the Personal Consumption Expenditures (PCE) Price Index. As Moyer explained, the PCE is produced by BEA and uses the BLS price series (CPI and PPI), along with input-cost indices and other data sources. While the CPI is the major input to the calculation of the PCE, with nearly a 75% share, there are still significant differences in the composition of these two price measures. Relative to the CPI, the PCE Price Index is more heavily weighted towards health care, and less so to housing and transportation expenditures. The primary reason for this difference is that whereas the CPI measures expenditures by consumers, the PCE measures expenditures by, or on behalf of, households. As a result, the index includes not only medical care paid for by households, but also that paid for by employers and the government on behalf of households. This is where the PPI inputs are used to supplement CPI measures. The method for determining market basket weights also differs between the two price measures. The PCE uses business

continued on page 5

AUBER Vision Statement

To be internationally recognized by business, government, and education as the premiere professional organization dedicated to continually improving the quality, effectiveness, and application of research in business, economics, and public policy.

From the Membership Committee

The Membership Committee presented the results of the spring membership survey to the board at the March meeting in Arlington, Virginia. Committee chair Jim Kurre reports that out of the 75 units that were e-mailed the survey, 50 responded. The results are posted on the Members-Only area of the AUBER web site (<http://www.auber.org/>). Survey results from the last two years are also on the web site. Thank you to all the AUBER members who made time on such a short notice to respond to the survey.

The results from this year's survey tell some interesting stories:

- We're a very diverse group, ranging from very small to very large, and very young to not so young (to put it euphemistically.)
 - We do a lot. Almost all units have web sites and conduct impact studies, and most units do forecasting and put together publications. But there's a broad range of other activities that we are involved in, too. (Maybe there are some ideas here for your unit?)
 - Most of us are affiliated with schools or colleges of business.
 - Most of us are in public, as opposed to private, colleges or universities.
- More than 380 faculty and staff, along with over 450 students, work at these 50 units.
 - We're split almost evenly between full-time and part-time directors.
 - We're pretty optimistic about the coming year in terms of revenue increases.
 - We consider networking with others who are doing similar activities the most important benefit of AUBER.
 - Respondents indicated their interest in participating in multiunit forecasting and leading indicator projects. (Stay tuned! Information will be forthcoming on these opportunities.)

The Membership Committee expects to conduct another survey this summer, with the results to be released at the annual fall conference in Memphis. If you have more ideas about questions to add to that survey, please send them to the chair of the Membership Committee, Jim Kurre, at k12@psu.edu.

The Membership Committee is actively working on expanding AUBER membership, so please forward the names of prospective members to Jim. The committee will be happy to follow up with them. ▲

Highlights

continued from page 4

surveys rather than household surveys. Furthermore, while the CPI weights remained fixed for a period of two years, the PCE is re-weighted every quarter. Despite their differences in composition, Moyer showed that the two price measures have historically tracked fairly closely. Since 1994, the CPI has consistently outpaced the PCE Price Index, but the general growth trends have been quite similar.

Doug Elmendorf, Federal Reserve Board, explained how the Federal Reserve and the Federal Open Market Committee (FOMC) use the CPI, PPI, and PCE Price Index: to communicate to the public, to compare actual inflation with their inflation goals, to analyze the factors affecting inflation, and to forecast future inflation. He discussed the key characteristics of price data, including how accurately the price of each item is measured, the scope of the prices being measured, the method of aggregation, the consistency of the index over time, and the

index's ability to predict future inflation. In the long run, broad price measures (such as the CPI or PPI) tend to move together, but in the short run they may differ greatly. Therefore, when monitoring the economy it is necessary to not focus on one price measure exclusively. He further added that in 2000 the FOMC began using the PCE rather than the CPI to reduce measurement errors. In 2004 the FOMC decided to use the core PCE, which excludes energy and food price increases, to gain a better overall sense of underlying inflation trends. Looking to the future, the FOMC will "continue to rely on a variety of aggregate price measures, as well as other information on prices and costs, in assessing the path of inflation." ▲