



## Cost/Benefit Analysis of the USM Economics Program

Presented August 23, 2009 by the Economics Faculty  
to President Saunders and the Executive Cabinet,  
in response to the budget cut proposal  
released August 11, 2009.

### 5 majors for a million bucks

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"5 majors per year"	\$924,532

## 50 majors for a million bucks

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11 seniors in pure econ + 39 seniors in IB	

## 50 majors and \$2 Million Revenue for a million bucks

Benefits	Costs
50 majors per year	\$924,532
Affected 9 faculty are teaching <b>3,371</b> SCH this Fall 2009, generating <b>\$953,421</b> in student fees <i>this semester alone</i> .	
Projected Revenue for academic year: <b>\$1,906,842</b>	
Net contribution/profit/surplus to USM: <b>+\$982,310</b>	

## 50 majors and \$1 Million SURPLUS

Benefits	Costs
50 majors per year and <b>7,000</b> Student Credit Hours	\$924,532
<b>\$1,906,842</b> in student fees	
Teach core requirement classes for all USM students	

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<p>Internationally acclaimed scholarly research presented at:</p> <p>The ASSA Meetings, SOLE meetings, The Federal Reserve Bank of Dallas, The Federal Reserve Bank of Kansas City, The CCER at Beijing University (China), Melbourne University (Australia), Penn State, Vanderbilt, Annual AEA meetings, Center for Operations Research and Econometrics (Belgium), U. Maastricht (The Netherlands), Sorbonne (France), Meetings of the Econometrics Society, NBER annual meetings, and countless other prestigious venues. Affiliated with prestigious IZA, SAET.</p> <p>Submissions/Publications: JME, JPE, JET, JEDC, etc. Refereeing for Econometrica, JME, SEJ, etc.</p>	

## 50 majors, \$1 Million SURPLUS, and global & regional visibility

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Internationally acclaimed scholarly research	
<p><b>Bureau of Business and Econ Research:</b></p> <ul style="list-style-type: none"> <li>•Establishment of very popular Economic Outlook Conferences (Hattiesburg and Biloxi);</li> <li>•100+ short articles on economic conditions, incl. Monthly Economic Commentary;</li> <li>•Establishment of Mississippi Regional Economic Analysis Project on BBER website.</li> <li>•Popular data site for economic development professionals.</li> <li>•Self-generated budget; <b><u>closing BBER saves CoB <i>nothing</i></u></b>.</li> </ul>	

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Recognition through grants and consultancy: National Science Foundation Consultant on Bulgaria World Bank Consultant on Afghan reconstruction Research Grant from the William Davidson Institute, University of Michigan Business School Research Grant from the U.S. National Council for Eurasian and Eastern European Research, Washington., D.C.	

## 50 majors, \$1 Million SURPLUS, and global & regional visibility

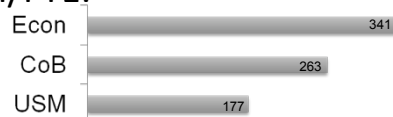
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Recognition through grants and consultancy	
Membership in the club of respected universities	Priceless.

## Dollars and Sense

- We generate **positive net revenue**.
- This is true regardless of how deep the budget must be cut.
- Indeed, the deeper the cut, the more USM will need Economics to subsidize other departments.
- And Economics generates **much more** than just net revenue.

## Overstaffed?

- Fall 2008 SCH/FTE:



- Not enough faculty and thus unable to teach other *core business* courses:
  - Econometrics
  - Game Theory
  - Industrial Organization and Theory of the Firm
  - Contract Theory

## Definitely Understaffed...

- Not enough faculty to teach a sufficiently rich curriculum for a major
  - Public Economics
    - Social Choice
  - Development Economics
  - Labor Economics
  - Economic History
  - History of Economic Thought

## Way Understaffed!

- Not enough faculty to teach
  - Health Economics
  - Environmental Economics
  - Natural Resource Economics
  - Economics of the Entertainment Industry
- Which have applications to programs in health, media, and marine/coastal science

## What now?

- Budget cuts don't have to lead to termination of faculty lines, as demonstrated by the other USM colleges.
- Budget cuts don't have to lead to termination, as demonstrated by most other universities.
- These are difficult times and we will get through them – **together**.

## Reality Check

- CoB reorganization moved IB majors (= econ + language curriculum) from econ to mgt dept, effective this academic year.
- Core course requirement ECO 336 “Survey of International Economics” (12 sections) eliminated, effective next academic year.
- These 12 sections are to be replaced by **new** classes such as International Finance, Marketing, Management, Accounting, and MIS.
- But who will teach these: new hires or idle resources elsewhere?
- The new costs of offering these courses will **dwarf** the savings from having eliminated ECO 336.

## Outreach, PR, and Grants

- Economists in the CoB have had the most positive outreach contributions through two centers, **BBER** and the **Center for Economic Education** as well as **4 Federal grants** from the U.S. Dept. of Ed. totaling more than **\$1M**.
  - 2 annual conferences for the business community by the BBER and much positive PR for college and university.
  - Educating and mentoring K-12 teachers in Miss. on weekly basis on economic and financial topics.
  - Conducting seminar and workshop series for the business community to expand their market to global arena, working with Mississippi World Trade Center, Mississippi District Export Council, and Mississippi Development Authority.

## Outreach, PR, and Grants

- Students have benefited from thousands of dollars in scholarship from U.S. Dept. of Ed. grants to participate in **Study Abroad** programs in England, Costa Rica, Spain and Japan.
- Just last year more than \$60,000 of BIE grant used to launch first Business and Spanish Program in Costa Rica.
- **All supported financially through our grants.**

## Already lost many faculty

- Economics already lost four faculty members (Sawyer, Mixon, Doty, Niroomand) who have **not** been replaced; thus economics has already contributed over **\$350K** to USM's cost saving plan.

## Bad Publicity for USM and Mississippi

- Using a partial, misleading statistic to rationalize the cut of a prime, productive, profit-generating department that teaches over **2,000 students** a year is an insult to the Mississippi constituency, constitutes gross mismanagement of taxpayer money, and shows a complete disregard for Mississippi students.

## Bad Publicity for USM and Mississippi

- **Outrage** from distinguished university professors at leading universities (including *The University of Texas at Austin, Carnegie-Mellon, Washington University in St. Louis, and Vanderbilt*) who called or wrote.

## Quick Resolution

We recommend that President Saunders

- move to **immediately** and publicly strike line item 86 on the APG's proposed list of cuts as unacceptable and allow the economics faculty to focus on what they do best:
  - teach and mentor,
  - engage in research and publish, and
  - continue to reach out to the Mississippi community.

## Conclusion

- Based on the *overwhelming* evidence we have presented, closing the economics program because of an implied lack of productivity based on a narrow examination of “majors”
  - will NOT save the university \$1M, but rather lead to a net LOSS of \$1M, and
  - lead to further costs through the addition of new faculty lines or the reassignment of existing faculty in other colleges to teach the required economics classes that remain part of many disciplines.