Is Algebra Necessary?

” Is Algebra Necessary? “ That was the headline in **a New York Times op-ed in 2012**. Perhaps **New York Times reporters could use a dose. The following is from the December 28, 2014 issue:**

MEDIA

‘The Interview’ Brings In $15 Million on Web

By MICHAEL CIEPLY DEC. 28, 2014

LOS ANGELES — “The Interview” generated roughly $15 million in online sales and rentals during its first four days of availability, Sony Pictures said on Sunday.

Sony did not say how much of that total represented $6 digital rentals versus $15 sales. The studio said there were about two million transactions over all.

NY Times Lede (click image for a larger version)

Dan Meyer (@ddmeyer) pointed out the problem on Twitter:

Dan Meyer’s Markup (click image for a larger version)

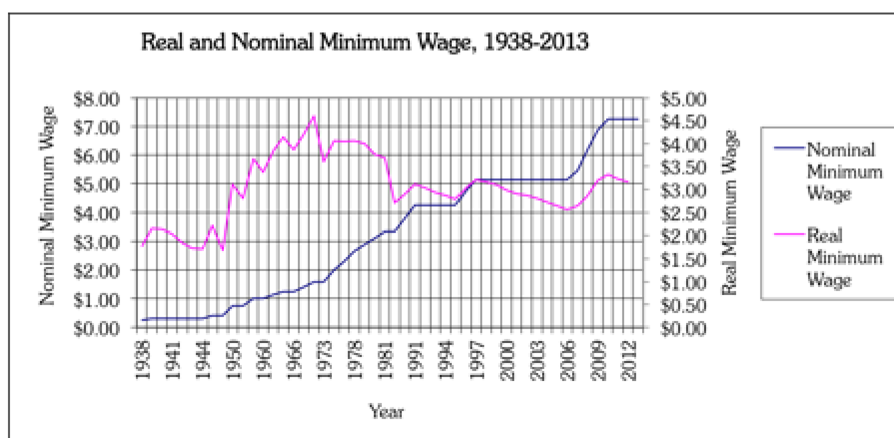
Let’s see. **Let x be the number of digital rentals and y be the number of sales.** We know **x + y = 2,000,000.** We also know **$6x + $15y = $15,000,000. Any student in my economics principles class who could not solve this would not pass the course. But, for the edification of Times reporters, here’s**

the solution.

$$x + y = 2,000,000$$
$$y = 2,000,000 - x$$
$$6x + 15y = 15,000,000$$
$$6x + 15(2,000,000 - x) = 15,000,000$$
$$6x + 30,000,000 - 15x = 15,000,000$$
$$9x = 15,000,000$$
$$x = 1,666,667$$
$$y = 333,333$$

I hope this helps people understand why algebra is useful.

Hypocrisy at the New York Times



Over the past few years, the editors at the New York Times have, on numerous occasions, supported increasing the minimum wage. So I was surprised by [today's editorial that apparently ignores a group being paid well below any minimum wage in U.S.]

history. AmeriCorps volunteers ("members" in Times parlance) are paid $5,645 per year. With about 2,000 work hours in a year, the implied wage is $2.8225 per hour. This is yet another example of hypocrisy at the New York Times.

But that's the nominal minimum wage. We need to correct for inflation. Luckily (for me) I compiled that data for another project. Here's the short version.

The real minimum wage paid to AmeriCorps workers is $1.21. The lowest real minimum wage in the history of the U.S. minimum wage was $1.70 — in 1944. (As always, my data and methods are transparent. Click here for the Excel workbook.)

For the record, the above graph shows the real minimum wage from 1938 to the present. I've omitted data for some years in which the nominal minimum wage did not change. I did add the data from 1939 through 1944 to my original dataset, correcting one error in that process.

So when will the Times editors come clean and admit that they are being hypocritical about the minimum wage? I'm not holding my breath and you probably shouldn't either.

Journalists Should Not Be Allowed to Use Data

After reading [Neil Irwin's column in the August 5 New York Times]() I have concluded that **journalists should not be allowed to use data**. **I was thinking about doing a detailed analysis of the many errors in this column but decided that would be a waste of my time.** (My lovely wife has me working on a crash project involving learning and implementing Excel Visual Basic. Believe me, you don't want to know any more.)

Instead, I'll offer this quick-and-dirty comment. **Mr. Irwin uses the average percentage of GDP of the various components over the last 20 years. He then applies those percentages to the CBO estimate of "potential GDP" for the second quarter of 2014.** (Potential GDP is also called full-employment GDP and a few other names that escape my memory right now.)

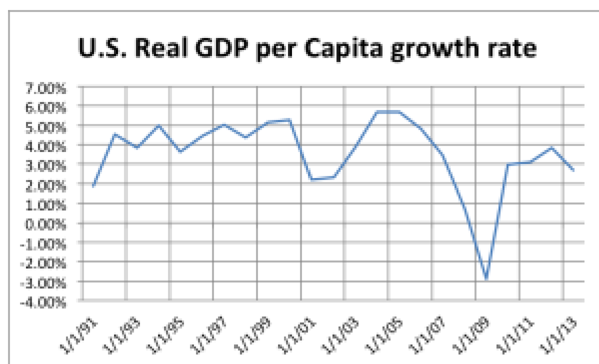
So what's wrong with that? Well, **it ignores secular trends in the economy. Over the past 20 years one of the fastest-growing areas has been consumer spending on services. Mr. Irwin's methodology essentially assumes that consumer spending on services as a percentage of GDP has been constant over that period. And guess what his number one category that "over-performed" over that period? Consumer spending on services. What a surprise.**

But it gets worse. **The second largest "over-performing" segment is business inventories. I don't even know what that means.**

Mr. Irwin, do the world a favor. The next time you're tempted

to work with data, hire a real economist as a consultant.

Mr. Appelbaum Misses the Forest



Today's New York Times includes [**a 1,458 word column by Binyamin Appelbaum**]() **that purports to discuss the slowdown in U.S. economic growth. I say "purports" because the column is little more than interviews with a number of economists.**

Growth is slower, we don't know why, but we'll probably have to accept it.

Their comments can be summarized like this →

Mr. Appelbaum misses the forest by looking too closely at individual trees. There is a growing minority in my profession who are pretty sure we know **the cause of the productivity slowdown: costs have increased for businesses, especially small businesses, because of the proliferation of government rules, regulations, and outright harassment.** One example: S&P downgrades U.S. government debt and is promptly sued by the Justice Department. That story makes headlines, but there are tens of thousands of similar, albeit lower profile, cases every day. **Long-time readers of this blog will remember my**

forecast from 2010 (here and here). Prof. Casey Mulligan at the University of Chicago has examined the data in great detail in his book ***The Redistribution Recession: How Labor Market Distortions Contracted the Economy*** (Oxford University Press, 2012). Mr. Appelbaum should read this entire book before he writes one more word about the U.S. economy.

The underlying concept is, however, simple. If you increase the cost of any activity, people will reduce the quantity of that activity that they perform. The cost of labor has increased (see "disparate impact analysis" from the Labor Department). Regulations have multiplied. And the economy stagnates. The only people surprised by this are those who willfully ignore the facts.

Intellectual Dishonesty at the New York Times

The February 28, 2014 New York Times included **yet another editorial favoring an increase in the minimum wage. But the Times's editors have no excuse this time. By publishing this editorial they have proved that they are intellectually dishonest. This from the editorial:**

> ***One 2013 study by three economists – Arindrajit Dube, T. William Lester and Michael Reich – compared the experiences of businesses in neighboring counties in different states and found less turnover in states that had raised the minimum wage. Workers were less likely to leave on their own, and managers were more likely to keep the workers they had on staff to avoid the cost of recruiting and training***

> *replacements.*

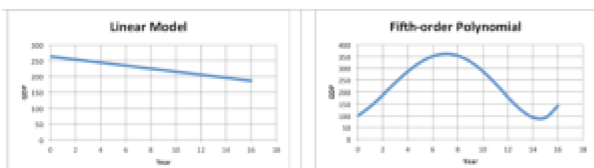
There's only one slight, minor problem. After their previous February 9 editorial on the same subject I sent the editors a long e-mail citing the [Neumark, Salas, and Wascher paper] and pointing out that this paper refutes both of the studies cited by the Times editors.

Are the Times editors willfully ignorant, or are they just plain stupid? I just report. You decide.

The Minimum Wage Yet Again

Executive Summary

The New York Times editorial board favors raising the minimum wage to $11 per hour. To support their position that this increase will not kill jobs, they cite one published paper by Dube, Lester, and Reich. This paper has now been thoroughly debunked in recent work by Neumark, Salas, and Wascher. Raising the minimum wage reduces employment, especially among unskilled workers. Period. Prof. Reich should go back to his day job shilling for labor unions.



Which Looks More Like a Business Cycle?

The New York Times Editorial

The New York Times has raised the subject of the minimum wage yet again. In a long editorial February 9, 2014, the editors argue in favor of a higher minimum wage. I encourage everyone to read this editorial, as it serves as a substitute for the Times's failure to include a comics section in their newspaper. Among the many hilarious statements made, this section stands out:

HOW HIGH SHOULD IT BE? There's no perfect way to set the minimum wage, but the most important benchmarks — purchasing power, wage growth and productivity growth — demonstrate that the current $7.25 an hour is far too low. They also show that the proposed increase to $10.10 by 2016 is too modest.

The Times editors have unknowingly opened a can of worms with this argument. **How high, indeed? Why not $25, $50, or even $100 per hour? Without some sort of model of the way labor markets work, the Times editors are left pulling numbers out of … the air.** They proceed to do this, finally arriving at $11. Even this is not enough by historical standards. According to the Times, the minimum wage should be half the average wage after adjusting the average for productivity increases in excess of wage increases. **That brings them to $18 per hour, a figure that gives them pause. They're pretty sure $18 is too high, but don't exactly know why.**

Which is, after all, the main question. If you have no model of how labor markets and the economy work, you are left making up numbers. Perhaps there's a better way to approach this problem.

To add one technical note, **the Times editors apparently used the average (mean) wage rate. They should have used the median.** The income distribution is not a normal distribution which means the median is a better measure of its midpoint

than the mean.

"Does It Kill Jobs?"

The Times editors proceed to attempt some economic modeling. **The final section of their editorial is titled "Does It Kill Jobs?" I was pretty sure I knew their answer already, but pushed bravely ahead. What I found was this:**

> ***The minimum wage is one of the most thoroughly researched issues in economics. Studies in the last 20 years have been especially informative, as economists have been able to compare states that raised the wage above the federal level with those that did not.***
>
> ***The weight of the evidence shows that increases in the minimum wage have lifted pay without hurting employment, a point that was driven home in a recent letter to Mr. Obama and congressional leaders, signed by more than 600 economists, among them Nobel laureates and past presidents of the American Economic Association.***
>
> ***That economic conclusion dovetails with a recent comprehensive study, which found that minimum wage increases resulted in "strong earnings effects" — that is, higher pay — "and no employment effects" — that is, zero job loss."***

The Times thus manages to both credit and discredit the economics profession in three short paragraphs. First, the editors do not understand the difference between positive economics (economics as a science) and normative economics (favoring or opposing specific economic policies). Positive economics is a matter of facts. Economists use mathematics to develop their models and hypotheses. We then turn to real-world data and statistical tools to test those hypotheses. Hypotheses that have been confirmed[1] by many different tests become accepted as theories. **That is the scientific method**

used in many other fields as well as economics. It describes positive economics.

The Times did not bother to ask those economists who signed that petition one simple question: Do they believe that raising the minimum wage will have no impact on employment? That's very different from the petition which merely supports increasing the minimum wage. The language of the petition moves the debate out of positive economic analysis and into the opinions and wrangling of normative economics.

It does not surprise me that the Times editors fail to understand this distinction. They are, after all, locked in the ivory tower of journalism with walls designed to prevent inconvenient facts from getting in their way. And the Times is located in one of the most left-leaning cities in the U.S. What could be more fertile ground for the weeds of belief to overrun the grain of science?

The Research Supporting the Times's Position

The paper cited by the times is "Minimum Wage Effects Across State Borders: Estimates Using Contiguous Counties" by Arindrajit Dube, T. William Lester, and Michael Reich was published in the Review of Economics and Statistics in the November, 2010 issue. Following the lead set by Neumark, Salas and Wascher, **I will refer to this work as DLR**. **The authors compare adjacent counties separated by a state line. They then look at periods during which one state's minimum wage changed while the other's stayed the same. They found no impact on employment. I won't bother to describe the details of their methodology for two reasons. First, it's wrong. Second, you can find their paper online easily. Prof. Reich has it posted on his website.**

It happens that there is a second paper using pretty much the same techniques and sharing two of the three co-authors. The

paper is **"Do Minimum Wages Really Reduce Teen Employment? Accounting for Heterogeneity and Selectivity in State Panel Data" by Sylvia A. Allegretto, Arindrajit Dube, and Michael Reich in the April, 2011 issue of Industrial Relations. I'll call this paper ADR.** The conclusions are identical, although the methodology differs a bit.

If you're curious about the co-authors, I have a biographical sketch of Michael Reich toward the end of this piece.

Neumark, Salas, and Wascher Respond

David Neumark, J.M. Ian Salas, and William Wascher (NSW) used the same data that both ADR and DLR used. Their paper "Revisiting the Minimum Wage – Employment Debate: Throwing Out the Baby With the Bathwater?" (January, 2013. National Bureau of Economic Research Working Paper 18681). In fact, the title is too kind. ADR and DLR have apparently thrown out the baby and kept (and published) the bathwater.

I'm going to include three paragraphs from their paper, but here's the summary. (Note that this is my interpretation of their findings. Errors are mine.) First, ADR and DLR cherry-picked the time period they used to produce their results. Using different time periods invalidates their results. **Second, both papers use a linear trend to remove influences specific to each state. But a linear trend cannot, by definition, model, say, a business cycle. In order to model nonlinearity a second-order term must be included. To get points of inflection you must include a third-order term. (Examples are in the Excel workbook.) NSW find statistically significant coefficients for the second, third, fourth, and fifth order terms.**

And guess what? Using the correct methodology and time period, there are, in fact, significant effects on employment. NSW slice and dice this about as finely as is possible.

Here are three relevant paragraphs from their paper. Note that the paper is copyright © 2014 by David Neumark, J.M. Ian Salas, and William Wascher. I have included these quotations with explicit permission of the authors. ***You may not copy any of the next three paragraphs without their permission.*** **I have edited the material slightly, removing footnote numbers.**

> *In each column, we tested the statistical significance of the higher-order terms added relative to the previous column (in column (1) we tested the significance of the squared time interactions). These were significant for the 2nd-, 3rd-, 4th- and 5th-order terms (p-values < 0.001). Thus, linear state-specific trends are too restrictive. (p. 12)*
>
> …
>
> *As reported in column (5) of Table 2, when the panel data model with state-specific trends is estimated in this way the estimated effects of minimum wages are much more strongly negative and are statistically significant: The estimated minimum wage effect is –0.178, compared with –0.165 in Table 1 without the state-specific linear trends and –0.074 (and insignificant) with them. Thus, removing the state-specific trends in a way that excludes the recessions at the beginning and end of the sample leads to stronger evidence of disemployment effects. (p. 13)*
>
> …
>
> *Thus, among the analyses we have carried out, the only way to generate the results in ADR (2011) – that inclusion of state-specific time trends eliminates the negative effects of minimum wages – is to include in the sample period the recessionary period of the early 1990s or the recent Great Recession, and to let these periods have a strong influence on the estimated trends by use of a highly restrictive specification for those trends. Moreover, the evidence suggests that the linear state-specific trends used by ADR*

> ***for these sample periods are influenced by the recessions in ways that apparently contaminate their estimates of minimum wage effects on teen employment. More generally, our evidence shows that the estimated effects of minimum wages on teen employment are negative and significant with or without the inclusion of controls for long-term trends in teen employment when those long-term trends are estimated in ways that are not highly sensitive to the business cycle. This evidence invalidates ADR's (2011) conclusion that "Lack of controls for spatial heterogeneity in employment trends generates biases toward negative employment elasticities in national minimum wage studies" (p. 206). (p. 14)***

If you don't understand the previous three paragraphs, then re-read my summary above them. Or take a look at the graphs at the beginning of this article. Comparing a linear model with a fifth-order polynomial shows clearly that **you can't model a business cycle with a straight line**. (The parameters of each model were estimated using regression analysis on a single data set.

Michael Reich

We've encountered Prof. Reich before. **He is the director of** the Institute for Research on Labor and Employment at U.C. Berkeley. T**he IRLE is a well-known home for union shills.** But this time Prof. Reich has gone too far. **The two papers discussed here are, at best, misleading. At worst they are outright academic fraud.**

A few decades back, Prof. Reich was co-author of *The Capitalist System: A Radical Analysis of American Society* (cited in the references at the end of this piece). The late Evsey Domar reviewed this book in the Journal of Political Economy in 1974. His review, titled "Poor Old Capitalism: A

Review Article," is scathing. (Full citation in the References below.) Here are two paragraphs from page 1312:

> *So the end result is just another utopia, recognized by the authors as such (pp. 392, 530). It is an old-fashioned anarchist utopia that would delight Kropotkin and Proudhon (and Furier), but hardly please Marx, if he remained true to his own spirit. In its treatment of economic problems, it is not superior to Thomas More's original creation, and it is greatly inferior to Edward Bellamy's Looking Backward ([1888] 1960), now nearly 100 years old. And Bellamy was not even an economist!*
>
> *There is no harm in describing utopias if one does not take them seriously. But what is the use of criticizing capitalism, or any other existing economic system, in a supposedly scholarly and analytical manner, by comparing it with an ideal, which can be made as wonderful as the authors' imagination allows? Surely more effective methods can be found. The ineptitude shown by the contributors and the editors (well-trained young economists of known ability) merely damages their own cause: it makes capitalism look better than it is. Instead of winning converts, they are more likely to repel even those who have no love for capitalism and are searching for better alternatives.*

Conclusion

Once you do the analysis correctly, raising the minimum wage reduces employment. Period. Will this end the debate? Of course not. Low-information individuals are globally abundant today. These folks won't let facts get in the way of their beliefs.

The Times editorial board already had their collective mind made up before they wrote this editorial. Frankly, their attempt to justify their conclusion with economic analysis is

a complete failure. Call them low-information editors.

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[1] Technically, classical hypothesis testing cannot confirm a hypothesis. Hypotheses can only be rejected or not rejected.

Shout out to Prof. Michael Hurd who drummed this into my head quite a few decades back.

The Minimum Wage Again

In today's New York Times Magazine (December 22, 2013) **author Annie Lowrey argues in favor of raising the minimum wage. I will present fairly detailed rebuttals shortly, but one paragraph can save you a bit of reading:**

The Times is just plain wrong. The true minimum wage is zero. That's what you make when you lose your job because the minimum wage was raised.

Raise the minimum wage to $50!

Work Cited by Ms. Lowrey

Ms.Lowrey refers to a single paper, **the infamous "study" done by Alan Krueger and David Card when both were at Princeton. That work has been discredited almost since the moment it appeared.**

She also quotes **Michael Reich**, a "professor of economics at the University of California, Berkeley." She failed to add that **Dr. Reich is also the Director of the Institute for Research on Labor and Employment, a well-known organization that shills for unions. He is a co-author of *The Capitalist System: A Radical Analysis of American Society.* His partners in this project were Richard C. Edwards (Author) and Thomas E. Weisskopf (Editor)**.

Prof. Evsey Domar of M.I.T. published a scathing review of this work in the Journal of Political Economy (Vol. 82, No. 6, Nov. – Dec., 1974, pages 1301-1313). An excerpt from that review is at the end of this article. I will just add that, if anything, citing Krueger, Card, and Michael Reich makes me *more* likely to believe raising the minimum wage reduces employment.

One of the most difficult facts of life for people to accept is that demand curves slope downward. When you raise the price of something, a smaller quantity will be purchased. This has been confirmed in millions of empirical studies. Yet when it comes to the labor market some economists – albeit self-styled economists – throw out centuries of economics research and engage in magical thinking.

How the Minimum Wage Actually Works

Review of My Previous Articles

I've written about the minimum wage before (click here and here). I'll just repeat a few facts here.

Raising the minimum wage reduces employment. In a survey article, David Neumark and William Wascher (National Bureau of Economic Research, Inc, NBER Working Papers: 12663, 2006) **summarize the results of 102 empirical studies of the impact of the minimum wage on employment.** These studies were all done after 1990. To economists that means the studies were done carefully and correctly using the appropriate statistical techniques. **Of the 33 studies the authors selected as being the "most credible" 85 percent found a significant negative impact of a higher minimum wage on employment. William Even and David Macpherson have also published an extensive study that focuses on the impact on members of the labor force between 18 and 24 who are not high school graduates. They looked at a sample of about 600,000 males between 16 and 24 years old without a high school diploma.** They examine the impact on three groups: whites, Hispanic, and black. Among white males in this group, the authors find that **each 10 percent increase in a federal or state minimum wage decreased**

employment by 2.5 percent; for Hispanic males, the figure is 1.2 percent. But among black males in this group, each 10 percent increase in the minimum wage decreased employment by 6.5 percent. (No, this is not evidence of racism. The job choices made by each of the groups account for most of the differences.)

Conclusion

Perhaps the Times should talk to some real economists the next time they decide to write about economics. Instead, they persist in finding economists with views that match the writers' and editors' world views. Which makes the Times even more of a joke than it is already.

Excerpt from Prof. Domar's Review

This is from pages 1302-1303:

"An analysis of capitalism, like any analysis, can be expected to consist of two parts: first, a logical formulation of a hypothesis showing how this or that evil is caused by capitalism; and, second, an empirical testing of the hypothesis against the reality of capitalist and noncapitalist systems. There is no shortage of logical formulations, of different degrees of plausibility, in the book. But there is almost a complete absence of empirical verification. Since the evils are both complex and not easily quantifiable, the authors (that is, the editors and the contributors) could not be required, at least at this stage, to come forth with a battery of regression equations, but surely, as a first step, they could have made an attempt to examine historical trends and to establish the presence or absence of each evil in other capitalist and noncapitalist countries. In particular-most fortunate for this attempt-there are now several socialist countries, some of them quite advanced and most of them sharing our common cui tural background. On one of them-the Soviet Union-there exists a large literature in English, while

the others have not been neglected either.

But no comparisons of any importance are made in the book. We discover that there is not a single socialist country in the world! The Soviet Union and the other East European countries are referred to as “state socialism” (pp. 4, 277, 281, 362, 524-25) or as “so-called socialist” (p. 277). They are treated with disdain and together with the state-capitalist countries (England, France, or Sweden) are declared not to be “model societies of socialism to be emulated” (p. 4). Worse than that, “The state socialist countries of the Soviet Union and Eastern Europe are to true socialism what ‘the monsters of the paleolithic era are to present animal species: clumsy, abortive, prototypes”‘ (p. 4).

If countries which have been regarded by themselves and by others to be socialist have turned out to be so1nething else, surely an explanation is in order. Since none is provided in the book, let me suggest two alternatives. Lenin, Stalin, and, by implication, all other socialist leaders-including Tito and Mao—never intended to build socialism. (2) They did try, but failed miserably, ending up with “Paleolithic monsters,” in fact.

I will leave the choice and the consideration of the sad implications of each alternative to the reader.”

The Times Has Discovered That Costs Matter in Obamacare

Designing Obamacare by Henry Payne (http://townhall.com/political-cartoons/henrypayne/2013/10/18/112967)

Today's New York Times includes a front-page article that left me gasping with a combination of laughter and indignation. Apparently the Times has discovered that costs matter in Obamacare. Here's the headline and the link:

"New Health Law Frustrates Many in Middle Class"

The long article includes this little gem (emphasis added):

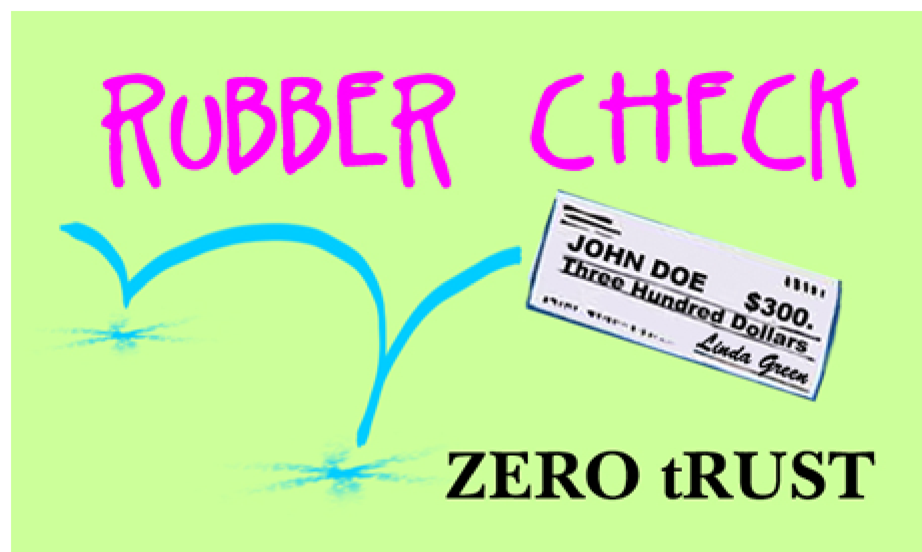
"The Chapmans acknowledge that they are better off than many people, but they represent a ***little-understood*** reality of the Affordable Care Act. While the act clearly benefits those at the low end of the income scale — and rich people can continue to afford even the most generous plans — people like the Chapmans are caught in the uncomfortable middle: not poor enough for help, but not rich enough to be indifferent to cost."

Perhaps this was "little-understood" by the geniuses who run the New York Times. But many economists, including me, pointed out that costs and prices would inevitably rise given the

mandates and rules included in Obamacare. It would sure have been nice if the Times editors and reporters had paid some attention to us. Instead we were belittled as "Republican fear-mongers." Except it turns out we were right. The very least the Times could do is ask each of these families who they voted for in the last presidential election.

Thanks a lot, mainstream media. I hope you're happy with the disaster you've imposed on a once-great economy.

Unable to Open a Checking Account? Thank the Government



JPMorgan says a negative report in ChexSystems will rarely bar someone from obtaining an account. Others, like Bank of America, Citibank and Wells Fargo, say they use the information carefully, distinguishing between people who have made mistakes and those who have a history of fraud. Some banks have introduced second-chance checking accounts for people who do not qualify for traditional bank accounts.

On July 30 the New York Times ran an article with the provocative title **"Over a Million Are Denied Bank Accounts for Past Errors."** According to this story **10 million Americans do not have a bank account.** Apparently about ten percent of this total has been caused by, "Mistakes like a bounced check or a small overdraft have effectively blacklisted more than a million low-income Americans from the mainstream financial system for as long as seven years as a result of little-known private databases that are used by the nation's major banks."
Note first that the blacklist is not limited to "small overdrafts." Here's what the banks say →

Suddenly this is a problem. **Are you unable to open a checking account? You may thank the government (as well as the media, particularly the New York Times). The two have waged a war against overdraft fees for the last decade. There have been many new regulations and actions designed to increase the cost and reduce the revenue banks receive from overdraft fees. Any economist can tell you that when you put a price ceiling in place, a shortage will develop. In this case, the shortage is expressed as fewer bank accounts being opened, particularly for people likely to re-bounce (a term I just invented).**

A Simple Example

One way this war on overdraft fees has manifested itself is the details of check clearing. Some banks apparently had a policy of clearing the largest checks first. If one of those checks put the checking account in the red, an overdraft fee would be charged for each of the subsequent smaller checks.

Here's an example. You have $1,000 in your checking account. There are ten checks being cleared. One is for $900 and the other nine are for $20 each. If the bank clears the $900 check first, there will be $100 left in your account, enough to cover five of the $20 checks. The remaining four $20 checks will bounce, generating total overdraft fees of 4 times the per-check fee. For convenience, let's say the per-check fee is $25. This check-clearing procedure will generate $100

in revenue for the bank.

However, if the bank clears the $20 checks first, only the $900 check will bounce, generating one overdraft fee ($25). **Thus, average revenue is reduced from ($100/10) = $10 to ($25/10) = $2.50. Forcing the bank to reduce the price of overdrafts will lead to non-price rationing – including simply not letting some people open checking accounts.**

The Regulations

This is pretty boring. Here are the relevant regulations from the Federal Reserve website. The relevant regulation is DD (Truth in Savings). Here's what the regulations say (press release last updated August 2, 2013):

[From Regulation AA]
Overdraft Services

> *Right to Opt Out. The proposal would prohibit banks from imposing a fee for paying an overdraft unless the bank has provided the consumer with an opportunity to opt out of the payment of overdrafts and the consumer has not done so. The opt-out right would apply to all transaction types. Banks also would be required to provide consumers a partial opt-out for overdrafts resulting from ATM and point-of-sale transactions.*
>
> *Debit Holds. The proposal would prohibit banks from imposing a fee when the account is overdrawn solely because a hold was placed on funds in the consumer's deposit account. This can occur where the final dollar amount of the transaction was not known in advance (for example, when a consumer purchases fuel at the pump, a hold is placed for the estimated amount of fuel that will be purchased).*

Regulation DD (Truth in Savings)

The proposal would also amend Regulation DD to complement the proposed amendments to Regulation AA, including the following:

Disclosure of Aggregate Overdraft Fees. The proposal would extend to all banks and savings associations the requirement to disclose on periodic statements the aggregate dollar amounts charged for overdraft fees and for returned item fees (for the month and the year-to-date). Currently, only institutions that promote or advertise the payment of overdrafts must disclose aggregate amounts.

Disclosure of Balance Information. The proposal would require banks and savings associations that provide account balance information through an automated system to disclose the amount of the consumer's funds available for immediate use or withdrawal, without including additional funds the institution may provide to cover overdrafts.

Conclusion

Some days I seriously doubt that the folks in Washington and the media will ever understand basic economics. This stuff is not hard, but it does require critical thinking skills that sadly seem to be lacking in much of the U.S. population.

Devaluing the Bachelor's Degree Fast Track Edition

In a way, the legislation has a head start: Last year, in an

effort to bring down textbook costs, Mr. Steinberg won passage of a law requiring free online textbooks for the 50 most popular introductory college courses, and in the process created a faculty panel — three members each from the University of California, California State University and the community college system — to choose materials.

The new legislation would use that panel to determine which 50 introductory courses were most oversubscribed and which online versions of those courses should be eligible for credit. Those decisions would be based on factors like whether the courses included proctored tests, used open-source texts — those available free online — and had been recommended by the American Council on Education. A student could get credit from a third-party course only if the course was full at the student's home institution, and if that institution did not offer it online.

Today's New York Times includes **an article about a potentially disastrous bill wending its way through the California state legislature.** I've written about devaluing the bachelor's degree before. If this bill passes, that will become **devaluing the bachelor's degree, fast track edition.** My lovely wife has made numerous insightful comments about this. Unfortunately I'm very busy this week (and probably next week, too) on a project with a tight deadline. For now you'll have to settle for this brief note.

In brief, this law would force public colleges and universities in California to accept transfer credit for online courses. The courses would be approved by an already-existing panel →→→→→→

Yes, you read that correctly. **Nine — nine — faculty members get to make this decision for the rest of us. If anyone can take the time to find out who those nine people are, I would appreciate it.** But there's one more statement made by State Senator Darrell Steinberg:

> *“We want to be the first state in the nation to make this promise: No college student in California will be denied the right to move through their education because they couldn’t get a seat in the course they needed,” said Darrell Steinberg, the president pro tem of the Senate, who will introduce the bill. “That’s the motivation for this.”*

In other words, students deserve a bachelor’s degree. They have a “right to move through their education.” And here I thought the faculty had something to say about who gets a degree and who doesn’t.

Color me nauseous.