

# Chancellor talks economics with Sullivan

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Understanding economics at regional, state and national levels can lead even the most experienced economists down a rabbit hole filled with data, risk assessments, budgets, market forces, taxes and other financial jargon.

Southern Illinois University Edwardsville's Timothy Sullivan, PhD, instructor in the Department of Economics and Finance, and director of the Office of Regional Economic Analysis in the School of Business, has worked for nearly 30 years to better understand the economy and share his wealth of knowledge with his students.

On this week's episode of Segue, SIUE's premier radio show that features the ideas and issues on campus and beyond, SIUE Chancellor Randy Pembroke, PhD, and Sullivan discuss the instructor's trek into the world of economics, and take a look into what factors affect the region, state and country's overall financial situation. Their conversation will air at 9 a.m. on Sunday, March 11, on WSIE 88.7 FM The Sound.

A native of Florissant, Missouri, Sullivan received his doctorate in economics from the University of Maryland, and was awarded two undergraduate degrees—in economics and computer science—from the University of Missouri-St. Louis. He combines his experience in both disciplines to perform economic impact analyses pertaining to a variety of entities, including SIUE, local transportation and infrastructure projects, sports facilities, and several large businesses. He has also co-authored several journal articles, book chapters and reports on economic impact analyses, local economic development and financing, the economics of sports, and the role of the internet in the economy.

"Was your career in economics and finance something that you knew early on that you wanted to pursue?" Pembroke inquires.

"Absolutely not!" Sullivan frankly replies. "I didn't take my first economics course until my junior year of college, and I had hoped that, upon graduating, I'd get a job with McDonnell-Douglas, which is now Boeing, writing computer code for NASA.

"During that same year, one of my computer science professors got a grant from the Department of the Interior for the National Forest Service to build computer simulations for forests. Essentially, it was a big program that could simulate how forests would behave. Lightning strikes, controlled burns and other phenomenon would occur at random intervals. I was lucky enough to help my professor with that, and while taking that economics course, a professor told me about a similar program that they used at the Federal Reserve Bank to predict things that may affect the economy."

Instead of controlled burns, the Federal Reserve might experience tax cuts. Alternatively, instead of lightning strikes, price spikes may occur.

"After I heard about that, I realized NASA would just have to go to Mars without me!"

Between teaching economics and finance courses in the School of Business, Sullivan finds himself spending a lot of time looking at computer screens, downloading data and working with computer codes to try to better

understand regional, state and national economies. Though a lot of his work involves analyzing patterns over time, there are certain factors that come into play that Sullivan simply cannot predict.

“It’s impossible to predict geopolitical events and natural disasters, but those things can affect economies in surprising ways,” Sullivan says. “However, we can measure things like consumer confidence, hiring rates, bond yields or housing starts. Those things give us a good way to predict where our economy is heading.”

When it comes to making investments in the stock market, Sullivan prefers not to speculate, since the market is so notoriously difficult to predict.

“I tell people I’m happy to talk to people about economics, but I won’t talk about the stock market! It’s a crazy thing,” he says. “My wife and I always watch a show called ‘Island Living’ each week, and I tell my students that if I could accurately predict the stock market, I’d be there right now, teaching you over a Skype call.”

At the annual Business Forecast Breakfast, held in the Leclare Room at Lewis and Clark Community College’s N.O. Nelson Campus in Edwardsville, Sullivan presented his predictions for Madison County’s economy during 2018 to around 270 local business owners, citizens and city staff members.

“I see things moving generally in a good direction,” Sullivan explains. “My forecast for this year is at 2.5 percent real economic growth and compared to the last 15 or 20 years, that’s fairly optimistic.”

“For the average person listening in, can you give us a sense of what that means?” Pembroke asks.

“Economic growth generally translates, at some point, to higher salaries and pay,” Sullivan replies. “In economics, Okun’s Law explains that for every roughly two percent of economic growth, unemployment rates will drop about one percentage point. Last year, a near-textbook case of this existed. Our economic growth was at two percent, and our overall unemployment rate dropped one percent.

“Economists have a tendency to drone on about certain percentage points, but this is where it matters in the pocket book. We need economic growth if we want to have rising incomes, and we want to have as close as we can to full employment.”

To hear more of Pembroke and Sullivan’s conversation, including the instructor’s disdain for mechanical metaphors for the economy, the looming threat of recessions, Illinois’ economic forecast and how purchasing products online affects the traditional marketplace structure, tune in at 9 a.m. on Sunday, March 11, to WSIE 88.7 FM The Sound.

*By Madelaine Gerard, SIUE Marketing & Communications*