

The Pro Shop



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REVISING ECONOMICS TEXTBOOKS

At Princeton University, after teaching macroeconomics for more than 30 years, former Federal Reserve official Alan Blinder says he has never seen interest in his subject as high as it is now. At Harvard, undergraduate macroeconomics professor David Laibson indicates the same kind of enthusiasm. As *The Economist* points out in the April 3rd issue, despite the depleted endowments and reductions in staff, “increased interest in economics is among the most benign of the recession’s effects”.

As one might expect the crisis has opened up debate about flaws in the current macroeconomics curriculum. In *The Economist* article, Greg Mankiw, a Harvard economist and author of a bestselling textbook, observes that students can hardly be expected to make sense of the crisis if they know virtually nothing about things like the role of financial institutions. Yet if there is a “financial system” in most introductory texts, Mr. Blinder notes, it usually focuses on the demand and supply functions for money. “The current curriculum fails to give students even imperfect answers to their legitimate questions about recent economic events”.

Mr. Blinder is one of the authors of another prominent undergraduate textbook, which he is now revising. The new edition is likely to have an important place for the idea of leverage and how it contributed to the crisis. This subject is straightforward and relatively easily explained. It is obvious that much complexity will be unavoidable. The convenient fiction of a model of the economy with a single interest rate was defensible as long as different rates moved in concert (did they ever?). Mr. Blinder says this is something that students can no longer be told “with a straight face”. Discussion of the role of securitization and systemic risk is essential, even if it feels like a lot for beginners to understand. *The Economist* writes, “Mr. Blinder, with a nod to Albert Einstein, says economists need to remember that things should be made as simple as possible, but no simpler”.

Revised textbooks will soon be found in book stores. Charles Jones of Stanford University has updated his textbook with two new chapters designed to help students think through the crisis. New editions of Mr. Mankiw’s and Mr. Blinder’s books will be available soon. Courses in many well known universities are already being altered. Mr. Laibson says he has chosen to teach his course “without leaning on any standard texts”. Mr. Francesco Giavazzi of M.I.T. is now allocating about 40% of his classes to discussing how things are different during a crisis, and how the effects of policy differ when the economy hits limits like zero interest rates. Subjects like the “liquidity trap” and asset-price bubbles are gaining in attention.

Macroeconomics will be taught differently, which is no surprise. Behavioural economics students will not see much change, other than new chapters on Madoff, Lehman Brothers, Washington Mutual, Iceland and many other appalling stories from the past few years.

Robert W. Brickson
Senior Vice President

Corporate/Mortgage Backed Yields

	Corporates Aaa / Aa			Mortgage Backeds			
	2 yr.	5 yr.	10 yr.	GNMA		FNMA / FHLMC	
				15 yr.	30 yr.	15 yr.	30 yr.
4/12/10	1.91	3.65	5.12	3.39	4.20	3.58	4.42
4/13/09	4.60	5.50	6.50	3.40	3.90	3.15	3.80

Market Data

Selected Indicator Watch

	DJIA	Gold / \$ oz.	Oil / \$ bbl.	CRB Index	Yen / \$	\$ / Euro
4/12/10	11,020	1,160.00	85.00	278.00	93.30	136.00
4/13/09	8,050	890.00	51.00	227.00	100.10	133.70

10-Year Treasury
4/20/90-4/13/10 (weekly)

Source: Bloomberg, L.P



Government Calendar

Monday, April 19	Estimated \$54.0 Billion	3 & 6 Month U.S. Treasury Bill Auctions
Monday, April 26	Estimated \$54.0 Billion	3 & 6 Month U.S. Treasury Bill Auctions
Tuesday, April 27	Estimated \$44.0 Billion	2-Year U.S. Treasury Note Auction
Wednesday, April 28	Estimated \$42.0 Billion	5-Year U.S. Treasury Note Auction
Thursday, April 29	Estimated \$32.0 Billion	7-Year U.S. Treasury Note Auction

Municipal Bond Offerings

Moody's/S & P	Description	State	Amount	Coupon	Maturity	YTC	YTM
A3 / NR GO / BQ XLCA	DEL RIO-CTFS OBLIG Cusip: 245379qw5	TX	315,000	3.65%	6/1/2014		1.85%
NR / NR GO / BQ	OSAGE ELEM SD 52-BLDG Cusip: 687694bc2 ANDERSON	OK	90,000	2.50%	6/1/2012		1.30%
Aa3 / AA GO/BQ	OKLAHOMA ISD 89-EQUIP Cusip: 678841jj7 OKLAHOMA CITY	OK	250,000	2.50%	7/1/2014		2.00%
NR / Ae COP/BQ	CHARITON SD R-IV-A Cusip: 159644AJ2 SALISBURY	MO	100,000	3.50%	4/15/2019	3.67%	3.60%
NR / Ae COP/BQ	CHARITON SD R-IV-A Cusip: 159644AK9 SALISBURY	MO	100,000	3.75%	4/15/2020	3.93%	3.85%
NR / Ae COP/BQ	CHARITON SD R-IV-B Cusip: 159644AP8 SALISBURY	MO	360,000	3.50%	4/15/2020	0.00%	3.75%
Aa1 / AA+ REV / NBQ	ST LOUIS SPL OBLG-BAB Cusip: 791526bv7 BAB'S/SYN BALANCE	MO	2,105,000	5.10%	12/1/2027	0.00%	5.28%
Aa1 / AA+ REV / NBQ	ST LOUIS SPL OBLG-BAB Cusip: 791526bw5 BAB'S/SYN BALANCE	MO	3,710,000	5.20%	12/1/2028	0.00%	5.37%
Aa1 / AA+ REV / NBQ	ST LOUIS SPL OBLG-BAB Cusip: 791526bx3 BAB'S/SYN BALANCE	MO	4,685,000	5.25%	12/1/2029	0.00%	5.41%
Aa1 / AA+ REV / NBQ	ST LOUIS SPL OBLG-BAB Cusip: 791526by1 BAB'S/SYN BALANCE	MO	5,395,000	5.35%	12/1/2030	0.00%	5.51%
Aa1 / AA+ REV / NBQ	ST LOUIS SPL OBLG-BAB Cusip: 791526bz8 BAB'S/SYN BALANCE	MO	6,360,000	5.45%	12/1/2031	0.00%	5.61%
Aa1 / AA+ REV / NBQ	ST LOUIS SPL OBLG-BAB Cusip: 791526ca2 BAB'S/SYN BALANCE	MO	3,235,000	5.55%	12/1/2032	0.00%	5.70%

Municipal New Issue Calendar

Moody's	S & P	Amount	Issuer	St	Description	Bank	Maturities	Time of Sale
Wednesday, April 14								
---	---	*71,210	Alabama Pub Sch & Coll Auth	AL	Ref	---	13-14	11:30 am C
---	---	10,900	Middletown	CT	GO	BQ	12-21	11:30 am E
---	---	*16,265	Kentucky Rural Wtr Fin	KY	Rev & Ref	BQ	11-34	11:30 am E
---	---	5,000	Lynn	MA	GO Muni Purp Loan	BQ	11-29	11 am E
Aa3	AA-	*60,000	Michigan	MI	GO Sch (Tax)	---	12	11 am E
---	---	*17,290	Cass Lake ISD #115	MN	GO Sch Bldg Ref	BQ	14-28	10 am C
Thursday, April 15								
---	---	*50,490	Livermore Vly Jt USD	CA	GO Ref	---	11-27	8:35 am P
---	---	10,000	Hanover Park Vlg	IL	GO (Tax)	---	12-29	10 am C
---	---	*27,060	Wicomico County	MD	GO Pub Imp	---	11-01	11 am E
---	AAA	6,700	Oakland Macomb Drain Dt	MI	Drain (Tax)	---	11-30	11:30 am E
---	AAA	*2,550	Melrose ISD #740	MN	GO Sch Bldg Ref	BQ	11-13	10 am C
---	A+	12,378	P Beachwood Borough	NJ	Var Purp	BQ	11-29	11 am E
---	AA-	*23,425	Univ of Houston Sys BOR	TX	Rev & Ref (Tax)	---	11-35	10 am C
Monday, April 19								
A3	---	3,825	DeWitt	IA	GO & Ref	BQ	11-17	11 am C
---	---	*2,350	Estherville	IA	GO Corp Purp	BQ	11-25	1 pm C
Aa1	AAA	2,600	Buffalo Grove Vlg	IL	GO Corp Purp	BQ	14-25	10:15 am C
Aa1	AAA	*5,310	Buffalo Grove Vlg	IL	GO Ref (Tax)	BQ	10-20	9:45 am C
---	---	*3,000	Lake Forest	IL	GO (Tax)	---	29-32	11:15 am C
---	---	*5,425	Lake Forest	IL	GO (Tax)	---	15-29	11:45 am C
---	---	10,000	Lake Forest	IL	GO	BQ	15	10:45 am C
---	---	*1,370	Lake City ISD #813	MN	GO Cap	BQ	11-25	10:30 am C
---	---	3,125	St Louis Park	MN	Hsg (Tax)	---	12-31	11 am C
---	---	*5,985	St Louis Park	MN	GO	BQ	11-25	11 am C
---	---	6,945	Barron County	WI	GO Ref	BQ	11-21	12 pm C

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