Welcome to the 2012 edition of the Economics Newsletter. We are pleased with the positive response to last year’s newsletter and with the many personal updates that were sent to us by email and handwritten note. It is extremely gratifying to hear about the tremendous personal achievements you have made since leaving Cal Poly, and I hope more of you will take the time to drop us a note and let us know about some of the interesting and important experiences you have had since graduating. We hope this communication will keep you connected to the department, the college and each other.

Interest in economics has continued to grow this past year. For the academic year 2012-13, we received 556 freshman applications and 141 transfer applications (up from 600 total applications last year). Of the 697 total applications, we were able to admit only 56 students (43 freshmen and 13 transfers), making our program one of the most selective in the state. Entering freshmen in the economics program have a high school GPA of 3.96 and an average combined SAT score of 1360. Over the period 2008-2011, the number of students enrolled in the Orfalea College of Business decreased slightly from 2,367 to 2,309 students, while the economics major expanded 12.4 percent (from 225 to 253 students). Overall, our graduating seniors continue to do well securing employment, despite facing challenging economic conditions: Out of 59 students graduating from the economics program in 2010-11, we placed seven students into graduate programs or law school, and the median salary for graduates securing employment in the workforce was $53,000 per year.

In general, we feel very positive about the state of our undergraduate program. Our majors continue to do well in post-graduate activity, whether by admission to post-graduate academic programs or by immediately starting their careers in the private and public sector. The overall quality of our majors remains high, as evidenced by both the selectivity of our program and the number of students graduating with honors in economics.
We are pursuing a number of important objectives this year. We have improved the quantitative foundation of the economics curriculum by adding a required course in econometrics and a third intermediate-level course, and we will finalize the roll-out of these changes for juniors and transfer students in the 2012-13 academic year. At the same time, our faculty continues to be successful in obtaining research grants and publishing in high-quality journals: In 2011, our faculty published 17 peer-reviewed journal articles in top forums of the economics profession and published numerous other scholarly works such as textbooks, book chapters, and editorials (including two in the Wall Street Journal). As a faculty, our commitment to high-quality, interactive undergraduate teaching remains exceptionally strong.

As always, we encourage you to stop by and see us whenever you are in San Luis Obispo. (It is every bit as nice here as you remember!) In addition, please let us know something about yourself that you would like to share with former economics majors and the department, and we will make sure and include your updates in a future newsletter.

I would also like to reiterate the open request to pass on to us any ideas you might have to improve the performance of our major as well as to suggest any internship programs that might be available to our students. Internship programs can be an extremely valuable experience for our undergraduates and often provide much-needed direction and focus to the broad liberal arts background upon which the economics major is framed. Providing an internship opportunity for an economics major is a great way to maintain ties to the Cal Poly community, while at the same time helping our current students tap into our growing network of successful economics graduates.

Your comments, questions and personal items are welcome at any time by surface mail at the address given in our newsletter and at my email address: shamilto@calpoly.edu. For up-to-date information on the department, its staff, course offerings, and activities, check our website at http://www.cob.calpoly.edu/econ. We hope that you have an outstanding and productive remainder of 2012 and that success will continue to find you and your loved ones in 2013.

Steve Hamilton

We eagerly await your feedback on this year's e-newsletter and would enjoy hearing about your accomplishments to share in future newsletters. Please email Sheila Smith at smsmith@calpoly.edu. We hope to hear from you soon, and often.

Best regards,

Stephen F. Hamilton
Professor
Welcome to "Alum Focus," part of our ongoing effort to keep the Cal Poly connection alive between the campus and our alums. In this issue, we are showcasing Hal Sweasey (ECON ’87), one of our outstanding ECON alums.

“I’ll always be grateful for my time at Cal Poly. I received so much guidance and support from Professors Faud Tellew, who taught money and banking, and Dominic Perello, who challenged my beliefs. History Professor Donald Hensel brought a previously uninteresting subject to life for me. My coach, Hugh Bream, inspired me to be more than I thought I could be.” Hal Sweasey – Class of 1987

While going to Cal Poly, Hal Sweasey worked at Sebastian’s and DK’s, and in the summer taught tennis in his home town of Sun Valley, Idaho, to put himself through school. In 1986, Sweasey was part of the NCAA National Championship tennis team. He graduated with honors in 1987.

In 1987 Sweasey moved to the Bay Area with his later-to-become wife, Maria DeLorenzo. Hal had been working in San Jose as a sales representative for CF Air Freight for two years when he received a call from an old friend to come back to San Luis Obispo and work in real estate development. After 18 months, the development business was hard hit by recession and closed. Wanting to stay in SLO, Sweasey got his real estate license and started in residential real estate in July of 1991.

In September of 2007, after five years of planning, Hal and Maria took their seventh and eighth grade boys for a nine-month journey around the world. They spent 11 weeks traveling 8,500 miles around the United States followed by 11 weeks in Australia, three weeks in New Zealand, and a week in Bali. Then in February, they flew to Italy and spent a month skiing in the Italian Alps followed by a month in the walled Tuscan city of
Lucca, and finally another six weeks traveling in Spain and France surfing and sightseeing. For the Sweasey family, it was a once-in-a-lifetime experience. (Read their blog at: http://hsweasey.travellerspoint.com)

Currently Hal is the No. 2 ReMax agent in California and works and lives in San Luis Obispo with his wife Maria, son Kyle, who is a senior at San Luis Obispo High School, and son Nathan, who is starting as a freshman at the University of San Diego. Hal has been on the board of Big Brothers Big Sisters for more than 14 years and is currently Board President. He is on the board of the Cal Poly Tennis Boosters and the San Luis Obispo High School Black & Gold Booster Club. The Sweaseys love Cal Poly and support academics and athletics in addition to having employed numerous Cal Poly students and graduates over the years.

Faculty Research

Consistent and scholarly research is a primary focus of our economics faculty. In this issue of our newsletter, we are showcasing a research excerpt written by Professor Aric Shafran, who regularly teaches Urban Economics, Economics of Land and Water, Senior Project for Economics, and Managerial Economics.

The Economics of Fire Suppression

Aric Shafran
Department of Economics
Orfalea College of Business

California has seen widespread population growth in the past 20 years in the wild land urban interface (WUI), locations at the urban fringe which have higher population density than outside an urban area, but greater wildfire risk than within a traditional urban setting. This development has put a greater number of houses at risk from wildfire than ever before while often straining the resources of fire suppression agencies. Fire suppression costs have increased dramatically over the past 30 years, a cost that is ultimately passed on to taxpayers.
The rise in fire suppression costs is partly a result of incentive problems in the allocation of fire suppression funds, landowner incentive problems, and inefficiencies within fire suppression agencies. My work focuses on one specific landowner incentive problem, the fact that all houses receive fire suppression services for free. Historically, this is a result of the large interdependencies that exist since suppression at one location reduces the spread of fires to other locations. Furthermore, public provision also offers individual homeowners a form of insurance against the high cost of suppression when a fire occurs.

While it is important to keep in mind these benefits from publicly providing fire suppression, there are negative consequences as well. The public provision of fire suppression is essentially a subsidy for homeowners in the WUI paid for by everyone else. This subsidy increases the value of new housing developments in locations with high fire risk which, in turn, leads to more development in these areas and pushes fire suppression costs higher. In fact, it is common for fire suppression agencies to spend more money defending an individual structure than the value of that structure. If homeowners were liable for the cost of defending their own houses, it seems unlikely that they would pay more than the value of their house.

I propose several alternatives to the status quo with the goal of maintaining the benefits of public provision while reducing the perverse incentive to build in high risk areas. Differentiated taxes based on fire risk accomplish this goal by eliminating the subsidy on high-risk development since residents living in high risk areas will pay their share of fire suppression expenditures in the form of higher taxes. Such a system should lead to reduced development in high fire risk areas, lower fire suppression costs, and an overall increase in welfare. Other possible solutions include regulation on growth and development in the WUI, a fire suppression impact fee at the time of construction, a fee for services (for example, billing a homeowner after a house is successfully defended), or a re-prioritization of fire suppression activities away from private goods like structure defense and toward public goods like defense of critical infrastructure and densely populated urban areas.

My primary conclusion is that the widespread growth in the WUI and the resulting increase in fire damage and fire suppression expenditures is partly a result of underpriced fire protection for those in the WUI relative to those in traditional urban areas. To address this problem, policy makers should consider new approaches to funding fire suppression activities.

**Faculty Publications**

For more information about the economics faculty and their publications, please go to our website.
Alumni Notes

Class of 2009

After graduation, **Steve Lynds** worked for Fastenal in business-to-business industrial/construction supply sales. He transferred from San Diego to Denver, Colo., in the summer of 2010 and was hired at National Valuation Consultants Inc. as a commercial real estate analyst in the Denver Tech Center. Steve also has a growing photography business that specializes in weddings, engagements and events. It is a fun hobby/side business for him, and Steve has recently branched out into real estate photography, senior portraits, and live music shoots. You can view Steve’s work at his website: [www.stevelyndsphotography.com](http://www.stevelyndsphotography.com).

Class of 1992

**Douglas Paul** has been accepted to the United States Army War College at Carlisle Barracks, Penn. He will be a student at the college for the next 11 months and will earn a Master of Science in strategic studies. He lives in Monument, Colo., with his wife, Heather, and his two sons, Colton and Cody.

Class of 1989

**Attorney Joe Ferrentino** recently won a case, recovering over $1.8 million for a client. Earlier this year, Joe was identified by *U.S. News and World Report* as one of the “Best Lawyers in America 2012.” Ferrentino was also named by Los Angeles magazine as one of the “Top 50 Orange County Superlawyers” for 2012.

Class of 1987

For the past 20 years, **Monica Bice** and her husband have owned and operated five furniture stores. They currently have four furniture stores located in Fresno, Visalia, Hanford and Bakersfield. It is a family-run business. They employ approximately 50 people, and their stores are high-volume, discount-oriented establishments. Being involved in this exciting business has been a wonderful experience. Monica and her husband are letting others run the "day-to-day" business and have recently moved to Huntington Beach, California. They have a son who is an economics major at Chapman University and a daughter who attends Huntington Beach High School.

**Hal Sweasey** is living in San Luis Obispo with his wife and two sons. One son is starting University of San Diego in the fall, and the other is a senior at San Luis Obispo High School. Hal has been selling real estate in San Luis Obispo for 21 years, and is the No. 2 ReMax agent out of over 5,000 agents in California. He is currently serving his second term as president of Big Brothers Big Sisters of SLO County. Of note is that in 2007 and 2008, Hal and his family took nine months off and traveled around the United States then to Australia, New Zealand, Bali and Europe.
Class of 1982

Brenda (Everett) Montgomery is currently working as the vice president of finance for a medical device manufacturer in Irvine, Calif. Her job duties include accounting and finance responsibilities for the company's U.S. and international operations, as well as helping to touch lives through the company's charitable product donations. Brenda lives with her husband and three children in Southern California. Her oldest daughter graduated from Cal Poly San Luis Obispo with a degree in international business in June.

Class of 1980

Tom Burhenn is director of regulatory affairs for Southern California Edison, in Rosemead, California. His work focuses on regulatory and environmental issues related to construction of new electric transmission lines and generation sources to help meet California's renewable energy goals. Tom and his wife, Peggy, live in Sierra Madre.

Class of 1979

Rik Floyd has formed Alter, a high-end residential design/build firm (www.alterconstruct.com) with two partners, serving coastal San Diego clients and homeowners. One of his partners is fellow Cal Poly alum and licensed architect Stephen W. Hall (ARCH ’77). The business is based in Encinitas, Calif.

Class of 1974

Henry Chase is the controller for DoubleLine Capital LP in downtown Los Angeles. Henry was part of the team that founded DoubleLine in December 2009. The company is a SEC-registered investment advisor focusing on fixed income assets and has raised $38 billion in assets under management since inception. Henry is married to Inell and lives in La Canada, Calif. His two children are attending UC Santa Barbara. Lauren is completing her MA in education, and Spencer is a senior in English. Henry always enjoys seeing Cal Poly beat USC in basketball.

Economics Office & Faculty

Address: California Polytechnic State University
Orfalea College of Business – Economics Dept - 003/401
San Luis Obispo, CA 93407-0300

The Economics Department office is located in the Business Building, Room 407.
Office Phone: 805-756-2783
Department Chair: Steve Hamilton
Administrative Coordinator: Sheila Smith

Faculty:
Eric Fisher, Sanjiv Jaggia, Jason Lepore, Michael Marlow, Kathryn Marshall, Aric Shafran, Dan Villegas, and Eduardo Zambrano

Lecturers:
Marigee Bacolod, Clare Battista, Solina Lindahl, Dan Seiver, and Jesse Zinn

Calendar
Sept. 12-17 – Week of Welcome (WOW) – Begins on a Wednesday 
Oct. 20 – Homecoming Football Game, Spanos Stadium, 6:05 p.m. vs. Portland State
Dec. 8 – Mid-Year Commencement, end of fall term

When giving to Cal Poly, please consider designating your gift to the Economics Department of the Orfalea College of Business.