

SPECIAL POINTS OF INTEREST:

- Letter from the Chair, Dr. Michael Kevane
- Meet the newest Finocchio Fellows
- Department of Economics hires a new faculty member

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Letter from the Chair

The recent credit crunch in the hedge fund and mortgage industry reminds us of the importance of a good understanding of economics. From macroeconomic analysis of how the actions of the Federal Reserve affect interest rates and credit supply, to microeconomic analysis of consumer choice (especially of long-term consumer investments in housing), economists have something to offer.

Towards that improved understanding, a quiet revolution has been taking place in the profession. No longer is *homo economicus* presented as a human exclusively devoted to maximizing his or her utility by carefully calculating marginal costs and benefits. Instead, people are seen to be complex entities that have multiple

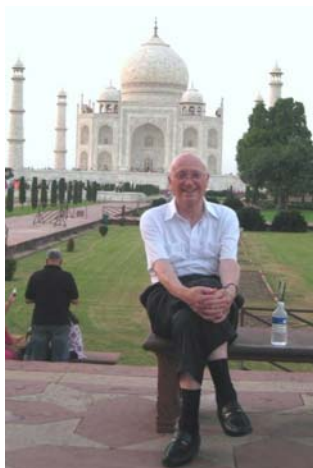
“selves”: ranging from the one that can resist the donut because it cuts down on life expectancy, to the one that says he’ll eat it today and then forego a donut tomorrow; from the one who agonizes over complex spreadsheets comparing the present value of 3/1 interest-only mortgages, and 40-year fixed mortgages to the one that wakes up on a sunny day saying, “Let’s do it!”. Consumers now are seen as sometimes barely thinking about purchases. Instead they have their buttons pushed by marketing that taps into deep psychological instincts that are embedded in all of us: “Shall I add a warranty to protect you against malfunctioning of that \$19.99 toaster-oven?” The behavior of the new *homo occasionally-economicus* has many implications for macro-

economics, especially in the area of finance, where herd behavior and panicking as short-term response to anticipated regret can drive market prices more than cooler calculations of real worth.

Indifference curve analysis will still be used, never fear. But the field of economics is changing rapidly, making it increasingly complex to formulate successful macroeconomic policy-making and microeconomic regulation of market behavior.

To keep ahead of developments in the field, two excellent blogs that you might want to bookmark are: economistsview.typepad.com and www.econbrowser.com.

Prof. Mario Belotti Travels to India with MBA Students



Economics Professor Mario Belotti together with 20 MBA students and faculty advisor Naren Agrawal, spent 16 days in India. In Bangalore, which Belotti describes as the “Silicon Valley of India”, they checked out various technology firms such as Cisco and Intel. From there they went to Mumbai, the financial center of India, where they stopped by ICICI Bank and several insurance and investment companies and brokerage firms. They also went

to New Delhi where they visited holding and telecom companies as well as non-government charitable organizations that help relieve poverty and provide education. According to Belotti, India is at the take off stage of economic development and he expects the high rate of growth to continue for the next 5-6 years. However, the Indian government is not able to keep up with the high rate of growth by providing the necessary infrastructure.

Finocchio Fellows

Every year the Economics Department recognizes one faculty member for their outstanding research accomplishments over the previous several years. The Finocchio fellow is named after a generous contribution to support the Economics Department by Robert J. Finocchio Jr. (Economics, 1973). We profile here the current Finocchio fellow and last year's fellow.

Dongsoo Shin



Dongsoo Shin teaches courses in Microeconomics and Game Theory for undergraduate students, and Managerial Economics for MBA students. His research interests include Agency Theory, Information Economics, and Industrial Organization. Among Dr. Shin's recent research projects are: information acquisition in project management, optimal auditing strategy, optimal contract design under wage

compression, contracting between a plaintiff and an attorney, and signaling game in price competition. His articles are published or forthcoming in *Information Economics and Policy*, *International Journal of Industrial Organization*, *Journal of Economics and Management Strategy*, *Journal of Institutional and Theoretical Economics*, *International Game Theory Review*, *Managerial and Decision Economics*, and *Southern Economic Journal*.

Some of his recent scholarly publications:

Contracts under Wage Compression: A Case of Beneficial Collusion, *Southern Economic Journal*, v.74. 143-157 (2007)

Warranties as a Device to Extract Rent from Low-risk Users of a Product (with D. Hakes), forthcoming in *Managerial and Decision Economics*

Gathering Information by a Partially Informed Agent (with S. Yun), *International Game Theory Review*, v.8, 675-694 (2006)

Finocchio Fellows are recognized for their outstanding research accomplishments

Kris Mitchener



Kris Mitchener is Associate Professor of Economics in the Leavey School of Business at Santa Clara University and Faculty Research Fellow with the National Bureau of Economics. In 2006 – 2007, Professor Mitchener was also a visiting scholar at the Bank of Japan and the Federal Reserve Bank of St. Louis, and in 2007-2008 he will spend his sabbatical year as a Global Fellow at UCLA. Professor Mitchener received his Ph.D. in economics from University of Cali-

fornia, Berkeley in 2001. His research focuses on economic growth, banking systems and macroeconomic performance, and international finance and trade, and appears in such journals as the *Journal of Money, Credit, and Banking*, the *Journal of Economic Growth*, the *Journal of Law and Economics*, and the *Journal of Economic History*. As a Finocchio Fellow, Mitchener has been working on projects related to financial crises and sovereign borrowing, trade and empire, the credibility of fixed exchange rate systems, and branch banking and financial stability.

Some of his recent scholarly publications:

“Are Supervision and Regulation Pillars of Financial Stability? Evidence from the Great Depression,” *Journal of Law and Economics* 50 (May 2007)

“Branch Banking, Bank Competition, and Financial Stability.” (with Mark Carlson) *Journal of Money, Credit and Banking* 38(5) (August 2006), 1293-1328.

“Empire, Public Goods, and the Roosevelt Corollary.” (with Marc Weidenmier) *Journal of Economic History* 65 (September 2005).

New Faculty Member

Dr. Homa Zarghamee

(Ph.D., Cornell University), will join the Economics Department this Fall. In her research, Homa studies voluntary contributions and collective action using both theoretical economics and laboratory experiments. It is well known that people will sometimes sacrifice their immediate self interest to the collective good of an



organization or community, but her experiments show that the extent of cooperation can be highly dependent on small changes in the specific context. Homa also has interests in development economics, including such issues as child labor. Her teaching interests include microeconomics, game theory, and econometrics.

The Economics Department welcomes Homa Zarghamee

Yellow Pad Seminar Series

The Yellow Pad Seminar series is the Economics Department's lunch seminar series for faculty. We hold them during lunch time to minimize everyone's opportunity cost. As the seminar title indicates, it was initiated to bring studies at early stages for discussion (although many people present their work after obtaining results). We enjoy ideas, company, and of course, free lunch! Students are occasionally invited to attend if they display a strong interest and ability for graduate and post-graduate level econom-

ics. This Fall's seminar series is:

9/24 (M): Ehsan Choudhri (Carleton University): TBA

10/1 (M): Darren Lubotsky (U of Illinois): "'Kindergarten Entrance Age and Children's Achievement: Impacts of State Policies, Family Background, and Peers".

Paper: <http://www.ilir.uiuc.edu/lubotsky/Elder%20Lubotsky%20June%2018.pdf>

10/8 (M): Michael Kevane: "Darfur as Climate Change Crisis"

10/15 (M): Dongsoo Shin: "Countervailing Incentive and Wasteful Production"

11/5 (M): Joachim Voth (Universitat Pompeu Fabra): TBA

11/12 (M): Helen Popper: "Capital Flows, Capitalization, and Openness in Southeast Asian Emerging Economies"

Intellectual engagement through presentation of research

Economics Department organizes econometrics workshop

Last Winter the department hosted up-and-coming development economist and applied econometrician Ted Miguel, from U. C. Berkeley, to lead a full-day econometrics workshop with faculty in economics and others in the Business. Miguel is well known for empirical work in development economics—finding that in poor agrarian societies low rainfall is strongly correlated with crime, witch-hilling and civil conflict, that diplomats from corrupt countries are less likely to pay parking tickets, and U.S. bombing in Vietnam had few long-term economic effects.

Beyond Freakanomics

Economics Chair Michael Kevane makes a presentation on his research on public libraries



Helen Popper, Xiao-Jing Dan and U.C. Berkeley prof. Ted Miguel listen to a presentation



Kris Mitchener discusses how Bank of America changed the banking landscape in California during the Great Depression

SCU Economics Major off to Oxford!

We asked Nicholas Obradovich to describe his year and future plans.

The past year as a Santa Clara student has been quite an interesting one for me. Last year was my sophomore year at SCU, and I was fairly active throughout. I declared my majors in Economics and Environmental Studies fall quarter, was a Community Facilitator in Dunne, an opinion writer for The Santa Clara, and was awarded the Honors Program Oxford Fellowship, in addition to taking some intellectually stimu-

lating courses. In the spring, I received an internship with Intel as an Environmental Sustainability Analyst for the summer. It is quite an instructive position, where I am able to work with strategic planning teams on sustainability issues and eco-advantage for the company. In addition to the internship, I have been keeping busy playing harmonica, backpacking, fishing, rebuilding my '66 Volvo (122s, for the enthusiasts), and staying in shape to run hurdles next year for Oxford. I am extremely excited for my upcoming year abroad; I will be

studying Economics and Geography (with primary tutorials in Economics and secondary in Geography). I wish my fellow dismal scientists at Santa Clara an excellent year, and I will see you all in 2008-2009!



Congratulations to the Class of 2007

Alisha Marie Allen
Jeffery Richard Anderson
Victor Filip Bilandzic
Jenna Christine Boyce
Alexandra Krystine Clark
Kirsten Taylor Cornell
John Bertram Cronin
Bryan Paul Drever
Kevin Mark Drever
James M. Gaines
Mark Christopher Gee
Charles Whitney Gilfillan
Sharath Gowda
Brendan Tiernan Hardy
John Daniel Held
Ruben Holgado
Sarah Janjua
Paul Robert Jaworski
Brooke Dana Jensen
Darren Steven Katin
Tyrone Kerwin Tan King

Thomas John Knowles
Mark Arthur Litchman
Kevin Edward McCathy
Jake Forest McCabe-O'Donnell
Brian Scott Medina
Nicole Alexis Meehan
Hayden Andrew Miller
Michael Gerard Montalban
Parker Cameron Nicholson
Adam Stanley Olsen
Yu Hui Peng
Matthew Kevin Powers
Salvatore Gian-Domenico Rancadore
Joseph Michael Ritchey
Athena Nichole Rodriguez
Sebastiano Salemi
Nathan Christopher Salha
Fred Joseph Sanchez
Eric J. Schaber
Richard Shannon Schreiber
Menah Sharif

Sanjay William Stokes
Garret Cameron Stump
Vivian Tan
Paul Vernard Victor
Benjamin Lewis Tate
Teresa Anne Vidovich
Bao Hien Natalie Vu
Alexander Shayne Walters
Jacob William Weber
Travis Kyle Wentling

What have you been doing since graduating from SCU? Send brief biographical information and news updates, with a photo please, for possible use in a future issue of The SCU Economist.



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