

SPECIAL POINTS OF INTEREST:

- **GDP is declining and Unemployment is up but Belotti predicts the economy will improve**
- **Econ graduate suggests solution to the mortgage crisis**

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Message from the Chair



My grandfather Henry Traxler was city manager of Janesville, Wisconsin, during the Depression and the great sit-down strike of January 1937 at the General Motors assembly plants. Historians credit Traxler's superb negotiating skills (it probably helped that he was a beloved amateur thespian) with bringing about a rapid and peaceful resolution to the potentially dangerous situation. Union workers agreed to leave the plant, sleep at home, and strike outside the gates. GM agreed not to reopen the plant until a new contract was signed.

Traxler was an engineer, and very practically minded. Efficiency is also one of the great mantras of economics. Why have hundreds of strikers sleep on the floor in the factory, and inevitably cause damage to the factory? The strikers and GM were all better off if they went home. But someone credible had to "guarantee" the deal, and that is what Traxler was able to do.

Seventy-two years later, the assembly plant is still in operation, though just barely. The current recession will probably be the death knell for the plant.

We will see lots of inefficiency in the months to come. Perfectly productive people will be unable to find jobs. Time and resources will be wasted wrangling over bankruptcies and bailouts, filing lawsuits against Bernie Madoff's business associates, and bending to pressure from lobby groups. People trained in economics are well-positioned to make sure the "diminishing cake" doesn't melt away even more, and more importantly (see research by Linda Kamas, inside), to propose fairer ways to distribute the burden of a faltering economy.

We hope your training in economics is serving you and your loved ones well in these uncertain times.

New Location for Economics Department

During the summer, the Economics Department moved from Kenna Hall to Lucas Hall, the new location for the Business School. This is the first time that all Business School departments are in the same building.



Lucas Hall is named for Silicon Valley venture capitalist Donald L. Lucas, a long time friend of Professor Mario Belotti.

Lucas Hall, which cost \$49 million to build, was dedicated September 14, 2008 by SCU President Paul L. Locatelli, S.J., with University leaders and key donors in attendance.

The 86,000-square-foot building is sited to the right of the main entrance to the campus, with one side of the building running along



Franklin Street. If you are in the neighborhood, please stop by to say hello. We would be very happy to show you around.

Building statistics:

- 2 1/2 times the size of Kenna Hall
- 10 classrooms
- 2 classrooms designed for executive education
- 102 faculty offices
- 16 breakout rooms for group projects and quiet study
- 5 executive conference rooms
- 50-seat café with wireless network connections
- 6 interdisciplinary centers & institutes integrated in one location

Our Professors are traveling and keeping up to date on their research



William Donnelly, S.J.

Father Donnelly was on sabbatical during the Spring 2008 quarter. He travelled to New Zealand, Vanuatu and the Solomon Islands, to study economic growth in those countries. He also went to Beijing (China), New Delhi (India) and Dubai (United Arab Emirates) where he visited the International Financial Centre which opened in September 2005.

During the Summer, Father Donnelly also went to the United Kingdom to study issues about movies and protectionism in England.

Father Donnelly will use all he has learned and gathered during his trips to develop new cases for his classes on international economics and trade.



Carolyn Evans

Professor Evans' recent area of research interest is the relationship between national electoral systems and trade policies. One recent paper focuses on overall tariff rates, examining whether countries with majoritarian electoral systems tend to have higher tariffs than do countries with proportional electoral systems.

Professor Evans is collaborating with an undergraduate student on a related research project that focuses more closely on agricultural policy. Such faculty-student research provides students with an opportunity to

learn research methods and to think independently about a topic of interest.

Dr. Evans is also working on a project with Professor Adina Ardelean, Lecturer in Economics at SCU, examining tariffs across different industries.



John Ifcher

Professor Ifcher will be teaching a new course in the Winter

Quarter – Econ 188 – an Economics Research Practicum. The primary goal of the course is to engage the students in real economic research (“to get their hands dirty” so to speak). Each student will be expected to work on a high quality research project that is either self-initiated or faculty-directed. During the quarter, the students will learn about different economic research methods, will practice using Stata (a powerful and increasingly user-friendly tool for data analysis), participate in a faculty-mentored research roundtable, and communicate the results of their research activities.

Last Spring, Dr. Ifcher attended and presented a paper “The Effect of a Welfare-to-Work Program on Homeless Shelter Use in New York City: Evidence from a Quasi-Experiment” at the Western Economic Association Conference in Hawaii. He also attended a workshop in San Antonio on teaching innovations, where he learned new active learning approaches.

Professor Ifcher is very excited about his new paper “Happiness of Single Mothers after Welfare Reform” which is currently un-

der review. He also is revising a couple of earlier papers, and working in collaboration with Professor Homa Zarghamee, Assistant Professor of Economics at SCU, on a research project regarding the relationship between happiness and short-term bias.



Dongsoo Shin

Professor Shin is spending a sabbatical year in Germany. During the Fall semester, Professor Shin gave three seminar talks:

“Granting an Exit Option to Conduct an Audit (with S. Yun)” Economics Department seminar series (University of Mannheim)

“Invest to Waste?: Costly R&D and Wasteful Production.” ZEW (Center of European Economic Research) Conference on Regulation and Innovation

“Voluntary Quality Disclosure under Price-Signaling Competition (with F. Caldieraro and A. Stivers).” Conference on Corporate Governance (University of Munich)

Dr. Shin is planning to give another talk in January at the University of Berlin. He is also working on a joint research project, titled “Disposal and Shutdown in Purchasing Strategy,” with Dr. Martin Peitz at University of Mannheim.



Shin in front of the University of Mannheim, where he is visiting.

Economics Faculty News



Linda Kamas

Professor Kamas' research in behavioral economics focuses on explaining why people behave in unselfish ways.

Conducting economic experiments, she has found that only about 11% of the people in the studies always act selfishly, while the others are sometimes willing to give up some of their money to other participants or charities. Most of these other-regarding people are consistent in how they are altruistic, either trying to reduce unequal outcomes, to increase the income of those worst-off, or to increase efficiency or the total payoffs. Women and students

majoring in arts and sciences are more likely to be inequity averse while men and business or economics majors are more often efficiency or surplus maximizers.

Professor Kamas' recent work has focused on evaluating whether these different types of social preferences can help predict people's behaviors in different economic situations. One of her papers was recently published in the journal *Feminist Economics*.

In March, she presented a paper at the International Meeting on Experimental and Behavioral Economics in Alicante, Spain, that examined how these different preference types make decisions

on giving to charity and how they respond to incentives such as matching grants or rebates.

Professor Kamas' most recent work examines notions of fairness, comparing concern for distributive fairness (the distribution of money or goods) to "just deserts" fairness (receiving what one is due based on one's actions). While three-quarters of the participants in the study are willing to give up money to improve distributive fairness, nearly all (including the "selfish") give up money to support "just deserts" fairness. This work was presented last summer at the Economic Science conference in Rome and in Tucson in the fall.

SCU Alums in the News

On October 31, 2008 Federal Reserve Chairman Ben Bernanke gave a talk via satellite at U.C. Berkeley/UCLA, on the mortgage meltdown crisis, where he mentioned SCU alumna Diana Hancock.

Bernanke focused on the mortgage securitization process. He said that securitization has been dominated mainly by government-sponsored enterprises (GSE): Fannie Mae and Freddie Mac.

Bernanke suggested that even with privatization of Fannie and Freddie, some government involvement is

still necessary.

Chairman Bernanke mentioned that **SCU Econ Alumna Diana Hancock** and fellow Federal Reserve board Economist Wayne Passmore proposed that government insure GSE bonds, analogous to the Federal Deposit Insurance Corporation (FDIC).

Bernanke summarized Hancock and Passmore's proposal as follows: "This new agency would offer, for a premium, government-backed insurance for any form of bond financing used to provide

funding to mortgage markets. For example, debt and mortgage-backed securities issued by the (privatized) GSEs as well as mortgage-backed bonds issued by banks would be eligible for the guarantee. That approach would clearly limit the government's exposure while making the benefits of explicit government support available to the market."

Diana Hancock is Assistant Director, Division of Research and Statistics, Federal Reserve Board. She graduated from SCU with a B.S., Mathematics and Economics in 1977.

Our alumni are suggesting solutions to important economic issues

Belotti talks about the US Economy in 2009

On December 11, Professor Mario Belotti spoke before a packed audience of Silicon Valley leaders on the impact of the financial crisis on economic activity and prospects for the U.S. economy in 2009.

The title of the talk was "The Present Economic Situation and Government Efforts to Avoid another Great Depression."

Belotti explained what the present situation is and how we got there. He also discussed actions that the Federal Government is undertaking to prevent another Great Depression. Dr. Belotti sees the economy recovering in the second half of 2009.

This lecture was part of the "Economics for Non-

Economists" Seminar Series sponsored by the Executive Development Center at SCU. Future sessions to be scheduled in 2009.



Alumni will have an opportunity to hear from Dr. Belotti in February 2009 when the SCU Alumni Association plans at least two events with the veteran forecaster.

Alumni Share Their News

After graduating from SCU in June 2008 with a Bachelor of Science degree in Economics, William Moeller was offered a job at the Chicago Federal Reserve Bank.

Will sent us a note explaining what he does in the Economic Research Department as an Associate Economist.

The unit he is in evaluates the competitive implications of bank mergers and acquisitions. Essentially, this involves applying federal anti-



trust laws to the banking industry. He started on Sept. 24th 2008, the week after the collapse of Lehman Brothers, Merrill Lynch and AIG. He attended an International Banking Conference and a Capital Markets Conference both of which focused on the causes and ramifications of the current crisis. In addition to his main responsibility, Will hopes to assist Fed economists with research in banking and finance that relates to the current crisis.

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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