



Santa Clara University

Levey School of Business

DEPARTMENT OF ECONOMICS
LEAVEY SCHOOL OF BUSINESS
SANTA CLARA UNIVERSITY

The SCU Economist

Two Veteran Economists Retire in 2009

Professors John Whalen and Thomas Russell retired at the end of this academic year.

Professor Whalen graduated from Santa Clara University in 1958, and after receiving his doctorate from UC Berkeley, returned to the campus in 1962. During his tenure at

SCU he served as Associate Dean for the Undergraduate Business Programs from 1978 to 1999.

Professor Russell joined the Economics Department in 1978. He received a number of awards, most recently the prestigious Robert I. Mehr Award from the American Risk

and Insurance Association, in recognition of his article "Catastrophe Insurance, Capital Markets and Uninsurable Risks."

Both will be greatly missed by their colleagues and staff. We wish them all the best as they embark on the next phase of their lives.



Dr. Field Applies Behavioral Economics to Military

On April 14, for the Economics Department Yellow Pad seminars, and again on April 22, for a university wide audience, Professor Field discussed his research on "Behavioral Economics: Lessons from the Military." Field works in two areas: on the technological and macroeconomic history of the United States and its relevance to our current crisis; and in the area of institutions, norms, and behavioral economics. This research, in the second category, was supported by a grant from Santa Clara's Center for Science, Technology, and Society.

In this paper, Field considers a body of observational evidence not commonly studied by economists, namely the behavior of men and women (mostly men) in the military. He focuses on three issues: first the behavioral foundations for creating an effective military unit; second, evidence that infantrymen have historically been reluctant to fire on the enemy and how this reluctance has been overcome in

the last half century through changes in military training; and third, the modern practice and conventions surrounding the taking of prisoners of war. The evidence in all three of these areas reinforces the appeal of the idea of cognitive modularity, the view that thought and behavior are influenced by different "mental organs." With respect to behavior, these usually align in the counsel they provide. But not always, and focusing on circumstances where guidance conflicts – Prisoners' Dilemmas are examples – offers a route towards building a more coherent behavioral science.

In discussing infantry training, Field argues that military trainers strengthen bonds of loyalty among squad members by building on a weak human predisposition to provide affirmative assistance to others, a predisposition which has been favored by evolutionary forces. He also argues that humans are generally predisposed against harming each other, and discusses the difficulties this has led to in getting sol-

diers to fire at each other.

In World War II, according to credible authorities, most U.S. fighter pilots never fired at another plane, and in infantry battles, no more than 20 percent of soldiers on average actually fired at the enemy. Other data suggest a natural tendency, when firing, to aim high. In the last half century, these predispositions have been more effectively overcome with changes in infantry training methods.

In examining policies and behavior affecting the taking of prisoners of war (enemy combatants), Field paints a complex picture of some soldiers, behaving rationally as they see it, killing surrendering soldiers, while millions of other soldiers succeed in surrendering.

This and other papers by Professor Field can be accessed on the Social Science Research Network (SSRN) at: <http://ssrn.com/author=347743>.



Economics Faculty News

Adina Ardelean



Professor Ardelean's research interest is the evaluation of product variety gains from international trade. Last March, Ardelean attended the 3rd Annual Conference "Empirical Investigations in Trade and Investment" in Tokyo where she presented her paper "How Strong is the Love of Variety?"

Another recent paper "Domestic Productivity and Variety Gains from Trade" joint with Volodymyr Lugovskyy, Assistant Professor at GeorgiaTech School of Economics, is currently under review.

She is also working on a paper titled "Trade Protection and Electoral Systems: A Product-Level Investigation" with Professor Carolyn Evans.

Fred Foldvary



Professor Foldvary has recently written several entries for a forthcoming Encyclopedia of Booms and Busts. He also designed some graphs on taxation for the Robert Schalkenbach Foundation.

Foldvary participated in the Eastern Economic Association Conference in New York City, Feb. 27-Mar. 1. At the conference, he was a panel member at a session of economists who accurately predicted the Crash of 2008. Foldvary was

also on a panel that reviewed the new book *The Earth Belongs to Everyone* and he participated in a Cengage publisher's focus group on teaching the Global Economic Crisis. His participation at the conference was made possible by a grant from the Association of Geogist Studies.

As director of the Civil Society Institute, Foldvary hosted and spoke at a conference on the California State Budget. The conference was held at Santa Clara University on April 27.

John Ifcher



Winter quarter has been eventful for professor Ifcher.

One of his papers was accepted for publication at the *Eastern Economic Journal*. Four abstracts were accepted for presentation at three conferences. Ifcher presented one paper at the Population Association of America conference in May, one at the Happiness and Relational Goods conference in June, and two at the Western Economic Association conference in July. Professor Zarghamee and he won an SCU Research Grant to run the "Happiness and Present-Bias" economics experiment. The experimental sessions were conducted in April. The results were presented at the Western Economic conference.

Ifcher taught two new successful classes in Winter: Economics 160 (Income Inequality and Poverty) and Economics 188

(Honors Research Seminar). Ifcher found Econ 188 especially rewarding because he worked closely with a number of students on research projects. Many of the students will continue to work on their research projects during the Spring 2009 quarter and beyond.

Subha Muthukrishnan



Professor Muthukrishnan is working on a research project to analyze the welfare effects of a shift from ownership to usage taxes for motor vehicles. Her research focuses particularly on

the impact of such a shift on revenue generation for the government, which has been ignored by previous studies. Her analysis leads to some interesting results. She finds that a shift from ownership towards usage taxes is not welfare-improving, while a revenue-neutral shift makes the representative car user worse off; a utility-neutral shift leads to a significant loss of revenue to the government. An empirical analysis based on Singapore data, where the government in recent years has taken initiatives to reduce the Certificate of Entitlement (COE) or ownership tax on purchase of new cars and gradually increase Electronic Road Pricing (ERP) charges yields the same results. This obviously has an important policy implication: Singapore may be better off under a COE than an ERP system. Muthukrishnan presented her findings at the International Conference on Policy Modeling at the University of Ottawa in June 2009.

2009 Hazel Award Winners

The Charles and Barbara Hazel Award for Excellence in Undergraduate Economics is awarded annually to the graduating senior (or seniors) who have achieved superior academic performance.

This year our Hazel award winner in the business school is Jeana Williams. Jeana worked all four summers of her undergraduate career as an intern in youth and neighborhood programs including: Sonoma County economic development board (where she was awarded Intern of the Year), Climate Change Solutions, and Marsh and



McLennan Companies where she worked as a risk analyst. She has also been active in campus service including: President of Alpha Kappa Psi Professional Business Fraternity, Student Assistant for the Center for Student Leadership, and Program Coordinator for Santa Clara Community Action Program. After graduation, Jeana will begin a Master's program in Gender, Development and Globalization at the London School of Economics.

The Hazel award winner in the College of Arts and Science is Nick Obradovich. Nick

worked with Professor Evans on co-authoring an empirical paper concerning agricultural protection and electoral systems. The paper is presently in submission for publication.

At present Nick is working at Stanford as a research assistant to Edward Lazear, the previous Chief of the Council of Economic Advisers to the White House.

Future plans include most likely pursuing a Ph.D. in Economics (with a potential focus on Environmental Economics). Ultimately, Nick would like to work in sustainable development or some related field.

Class Notes

John Salberg

(B.S. Economics, Class of 1987)



John says that when the market crashed in Fall 1987, jobs were scarce, so he began substitute teaching. He found that most Social Studies teachers detest teaching Economics, so he embraced the opportunity to teach the subject. He has been teaching and coaching at local schools for 20 years - the past at Branham High School.

John received a M.A. in Curriculum Development in 1997 and a second M.A. in Administration in 2008. Every year he makes it a point to improve his knowledge and introduce new learning techniques. John enjoys bringing his own passion for Economics to students and encourages them to think critically about how individual choices impact the world economy. He was proud to bring John Perkins to speak to the students this year.

John resides in San Jose with his wife Lori and their two children: Catalina (2½) and John Jr. (3 months).

Cameron Morris

(B.S. Economics, Class of 2005)



Since graduation, Cameron has worked at Google, for a start-up in Sao Paulo, and spent the last year with a start-up in San Francisco.

Cameron plans to apply to graduate school in the Fall and is preparing for the GRE. He is also preparing to travel to Mozambique on a fellowship with Kiva.org. He will be there for four months working with one of Kiva's micro finance institutes, Hluvu-Adsema in the areas around the Mozambican capital, Maputo. He will be working with the staff of the MFI to help strengthen their relationship with Kiva and meet with the MFI's lenders. Cameron will be blogging about his experience and about the MFI he is working with on the Kiva fellows blog (<http://fellowsblog.kiva.org>).

Benjamin Tate

(B.S. Economics, Class of 2007)



Ben will begin his first year of Law School in the fall at the James E. Rogers College of Law at the University of Arizona. U of A Law is ranked #38 in the US News and World Report rankings, tied with UC Hastings, George Mason, and the University of North Carolina. He is considering enrolling in their J.D./M.A. in Economics joint degree program.

After taking the LSAT in September and interviewing for a job with the AZ Attorney General's office, Ben took an unpaid position with the Obama campaign in AZ as the statewide Political Liaison. In October, he was offered the job at the AG's office, and subsequently turned it down to continue working for Obama. When some campaign money became available he was added to the campaign payroll as a salaried staff member. After Super Tuesday, he transferred to the field staff and was sent to San Antonio as a field organizer for the Texas primary. Ben says that it was easily the most fun, intense, and rewarding month of the whole campaign. The staff was so huge, the resources were so enormous, and the Obama supporters in Texas were so enthusiastic about the chance to seal up the nomination on March 4th.

After the primary Ben helped organize for the country conventions.

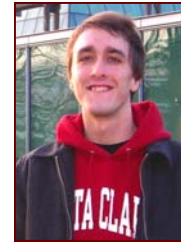
From there, he went to Lexington, Kentucky for six weeks then to Reno, Nevada for a month. At the end of June, Ben was promoted and asked to run the field operation in northern Maine as a Regional Field Director.

Ben spent thirteen months working on the campaign, traveling around the country and working in five states. He says it was by far the most intense and rewarding experience of his life. He met some amazing people and formed friendships with some incredible individuals, including a former U.S. Ambassador to Mozambique and a retired Brigadier General who was the second-in-command at NATO. He also had the honor of being invited to the inauguration. He went to

the swearing-in ceremony and two inaugural balls, the Neighborhood Ball (the one that was broadcast live on ABC), and the staff ball.

Christopher Foster

(B.S. Economics, Class of 2008)



Christopher is currently studying Law at University of Washington and is enjoying his time there. He says that his economic studies at Santa Clara have given him a great advantage in the class-

room where he is the "go-to-guy" on the economic impacts of legal doctrines. He urges his professors or fellow students to consider opportunity-costs.

His study of economics at Santa Clara has also provided excellent talking-points in job interviews. While interviewing with the Washington State Attorney General's Office, Antitrust Division, the attorneys took an active interest in his macroeconomics classes and his honors thesis on the subprime mortgage market; they appreciated his understanding of monopolistic market forces and the double-edged sword that is the Sherman Antitrust Legislation. Interviewers have commented to Christopher that they are always eager to hire economics graduates because they have a great aptitude for clear, focused analysis and are "big picture" thinkers.

Christopher is grateful to all Santa Clara economics professors who taught him to see the "big picture." This Summer Christopher will be applying his skills as an extern for the Chief Judge in the U.S. District Court of Eastern Washington.

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.

Whither the global economy?

Reflections from Michael Kevane, Chair, Dept. of Economics



A friend at a Silicon Valley start-up making programmable logic switches just called me, saying they had been unable to get a second-round lead investor, and so

were shutting down. A sobering reminder that while academic jobs by and large remain secure, and SCU's enrollment is as high as ever, much of the rest of the economy is mired in the largest recession since the Great Depression.

Indeed, most economists are now predicting that at best we will have a "jobless recovery," where employment stagnates even as GDP recovers. That is typical and predictable. The pace of technological innovation continues, often making remaining workers even more productive. (LinkedIn has re-

placed the Rolodex, how good is that?) Moreover, employers usually don't fire everyone (start-ups excluded) and the employees who remain are working at less than full capacity. So as the economy picks up the bosses push everyone a little more, a little harder, rather than hire more workers and risk having to fire them if demand falls off again.

The reluctance to hire, though, puts an upper limit to the speed of full-recovery, since 10-20% of the workforce remains unemployed and frugal.

This reasoning is the justification for continued stimulus spending in the form of public employment or increased fiscal spending on services.

Unfortunately, as news reports are revealing, the initial stimulus packages of many countries were filled with all kind of low-value projects. The world's political systems have a hard time turning on a dime to save a dime in the public interest. Those of you still in California know what I mean!

Meanwhile, over in Burkina Faso in West Africa, where I do a lot of my research, people are fairly insulated from the financial collapse. The banking system is healthy, and high gold prices have helped the small mining sector. Africans in politically stable countries, like Burkina and neighboring Ghana, are increasingly optimistic.

If the "bottom billion" are beginning to see realistic steady paths out of extreme poverty, through smarter risk-taking, investment, and reduction in fertility (and greater schooling for fewer kids) then that bodes well for us (they want better cars and bicycles, for sure) and the planet (they'll grow up more conscious of the environment than we did).

So right now I'm looking to China, India and Africa as the places where sustainable growth will carry us into the 2010s. It is in our interest to make sure that happens.