



Santa Clara University

Leavey School of Business

## Recruiting new faculty in Macroeconomics

This winter the Economics Department went through the occasional pleasure of recruiting new faculty. Due to the retirements of macroeconomists John Whalen and Tom Russell, we wanted to hire in macro. It could not have been more timely!

We were very pleased to have Arunima Sinha accept our offer of employment. She will join the Department in the Fall. Sinha is completing her PhD thesis at Columbia University,

and specializes in constructing and estimating Dynamic Stochastic General Equilibrium (DSGE) models of the economy. These complex models are the latest fashion in macro; everyone from the freshwater universities of Chicago and Minnesota to the salt-water centers in Cambridge and the Bay Area uses them. Sinha deploys the DSGE framework to help understand the interest rate yield curve – how and why its slope and position changes over time. It is a tremen-

dously important question at present, as the Federal Reserve struggles to keep both short and long term rates low in order to reduce unemployment.

The Department interviewed a good number of excellent candidates. We were struck by the rapid advances being made in the field. More rigorous modeling of the economy, thanks to more powerful computational techniques, will enable more intelligent macroeconomic policymaking. Obviously, we need that!

## Faculty Profile: Kris Mitchener

This academic year Professor Kris Mitchener is in residence at Stanford University's Hoover Institution as the W. Glenn Campbell and Rita-Ricardo Campbell National Fellow.

At the Hoover Institute, Mitchener is developing a book manuscript on sovereign debt crises from 1870 to 1913. This period, often referred to by economic historians as the first age of globalization and the age of bond finance, is particularly illuminating for the present because, like today, sovereign debt defaults occurred rather frequently and had significant costs to emerging market economies. Although recent research has begun to examine the mechanisms that were used to enforce repayment of sovereign debt during this period, there is nevertheless considerable scope for understanding the origins of and spread of emerging market debt crises, the determinants of borrowing costs, and the serial nature of defaults.

The response of the International Monetary Fund and other policymakers to Argentina's large sovereign debt default in 2001 and concern over the possibility of a wave of debt defaults by emerging market borrowers in the

wake of the current global financial crisis suggests the continued importance of understanding how sovereign debt markets operate, how creditors can design optimal contracts to prevent default, and why borrowers repay.

Under the auspices of a National Science Foundation grant, Mitchener has collected a new, comprehensive database of weekly sovereign bond prices that he has used to study why countries repay, contagion during the Barings Crisis of the 1890s, and the credibility of fixed exchange rate pegs. The grant allowed him to collect the data to write these papers and begin to explore issues that provide a context for the larger book project he will be producing. The book manuscript will make use of the entire database, and will allow Mitchener to analyze the entire sovereign debt market that traded in London. The detailed examination of the sovereign debt market of the late nineteenth and early twentieth centuries will provide a long-run perspective on government borrowing and shed light on issues of concern to contemporary policymakers.

Mitchener presented several papers including:  
 ♦ "Recession Trends and the Impact on States." at the Council

of State Governments (West), Santa Fe, New Mexico.



- ♦ "Arresting Banking Panics: Fed Liquidity Provision and the Forgotten Panic of 1929" at the Department of Economics, Stanford University.
- ♦ "Globalization, Trade & Wages: What Does History tell us about China?" at the Canadian Network of Economic History, Halifax, Canada and at the Department of Economics, UC Santa Cruz.

Mitchener's recent publications include:

- ♦ "Branch Banking as a Device for Discipline: Competition and Bank Survivorship during the Great Depression." (with Mark Carlson) *Journal of Political Economy* (April 2009, lead article) and NBER Working Paper 12938.
- ♦ "Supersanctions and Sovereign Debt Repayment." (with Marc Weidenmier) *Journal of International Money and Finance* (forthcoming) and NBER Working Paper 11472.
- ♦ "Why did Countries Adopt the Gold Standard? Lessons from Japan" (with Masato Shizume & Marc Weidenmier) *Journal of Economic History* (forthcoming).

# Economics Faculty News



## Linda Kamas:

Professor Linda Kamas presented her paper (co-authored with Anne Preston, Department of Economics, Haverford College) “Social

Preferences, Competitiveness, and Compensation, Are there Gender Differences?” at the Economic Science Association conference in Innsbruck, Austria and at the European Association for Evolutionary Political Economy conference in Amsterdam. This paper utilizes economic experiments to investigate the conventional wisdom that women are less willing to compete than men. The experimental results of the paper do not support this belief, rather, gender differences in the propensity to compete change with the nature of the task and the structure of competitive compensation. The paper finds that differences in confidence and stereotype bias are the primary determinants of gender differences in choosing to compete and that controlling for social preference type, confidence level, and stereotype bias, women are equally likely to choose competition as men. Another paper by Professor Kamas, “What Can Social Preferences Tell Us About Charitable Giving? Evidence on Responses to Price of Giving, Matching, and Rebates” will be published in a forthcoming volume of *Research in Experimental Economics*.

Last spring quarter, Kamas and Laura Ellingson (Communication Department, SCU) developed a new interdisciplinary course titled “Vocation and Gender; Seeking Meaning in Work and Life.” This course is part of the University’s vocation pathway and was funded by a DISCOVER Curriculum Development Grant. The course provides an interdisciplinary examination of vocation, understood as both a meaningful career and life outside of work. It incorporates theoretical and empirical methods of the disciplines of communication and economics to provide a rich set of tools with which to make discerning decisions on personal vocation. Economic models and empirical studies provide the framework for considering life choices while the field of communication enables analysis of the ways individuals and groups engage in interpersonal, organizational, and mediated communication surrounding work/life issues.



## Dongsoo Shin:

Professor Shin has returned from the University of Mannheim in Germany, where he

spent his sabbatical year during the 2008 - 2009 academic year. While in Germany, he worked on several research projects, including how the hierarchical structure of an organization is determined by its members’ dynamic incentives, and how optimal buying strategies by a retailer with a strong market power may cause wasting the products that the retailer purchased from the manufacturer. His recent article with Drew Starbird (SCU, OMIS Department), “Risk Taking as a Discipline Device in Contractual Relationship” has recently been published in *International Journal of the Economics of Business*.

Last April, Shin presented his work on signaling game, “Voluntary Quality Disclosure in Signaling-Price Competition” (with Fabio Caldieraro and Andrew Stivers), at the CERGE-EI, and his recent IO paper, “Optimal Purchasing and Sales Strategy: Burning What You Buy” (with Martin Peitz), at the 2009 International Industrial Organization Conference. This paper was also presented at the University of Heidelberg in June. He also presented another recent work, “Hierarchical Structures and Dynamic Incentives” (with Roland Strausz) at the University of Mannheim in March, and at the University of Munich in June.



## Homa Zarghamee:

Professor Zarghamee will be visiting New York University during the Fall 2010 semester. There, she will continue her research on time preferences

at the Center for Experimental Social Sciences. The particular experiments she intends to carry out study the effects of cues (sensory inputs) on preferences over present versus future utility. These were developed with Professor John Ifcher and are currently under review for funding at the National Science Foundation. NYU has a particularly large group of behavioral and experimental economists studying time preference with whom Zarghamee is eager to interact.



## John Ifcher:

Last spring quarter, Professor John Ifcher (with Professor Zarghamee) conducted an economic experiment in which they investigated

whether happiness decreases myopia (time preference) - discounting the future at a high rate. Subjects were randomly assigned to receive a happy - or neutral - affect inducement. Immediately following the inducement, Ifcher and Zarghamee measured subjects’ myopia using a 30 question instrument. The results indicate that the happy-affect induce-

ment significantly decreased myopia. This research is important because myopia has been shown to be commonplace and is believed to lead to a series of negative outcomes, such as over-consumption and addiction. The results of the experiment were summarized in a paper “Happiness and Myopia: Evidence from a Random Assignment Experiment” and presented at a series of conferences and workshops over the summer including the invitation only CSIP Workshop at the San Francisco Fed. You can find the paper at [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1491247](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1491247)

Over the summer, Ifcher also presented papers at conferences in Venice, Italy, and Vancouver, British Columbia, Canada; and (with Zarghamee) submitted a three-year NSF grant entitled: “The Determinants of Time Preference: An Experimental Examination.” They will learn if they won the grant in June.



## Adina Ardelean:

Lecturer Adina Ardelean’s paper “Domestic Productivity and Variety Gains from Trade” (joint with Volodymyr Lugovskyy from Georgia Tech) was accepted for publication in *Journal of International Economics*.



## Fred Foldvary:

On Sept. 18, 2009, Lecturer Fred Foldvary presented a paper on “The Private Provision of Public Goods: The History and Future of Communal Liberalism” at a conference on “Liberalism and Communal Self-Administration” in Potsdam, Germany. Foldvary’s presentation was funded by the Liberal Institute of the Friedrich-Naumann-Foundation for Liberty. While in Potsdam, Foldvary visited the palace where Truman, Churchill, and Stalin met to determine the future map of Europe. At Potsdam, he visited the “Sans Souc” palace built by King Frederick the Great. Foldvary also toured points of interest in Berlin.

In July 2009, Foldvary participated in the “FreedomFest” conference in Las Vegas, where he was a member of an “All Star Prediction Panel” of economists and financial analysts who accurately predicted the Crash of 2008.

Foldvary’s chapter on “Urban Planning: The Government or the Market” is included in the 2009 book, *Housing America: Building Out of a Crisis*.

# Kevane Takes Students to West Africa

Professor Michael Kevane took a group of SCU students to Burkina Faso last Fall as part of the Study Abroad/Immersion in Burkina Faso (Reading West Africa –RWA) program. The semester-long program is designed for students who have at least one year of university-level French or “equivalent interested in combining academic work on the literature and development challenges of West Africa with immersion and community-based learning



Prof. Kevane take ritual drink of sorghum beer with elders of Boni village

experiences in public libraries in small towns and villages in rural areas.” Students divide their time between Ouagadougou, the capital of Burkina Faso and a small village in the southwestern part of the country. During their time in Burkina Faso, the students are expected to read French West African novels, immerse themselves in the French language, intern in a village library to help children read, and create and publish two books of photographs about life in Burkina Faso villages. Students also get involved in the development challenges of Burkina Faso, one of the poorest countries in the world. In addition, they spent one week in Dogon country (on the Burkina-Mali border) to visit the famous Dogon cliff homes in Mali. All activities in Burkina

Faso are organized by Friends of African Village Libraries (FAVL), a non-profit organization that supports and operates libraries in several Burkina Faso villages. Kevane was instrumental in establishing FAVL and is the co-director for the West Africa program.



Prof Kevane and Prof David Pace (Photography Dept - SCU) with students in RWA program

## Economics Club is back

The Economics Club had several successful events during the Fall, and is planning more for the rest of the year.

During Fall quarter, the club organized a discussion with Professor David Friedman of SCU’s School of Law. Friedman explained his theory of anarcho-capitalism and provided some interesting points for debate. The club members had a lot to ponder and discuss afterward.

In addition to weekly meetings, the Economics Club scheduled a movie night and watched the 1987 film “Wall Street” together. One additional thing that the members have done, is provide their services as economics tutors to undergraduate students.

The club plans to travel to San Francisco together to visit the Federal Reserve. Other future plans include more interaction with Economics professors, such as last year’s meeting with Professor Carolyn Evans to discuss her experiences and research. The club would like to get to know each professor and learn from their valuable experiences.

## Extraordinary Faculty Awards

At the Town Hall Meeting on December 3, 2009 Acting Dean Drew Starbird announced this year’s Faculty awards.

The awards are divided in three categories.

The Leavey School of Business recognized faculty for their research, teaching, and service over the previous academic year.

**The Extraordinary Service Award** was given to Mario Belotti, Alexander Field, Linda Kamas and William Sundstrom

**The Extraordinary Teaching Award** was given to Mario Belotti, Carolyn Evans, John Ifcher, Subha Muthukrishnan, and Homa Zarghamee

**The Extraordinary Scholarship award** (for research) was given to Kris Mitchener and Helen Popper.

The Economics Department is very proud and honored to have such dedicated and hard working faculty. We would like to congratulate all awardees.

## Economic History Conference

Santa Clara University hosted the annual All-UC Group in Economic History Conference this past March 26-27 with the theme “Financial Crises and the Real Economy in Historical Perspective.” Professor Alexander Field facilitated the conference and presented his paper entitled “Financial Fragility and Recovery, Then and Now.” Also speaking was Professor Kris Mitchener who presented his paper, co-authored with Mark Carlson (Board of Governors, Federal Reserve) and Gary Richardson (UC Irvine) entitled “Arresting Banking Panics: Fed Liquidity Provision and the Forgotten Panic of 1929.”



Mitchener with Michael R. Adamson (CSU Sacramento)

# Alumni News

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## Pete Freeman

(BSC Finance, Economics Minor, Class of 2005)



Pete graduated from Santa Clara in 2005. After graduation he worked for a mortgage lender in Santa Clara for a year. He says he then made a great decision and joined the Peace Corps. They sent him to Senegal, West Africa. He spent 2.5 years in Senegal, working as a Small Enterprise

Development Volunteer. He lived with a local family and worked in a small town of 20,000 with a couple of paved roads, and a lot of sand. He says this experience allowed him to learn a new language (Wolof), experience a new culture, and build relationships with people who changed his whole outlook on the world.

Even more than this cultural exchange, he loved his work. Most of the time was spent with handicraft cooperatives, and they were able to do things he had never dreamed possible at the outset. He began working with a group of illiterate women who weave baskets in the villages around the town in which he lived. Rather than competing amongst themselves individually and saturating

the local market, Pete assisted them in forming a cooperative, so they could work together and tap more lucrative markets. Through successive leaps of faith, they shipped out their first 20' container of 1,500 baskets to a wholesale buyer in the US. Today, the cooperative employs 100 people in villages without electricity and is a shining example of grassroots development in an area where opportunity is far too rare.

In March of 2009, Pete returned from this adventure that he says will shape the rest of his life. Pete will be applying to graduate school next Fall and is looking at NYU's Business School and MPA (the New School Masters) and Fordham University.