ECONOMICS & Business

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Staisiunas ’04 studies unemployment in 1880s

Justas Staisiunas ’04 and Susan Averett study unemployment in the 1880s.

Before unemployment insurance, individuals were on their own when their job ended. **Justas Staisiunas ’04** is examining unemployment among New Jersey workers in the 1880s prior to unemployment insurance. He is working as an EXCEL Scholar under the direction of **Susan Averett**, department head and associate professor, and **Howard Bodenhorn**, associate professor.

Political economist Adam Smith, writing in 1776, contended that workers who faced expected bouts of unemployment demanded higher wages when they were employed to tide them over periods when they were not. “Using data from a manufacturing census conducted in the late 1800s in New Jersey, Staisiunas is estimating an econometric model to test Smith’s hypothesis, which surprisingly has received little empirical scrutiny,” says Averett. “Preliminary results presented at the Eastern Economic Association meeting in New York City in February indicate that some workers did indeed receive higher wages to compensate them for the higher levels of unemployment they experienced, although it was usually not sufficient to make up for the full amount of time lost.”

A mathematics-economics major, Staisiunas is from Lithuania. He chose Lafayette because “it was a fine liberal arts college.” He didn’t want a big state school. What Staisiunas enjoys most about the EXCEL program is “working with the statistical programs and running models, brainstorming what is important in the model, and using economic theory to predict relationships.”

Staisiunas would like to work for an economic research institution or a federal reserve bank. He plays intramural basketball, helped organize the International Extravaganza, and is a calculus lab teaching assistant. ■

Left-handedness increases wages

Do you know someone who is left-handed? Only about 1 in 10 people are, raising the question of how life is different for them. It could be that living in a world designed for the right-handed disadvantages lefties. On the other hand, perhaps the biological characteristics determining handedness are related to other neurological characteristics that give left-handers an advantage. Finally, if the world is difficult for left-handers but some of them learn to persevere, they may go on to greater achievements as a result.

“Among the disadvantages faced by left-handed workers are the large number of machines and tools that are designed for right-handers: electric food slicers, drill presses, dental hygiene equipment, and most scissors, to mention a few,” says **Christopher Ruebeck**, assistant professor. “Left-handers are 85 percent more likely to have an accident-related injury while driving. It has also been found that the top 0.01 percent of SAT scorers are twice as likely to be left-handed and that left-handers are disproportionately represented among university students, professors of architecture and math, musicians, and members of the U.S. Chess Federation.”

Econometric techniques can be used to study the effect handedness has on earnings, wages, length of unemployment, or job turnover. The National

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What’s Inside

From the department head

The department of economics and business has long prepared its graduates for successful careers in both the public and private sector. As I take over as department head, I am pleased to report we continue our strong tradition of excellent education and quality research.

This newsletter is designed to keep alumni informed of recent activities and show prospective students the many opportunities they have to interact with faculty outside the classroom. We also want other departments to know about us and, perhaps most importantly, we like to celebrate the excellence that our students achieve during the year. We hope you enjoy the newsletter and will send us news about yourself and other graduates.

As you will see, the department is a lively place. Students are conducting research with faculty members and presenting it at conferences. Faculty are engaged in their own research and publishing in prestigious journals. Several faculty have published textbooks or are working on new ones. Our CIRCLE entrepreneurship lecture series remains strong in its third year. We have hired a new macro/development economist, **David Stifel**, who will begin this August. We will also retain two excellent visiting faculty members, **Ute Schumacher** and **Vera Brusentsev**, who advise students on theses and EXCEL projects.

I thank **Jerome Heavey** for his excellent service as our department head for the past six years. He guided us through a very successful external department review in March 2002, during which the department was evaluated to ascertain its strengths and weaknesses. The review team consisted of professors from University of Pennsylvania, Trinity College, and Vanderbilt University. The review was highly complimentary, noting particularly the rigor of our joint economics and business curriculum.

The department remains among the largest on campus, with approximately 100 students in each recent graduating class. We have a dozen students writing senior theses, many of whom presented their results at an undergraduate conference in April at Ursinus College. We also awarded a number of outstanding students department prizes. Several were inducted into Phi Beta Kappa and **Hart Feuer ’05** was awarded a prestigious Morris Udall Foundation Scholarship for students concerned about environmental issues.

Finally, we note that **Carol Riffert**, long-time department secretary, has decided to retire and spend more time with her two grandchildren. We will miss Carol’s dedication, warmth, and understanding, and wish her well.

Susan L. Averett

Susan L. Averett

Using research in the classroom

There has been a substantial debate in economics over the past 20 years regarding whether disturbances in most economic and financial time series are temporary or permanent.

“Untangling temporary and permanent shocks has important implications for theories of short-term economic fluctuations, long-term economic growth, and macroeconomic policy,” says **Philip Shively**, assistant professor. “Understanding better whether a shock is temporary or permanent also has applications to financial economics such as the predictability of stock prices and arbitrage opportunities, and international finance, such as exchange-rate determination and time-varying risk.”

Shively’s research focuses on developing and applying econometric techniques to resolve prominent empirical issues in macroeconomics, financial economics, and international finance. He uses the research to provide relevant examples in courses such as macroeconomics, microeconomics, econometrics, corporate finance, and investments. “The issues show how economic and financial policy can improve the economic environment and the quality of lives,” Shively says.

Among the students Shively has worked with on EXCEL research projects is **Douglas Schiz ’04**. They investigated arbitrage profits reaped at rare times when the yield curve is inverted. Typically, a short-term bond would have a lower yield than a longer-term bond.

“Inverted yield curves are characterized by short-term interest rates being higher than long-term interest rates,” says Schiz, a mathematics-economics major. “The price of a government bond is determined by the yield rate. The higher the yield, the lower the price. We want to see if there are opportunities to obtain an abnormally large return on an investment of a treasury if bought during a time of inverted yield curve.”

Shively recently completed *Investments*, a comprehensive, general-audience textbook and will use it this fall in his investments course. He has also been studying purchasing power parity (PPP). “There is a continuing debate about whether PPP holds as a long-run equilibrium relationship,” he says. “The theory of PPP says that the exchange rate between two countries should equal the ratio of price levels for a fixed bundle of goods and services.” Shively examined this hypothesis by subjecting annual, long-horizon real exchange rates to a test using a statistical method he developed. He found clear and consistent evidence in favor of the true purchasing power parity relationship. ■

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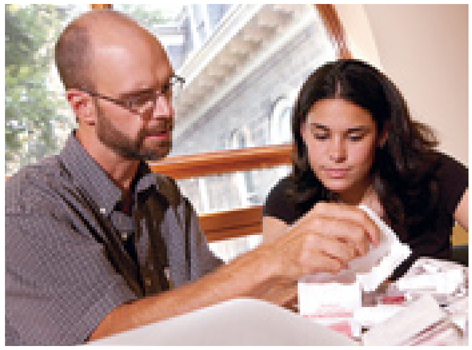
Left-handedness
(continued from page 1)

Longitudinal Study of Youth (NLSY), a long-term data set funded by the U.S. Department of Labor, asked participants in 1993 whether or not they were left-handed. The data provide evidence for an interesting relationship between handedness, wages, and education.

"Left-handedness appears to have a positive effect on the 'return to education,' or the benefit that each additional year of education has on a person's wage rate," says Ruebeck. "Although an additional year of education increases right-handers' wages by 7 percent on average, it increases left-handers' wages by 10 percent. Right-handed participants in the NLSY who get a college degree increase their wages an average of 36 percent over those without a college degree, while left-handed participants receive an additional 18 percent increase."

There may be occupational reasons for the advantage: perhaps lefties' proclivity for certain college majors, professions, or industries puts them in positions that demand higher wages in the labor market. There may also be differences in cognitive skills associated with the neurology of handedness. "Other tests run on NLSY



Christopher Ruebeck, assistant professor, and Suzanne Metzger '03 review research on the effects of incentive programs on employee behavior.

data do not provide evidence for any of these explanations, so we are left with the result that lefties have greater returns to education, after starting at a disadvantage," Ruebeck says. "The data only provide weak support for a disadvantage in physically demanding occupations."

As is usual in economics, the data are not perfect. "The definition of handedness in the NLSY leaves much to be desired," he continues. "Rather than the simple left/right categorization, a series of questions should be asked about different tasks such as kicking a ball, writing, swinging a bat, and so forth to detect the degree of laterality. Second, the categorization of occupational differences in the NLSY survey does not directly address the known relationships with handedness. There is one more caveat: the excess returns to education hold for men, but not for women. Women's labor market decisions are very different from men's."

A paper on this study coauthored by Joseph E. Harrington Jr. and Robert Moffitt of Johns Hopkins University will soon be submitted for publication. They presented this research in January at a meeting of the Econometric Society.

Ruebeck also collaborates frequently with students on honors theses and EXCEL Scholars projects. This year's projects have included studying tipping behavior in restaurants with **Suzanne Metzger '03**; the effect of political candidates' "early money" on later campaign contributions with **Jennifer Conway '03**, a double major in government and law, and **Alexandra Cooper**, assistant professor of government and law; and the impact of international trade restrictions on capital investment in the domestic steel industry with **Jarrod Poveromo '03**, an A.B. engineering double major, and **David Veshosky**, associate professor of civil and environmental engineering and chair of A.B. engineering. ■

Faculty Publications 2003

Howard Bodenhorn
State Banking in Early America: A New Economic History. New York: Oxford University Press, 2003, 355 pp.

"The Complexion Gap: The Economic Consequences of Color Among Free African-Americans in the Rural Antebellum South," *Advances in Agricultural Economic History, 2* (2003), pp. 41-73.

Review of Dan Rottenberg's *The Man Who Made Wall Street: Anthony J. Drexel and the Rise of Modern Finance* (Philadelphia: University of Pennsylvania Press, 2001), in *The Journal of American History* (2003), pp. 1547-48.

Thomas Bruggink
(coauthor **Colin Roosma '01**), "The Attendance Boost Is Over-Rated for Interleague Baseball, and the Big Mac Attack is a Hit on the Road: All This and More from the Within-Season Demand Model for Major League Baseball," *Journal of Business and Economics Research* 1:3 (March 2003), pp. 55-63.

Rosie Bukics
"Revenue Recognition: It Doesn't Really Concern You, Or Does It?" *AFP Exchange: Turning Knowledge into Performance* 22.6 (November/December 2002), pp. 92-96.

(coauthor John M. Fleming), "Fraud Detection: SAS 99 Increases Auditors' Responsibilities," *The Pennsylvania CPA Journal* 73.4 (Winter 2003), pp. 35-38.

Sheila Handy
"Can You Protect Yourself from Financial Statement Misstatements?" *Financial Accounting & Reporting* (January/February 2003), pp. 52-54.

Christopher Ruebeck
(coauthors Sarah Stafford, Nicola Tynan, et al.), "Network Externalities and Standardization: A Classroom Demonstration," *The Southern Economic Journal* 69:4 (April 2003), pp. 1000-08.

Asian financial crisis and unemployment

The effect of the Asian financial crisis on unemployment in East and South Asia is the focus of EXCEL research for **Dhiraj Sharma '05** and **Vera Brusentsev**, visiting assistant professor.

"Raj is researching and collecting unemployment data in several Asian countries," says Brusentsev. "He's looking at gender, age, and demographic groups and trying to discern trends. From this data, we are trying to determine an employment protection index."

Sharma, an economics and business major from Nepal, has a personal interest in the subject. "Brusentsev is very knowledgeable and helps guide me through the research," he says. "I look forward to continuing the analysis of this data with her as we construct the index." ■

Wynne ’02 presents spending and math scores study

■ by Sheila Handy

The relationship between school district spending and standardized eighth-grade mathematics scores was the focus of honors thesis research by **Scott Wynne ’02** which he presented at the Eastern Economic Association meetings in New York City this February.

Wynne’s research continued his econometrics course project. He found that previous researchers reported contradictory results. Some argue that school resources are unimportant and that family background determines student success. Others find that school resources are important determinants of success but question their cost effectiveness or argue the relationship is not significant. Wayne discovered that no study accounted for all of the variables that might influence test scores.

Wynne accounts for more factors than prior studies, including school district enrollments, percentage of special education students in the district, percentage of students enrolling in college, location of the district relative to a large city, median teacher salary, percentage of minority students, average attendance rate, Census Poverty Index, percentage of drop-outs, average class size, average number of years of teacher experience, and average family wealth in the school district. The results still indicated a significant, positive relationship between expenditures and assessment scores.

His conclusion that school spending influences educational outcomes has important public policy implications. Although Wynne’s research does not address the tradeoff between different types of expenditures, it suggests that school districts need to develop a keener understanding between student benefits and the type of expenditures.

A mathematics-economics graduate, Wynne is currently teaching middle school mathematics in Yorktown, N.Y., and working on a master’s degree in education at Pace University. ■

For Further Reading

Materialism and art

■ by Howard Bodenhorn

In his book, *In Praise of Commercial Culture* (Harvard University Press, 1998) Tyler Cowen does not repudiate cultural pessimism—the belief that materialistic culture corrupts true art—but he labors to stand it on its head. Not only do market-oriented societies and materialistic cultures not corrupt true art, they further it.

To Cowen, significant artistic advances were always inherently tied to the marketplace. Although artists may say that they pursue their craft for personal or spiritual reasons, they also do it because it promises monetary rewards. On a larger scale, economic constraints have often had more influence on artistic developments than social constraints. Wealthy economies consume more art than poor ones, providing artists with more freedom to pursue their work. Advanced economies actually free the artist from the tyranny of the marketplace. When paint and canvas were expensive, experimentation was costly. As the costs of materials fell, artists could better afford to experiment without concerns over immediate sales.

After discussing how markets encourage art, Cowen turns to literature, painting, and music in turn. Writing became potentially lucrative only in the 18th century, after technological advances made the widespread trade in books possible. Decentralized capitalism now offers authors more and better outlets than ever before. Cultural pessimists, however, complain that most publishing eschews high-brow literature for low-brow pulp fiction. Yet in 1990 over one billion books were sold in the United States alone. Bestsellers accounted for just 3 percent of sales. Fret not that Stephen King outsells Umberto Eco or that more people are familiar with Hercule Poirot’s quirks than with Hamlet’s. Rejoice, instead that capitalism puts so may books so close at hand.

While publishers target mass audiences, painters and sculptors create unique pieces marketed, by necessity, to the wealthy. Cowen argues that patronage—government or otherwise—is not the best way to encourage artistic expression. In case studies of Florence, Amsterdam, Paris, and New York City in their artistic ‘golden ages,’ he concludes that decentralized markets were more amenable to experimentation. In 1870s Paris, the Impressionists succeeded because they broke away from the conservative Salon and developed their own marketing networks when they were closed out of existing ones.

Nowhere, perhaps, has technological advance led to more experimentation, diversity, and dissemination than in music.

Faced with such a range of options in books, art, and music, it would seem hard to argue that capitalism corrupts art, yet the beat goes on. Cowen offers five explanations. First, cultural pessimism appeals to uncritical, casual observation. Second, it focuses on the decay and passing of the familiar. Everything from Athenian drama to punk rock emerged in a creative flash, grew popular, then faded away. Third, cultural pessimists use biased yardsticks, comparing the average of today with the best of yesterday. Most of the average of yesterday has now passed into historical oblivion, as will most of what is painted, written, or recorded today. Fourth, cultural pessimists confuse the marginal with the average contribution, comparing everything that has passed before to what is happening right now. Finally, cultural pessimists are elitists who, to make themselves feel important, portray mass-consumed culture as artistically bankrupt. Elitists want to rise above the leveling effects of a liberal economic order, preferring the hierarchical, unequal, inegalitarian outcomes inherent in centrally directed regimes whether in art or economy.

Although he takes them to task, Cowen is glad cultural pessimists exist because they force us to reevaluate our culture and our art, as well as our morality, society, and economy. Artistic, as well as economic, innovation is an ongoing process of experimentation, evaluation, and criticism. ■

U.S. economy benefits when other economies do poorly

by Edward Gamber

Economic expansions in the United States since World War II have tended to end with the same pattern: as the economy approaches capacity, wage and price inflation begin to rise. The Federal Reserve then tightens monetary policy to dampen inflationary pressures, thereby pushing the economy into a recession. The expansion that ended in March 2001, however, appeared to deviate from this pattern. There was little inflationary buildup, so the Federal Reserve did not begin uninterrupted tightening until late June 1999, when consumer price inflation was running only slightly above the 2 percent rate. By comparison, consumer prices were rising at 6.2 percent at the end of the 1960s boom and over 5 percent at the end of the 1980s boom. The monetary tightening of 1999 was enacted more in reaction to the threat of inflation, in light of the tight labor market, than to actual high inflation.

What made the 1990s different? One explanation is that the United States benefited from slow growth in the rest of the world. According to the asymmetry hypothesis, an economic expansion that occurs in only one country will be stronger and longer lasting than an economic expansion that is synchronized with expansions in the rest of the world. In other words, the United States will have longer and stronger expansions during periods in which the rest of the world's economies are doing poorly.

Economic theory points to four possible reasons. First, when the United States experiences an asymmetric expansion, financial markets benefit from increased foreign capital. The influx of capital boosts the stock market and keeps interest rates from rising, both of which prolong an economic expansion.

Edward Gamber (left) and Michael Kotov '03 studied biases in the Consumer Price Index.

Second, asymmetric expansions tend to last longer because workers' wages tend to rise less in expansions that are out of synch with the rest of the world. Foreign wages grow more slowly than U.S. wages during asymmetric expansions and U.S. firms can move (or threaten to move) production abroad if domestic workers' wages are too high. The pressure to restrain wage growth lessens inflationary pressures and therefore reduces the need for Fed tightening.

Third, asymmetric expansions lead to greater imports and reduced exports, which acts to dampen the expansion and mitigate inflationary pressures. And fourth, asymmetric expansions cause the dollar to appreciate relative to foreign currencies. A strengthening dollar reduces import price inflation, as well as overall inflation.

For these reasons, a positive business cycle shock that hits only the United States will produce a stronger and longer expansion than a similarly sized business cycle shock that hits all countries equally. An asymmetric business cycle shock will produce less inflation and a smaller increase in interest rates than a similarly sized symmetric business cycle shock.

Juann Hung, a principal analyst, Congressional Budget Office, and I tested the hypothesis using data for the United States over the past 45 years. We find strong supportive evidence that real output (Gross Domestic Product) has responded more to asymmetric than symmetric shocks and inflation and interest rates have responded more to symmetric than asymmetric shocks.

Our results suggest that economic expansions will be longer and stronger when the rest of the world's economies are doing poorly. It is important to interpret these results with caution. For most of the sample period considered, the United States has been somewhat insulated from the effects of foreign economic conditions. Over the past 20 years, trade between the United States and the rest of the world has expanded rapidly, but imports and exports have only just recently risen above 20 percent of Gross Domestic Product.

In the past, the limited economic integration of the United States with the rest of the world has worked in its favor. Foreign influences have been just large enough to provide a mitigating effect during asymmetric expansions. As integration with the rest of the world grows, however, reliance on foreign trade will grow as well. In the future, poor economic performance on the part of trading partners could potentially produce enough drag on the U.S. economy to pull it into recession.

For more, see: Gamber, Edward and Juann Hung, "Has the Rise in Globalization Reduced U.S. Inflation in the 1990s?" *Economic Inquiry*, (January 2001), pp. 58-73. ■

Investment Club participation strong

Student participation in the Investment Club remains strong, even though the value of the portfolio has fallen from its high several years ago. Adviser **Philip Shively**, assistant professor, says the current value is $230,000, down from a high of over $400,000 in 2000.

In response to changing market conditions over the past few years, students have shifted from a growth-oriented investment strategy to a value-oriented investment strategy. The five largest stock holdings are Caterpillar, Dynegy, IBM, John Hancock Financial Services, and Pfizer.

During their annual trip to New York City, members visited the Museum of Financial History, which is affiliated with the Smithsonian Institution, and had lunch with **Alan R. Griffith '64**, vice chairman of the Bank of New York and chairman of Lafayette's board of trustees, and Kevin J. Bannon, executive vice president and chief investment officer at the Bank of New York.

Outstanding seniors receive departmental awards

Seven seniors have received awards for outstanding academic achievement from the department of economics and business. They are:

John H. Allen Prize to the author of the best essay in public finance —**Crystal Taylor**.

Economics and Business Prize for outstanding academic performance in economics and business and leadership in departmental activities; and **Pennsylvania Institute of Certified Public Accountants Award** for excellence in accounting and for participating in college and community affairs —**Shivani Malhotra**.

J. H. Tarbell Award to the student who demonstrates an understanding of financial operations and institutions —**Michael Kotov**.

Wall Street Journal Student Achievement Award to the student whose academic performance in economics and business is considered exceptional; and **Institute of Management Accountants Award** for excellence in accounting —**Dan Williams**.

Institute of Internal Auditors Award for excellence in accounting and business subjects—**Jeff Zambrano**.

Robert F. Hunsicker Educational Prize to student who has done meritorious work in the area of small business studies —**Suzanne Metzgar**.

Financial Executives Institute Award in recognition of outstanding academic achievement in accounting and/or finance, promise of future success, and intent to seek a career in corporate accounting or financial management—**Matt Tambellini**.

Five honored for teaching and research

Five economics and business faculty were honored for outstanding teaching and research at Lafayette's annual faculty-trustee dinner May 23.

Susan L. Averett, associate professor and department head, received the Marquis Distinguished Teaching Award. A specialist in economic demography and labor economics, Averett has twice received the Department of Economics and Business Teaching Award and the Student Government Superior Teaching Award.

Howard N. Bodenhorn, associate professor, received both the Mary Louise Van Artsdalen Prize for outstanding scholarly achievement and the Student Government Superior Teaching Award. An economic historian, Bodenhorn most recently published *State Banking in Early America*, which joins an earlier book plus dozens of articles, papers, and reviews. The recipient of an NSF grant, Howard was named a research associate at the National Bureau of Economic Research.

Harold M. Hochman, William E. Simon Professor of Political Economy, who retired at the end of the fall semester, was elected to emeritus status. He is an expert in public finance and political economy.

Thomas H. Bruggink, associate professor, and **Edmond J. Seifried**, professor, were both honored for their 25 years of service to Lafayette. Seifried specializes in banking and financial markets, and Bruggink specializes in quantitative methods, natural resources, and regulation. ■

Students visit Morgan Stanley

■ by Sheila Handy

A tour of the bond trading floors at the Times Square offices of Morgan Stanley was one of the highlights of a trip to New York March 8 by 25 members of the Investment Club and Omicron Delta Epsilon economics and business honor society. The day also featured an alumni panel discussion led by **Gina Luckaszewicz McCarthy '86**, who works in the bond sales division. Other Morgan Stanley panel members were **Joe Gaziano '86**, a bond trader, **Lisa Butler '87**, investment banking, and **Bonnie Pratt '86**, information technology.

Panel members described their responsibilities and outlined some of the skills they gained at Lafayette that they use in their current positions. Gaziano manages a portfolio of approximately $11 billion in mortgage-backed bonds. He said traders should have excellent math skills due to the sophisticated nature of the bond market.

Butler is a member of a team of investment bankers that works on mergers and acquisitions. She stated important skills to have are the ability to multitask, be quick on your feet, and be aware of what is happening in the business world. She stressed that reading *The Wall Street Journal* on a daily basis is essential and should be done long before interviews begin.

Pratt's responsibilities in the IT division include supporting trading systems.

McCarthy said that students should make themselves known to recruiters, ask questions, exhibit what they know about the firm, and give the impression that they are willing to perform any job offered. ■

Alumni return to campus

Ten alumni returned to campus for a roundtable discussion about careers in financial services March 12. They described job responsibilities, shared experiences, and responded to questions from students. Among the alumni attending were (from left): Adam Scheer '02, Goldman Sachs; Megan Cooper Rutt '98 and Elena Sidelnikova '01, both J.P. Morgan Securities; Saad Rasool '02 (standing), Merrill Lynch; and Ousmane Diagne '99, Charles Schwab. The event was sponsored by Omicron Delta Epsilon, economics and business honorary society.

Seniors explore topics in honors research

Tax records from the mid-1800s reveal much about the economic conditions of freed African Americans in Virginia. **Shivani Malhotra '03** first studied the records as an EXCEL Scholar with **Howard Bodenhorn**, associate professor, and then continued her work on the subject with Bodenhorn for her honors thesis, "Racial Wealth Inequality before Emancipation, Virginia, 1860."

An economics and business major, Malhotra says tax records list the number of cattle, sheep, and horses a person owned, along with household furniture, gold, silver, clocks, watches, and personal income. By studying the records, she was able to develop more comprehensive knowledge about disparities between blacks and whites. "Free blacks did not own much in the form of land and other physical assets," she says. "But they did have a reasonable income."

Ten other economics and business seniors who completed honors theses were:

Jennifer Conway, "Understanding Fund-Raising in Presidential Nominations: Deciphering the Dollars," advised by **Chris Ruebeck**.

Josh Grubman, "A Comparison of Relative Abilities of Multiple Regression Analysis and Artificial Neural Networks to Predict House Price in a Hedonic Model," advised by **Thom Bruggink**.

Kristen Gullestad, "Idiosyncratic Risk and the Correlation of Individual Stocks: An Empirical Study," advised by **Don Chambers**.

Suzanne Metzger, "How to "Serve" Satisfaction: An Economic Analysis of Tipping," advised by **Chris Ruebeck**.

Shane Mohr, "Insider Trading: Relevant SEC Rules and Regulations," advised by **Philip Shively**.

Jarrod Poveromo, "Policy Measures in the Steel Industry and Their Effect," advised by **Chris Ruebeck**.

Chris Reich, "The Effects of *U.S. News and World Report's* Annual College Ranking on University Admissions, Decisions, Pricing Polices, and Allocation of Resources," advised by **Thom Bruggink**.

Shivani Malhotra '03 reviews her thesis work with Howard Bodenhorn.

Greg Staszowski, "Assessing the Efficiency of the Eurodollar Futures Contract Market," advised by **Ismail Jouny**, professor of electrical and computer engineering, and **Don Chambers**.

Crystal Taylor, "Pareto Efficient Exchange and Urban Development," advised by **Howard Bodenhorn**.

Dan Williams, "A Study of Possible European Discrimination in the National Hockey League," advised by **Thom Bruggink**. ■

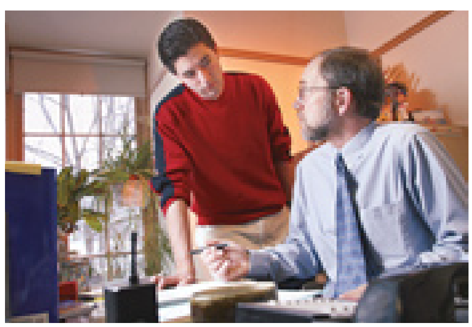
Students present their research at conferences

Ten students who conducted research on topics in economics and business presented their work at national and regional conferences this spring.

Among the 23 students invited to make presentations at the 2003 National Conference on Undergraduate Research were economics and business majors **Crystal Taylor '03** and **Prashant Poddar '04**. The conference was held at the University of Utah, Salt Lake City. Taylor presented her study on town/gown relationships at small liberal arts colleges, "Pareto Efficient Exchange and Urban Development." Advising Taylor on her research were **Howard Bodenhorn**, associate professor, and **Elizabeth McMahon** and **Gary Gordon**, both professors of mathematics. Poddar presented "Robust Cooperation in Imitation Dynamics," which he studied with faculty adviser **Christopher Ruebeck**, assistant professor.

Nine students including Taylor presented their research at Ursinus College Undergraduate Business and Economics Conference this spring.

Josh Grubman '03 used multiple regression analysis and artificial neural networks, a system that mimics the way the human mind works, to learn which method predicts the sale price of homes more accurately. Grubman, a mathematics-economics major, worked under the guidance of **Thomas Bruggink**, associate professor, on his honors thesis, "A Comparison of Relative Abilities of Multiple Regression Analysis and Artificial Neural Networks to Predict House Price in a Hedonic Model."



Josh Grubman '03 (left) works on his thesis with Thomas Bruggink, associate professor.

Other students who presented research included:

Jennifer Conway '03, "Understanding Fund-Raising in Presidential Nominations: Deciphering the Dollars." She examined whether early campaign contributions make a difference.

Kristen Gullestad '03, "Idiosyncratic Risk and the Correlation of Individual Stocks: An Empirical Study."

Suzanne Metzger '03, "How to 'Serve' Satisfaction: An Economic Analysis of Tipping." She used data from Applebee's restaurant to study trends in tipping behavior.

Jarrod Poveromo '03, "Policy Measures in the Steel Industry and Their Effect." He looked at how various protectionist policies have impacted the U.S. steel industry.

Chris Reich '03, "The Effects of *U.S. News and World Report's* Annual College Ranking on University Admissions, Decisions, Pricing Polices, and Allocation of Resources." He examined the impact the rankings have on college selectivity.

Justas Staisiunas '04, "Wage Differentials in 19th-Century Labor Markets." He used econometrics to estimate compensating differentials in early labor markets.

Dan Williams '03, "A Study of Possible European Discrimination in the National Hockey League." He examined whether Europeans earn less than Americans in the NHL. ■

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Martin speaks on entrepreneurship

Chris F. Martin, chief executive officer and chairman of the board of Martin Guitar, Nazareth, Pa., was guest speaker March 16 for the CIRCLE entrepreneurship series. About 100 students, along with a number of faculty and community members, attended.

Martin focused on the challenges of managing a family business. Considering that 80 percent of family businesses don't survive the second generation, Martin Guitar is remarkable in that its current CEO is the sixth generation to manage the business.

Martin explained how he came to the company in the 1970s after his grandfather's death and his father's resignation as CEO. He found a number of challenges, including an economic recession, a declining demand for acoustic guitars, and several unsuccessful diversification efforts. He attributed his ability to rebuild the company to his commitment to his employees and focusing on quality.

The CIRCLE program was organized by senior economics and business majors **Kelly Maiers, Kathy Ferretti, Shivani Malhotra**, and **Kate Dickie**, who won a Martin backpacker guitar raffled that evening. The program was sponsored by the department of economics and business and the Hunsicker Fund for Entrepreneurial Studies. ■

Phi Beta Kappa inducts new members

Phi Beta Kappa inducted 55 new Lafayette members this year. Fourteen are economics and business or mathematics-economics majors. They include seniors **Jessica Coakley, Kristen Gullestad, Shivani Malhotra, Valerie Mazzola, Marissa Moore, Christopher Reich, Meagan Roberts**, and **Gregory Staszowski**; and juniors **Ing Ang, Elizabeth Harris, Volkan Oktem, Prashant Poddar, Justas Staisiunas**, and **Peter Totev**. ■

A fond farewell after 23 years

I became a full-time, academic-year secretary in the economics and business department on Aug. 20, 1980, after working for 12 months elsewhere at Lafayette. For 23 years it has been a pleasure working in this office. My coworkers and friends throughout campus, faculty, office staff, administrators, and plant operations staff, have been friendly and helpful. My coworkers and "family" in my immediate department have been great. They have always been understanding, considerate, and appreciative and are a wonderful group of people.

Over the years I have met many students. They have always been cordial and courteous. As for **Carolyn Lee**, with whom I have worked for so many years, we have shared, along with the office, numerous experiences and emotions. It has been delightful. I will miss you all!

Now it is time to embark on a new career of retirement. With some tears of joy and some of sadness, I will leave Lafayette at the end of the spring 2003 semester. Thanks and best wishes to all.

—Carol Riffert

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"Lafayette…is making admission more competitive and emphasizing the close relationships students can forge with professors. The acceptance rate has plummeted…and the majority of new students now come from the top 10 percent of their high school classes. Perhaps it's only natural, then, that Lafayette itself is making a broader mark on the national scene."

—The Fiske Guide to Colleges 2003