LAFAYETTE
A NATIONAL REPUTATION FOR ACADEMIC EXCELLENCE
Vol. 3, No. 2
SPRING 2004

ECONOMICS & Business

Sustainable Forestry: Putting Theory into Practice

With an interest in environmental economics, Stacy Alboher '04 decided to pursue honors thesis research on sustainable forestry. She cultivated her interest during a semester at American University and by serving as an intern in the forestry division of the World Wildlife Fund. She was advised by James DeVault, associate professor.

Stacy Alboher '04 presented research she conducted on sales of sustainable forest products with James DeVault, associate professor, at the National Conference on Undergraduate Research.

Forests are among the earth's most important environmental assets; providing life support that humans and all living species depend upon, including the conversion of carbon dioxide into oxygen through photosynthesis and the recycling of precipitation through the hydrological cycle. Forests, and particularly tropical forests, provide habitat for a majority of the world's plants, animals, and insects, many of which have yet to be identified. In addition, forests serve a crucial role in soil retention, nutrient recycling, and a wide variety of other environmental processes.

Forests also are important economic asset in many countries. Products such as timber, rubber, bananas, coffee, spices, and nuts are all obtained from forests. Using forests to generate income, however, can limit or even destroy their ability to provide crucial environmental services. Indeed, deforestation in most developing countries is largely the result of three economic activities: timber production, subsistence agriculture, and cattle ranching.

How can the conflict between preservation and use be solved? One answer is to use forests in a way that does not undermine their environmental integrity. This approach, sustainable forestry, provides income in a manner that does not degrade the ability of forests to provide crucial environmental services. However, its viability is limited

(continued on page 3)

Issues in the News

Taking a Closer Look at Offshoring ■ by David Stifel

If you were to pick up a newspaper on any recent day, chances are high that you would find an article related to outsourcing and offshoring. Outsourcing refers to the practice of firms hiring other firms to complete activities necessary for the production of their goods or services. Offshoring is just outsourcing when the transaction takes place across borders. Yet when the president's chief economic adviser, Gregory Mankiw, suggested that the practice of offshoring will ultimately benefit the U.S. economy as it has done in the past, he was lambasted by members of Congress. What is going on here?

Firms, under relentless pressure to

(continued on page 2)

Australian Politics and Economics

■ by Jerome Heavey

In November, after Australia lost to England in the final match of the Rugby World Cup, more than one Australian remarked that it was good that England had won, as this might help the English to overcome their inferiority complex.

Why would Australians think that England has an inferiority complex? Well, Australians are proud of having turned a wild land into a great country, and they understand that the English might be inclined to feel themselves to have done just the opposite.

In another November, four years earlier, Australians held a referendum on the question of changing from a constitutional monarchy in which Elizabeth II is Queen of Australia, to a republic with an elected president. Pre-election polls had shown most Australians favoring the change, but the republican movement failed. Most commentators attributed this outcome to the wording of the proposal, which gave the power to elect the president not to the people but to Parliament. The wording was selected by pro-monarchist Prime Minister John Howard.

The nominal monarchy is a reminder of the English-Australian relationship that effectively ended with World War II. Late in 1940 Australia established diplomatic relations with the United States, its first direct diplomatic relations with any country other than the United Kingdom, and Australian Prime Minister John Curtin published an appeal

(continued on page 7)

SIFE Team Organized at Lafayette

Students organized a Students in Free Enterprise team this year. SIFE is an international organization devoted to providing students with opportunities to apply their classroom experiences to develop and implement educational programs that teach the principles of market economics, entrepreneurship, personal finance, and business ethics.

The core team stems from the CIRCLE lecture series: Matt Guadagno ’05, Adrienne Stark ’05, Marty Lawlor ’05, and Steve Caruso ’06. They have expanded the instructional activities of CIRCLE to include personal finance lectures. In February, Sheila Handy, assistant professor, presented a seminar titled “Money Matters: Personal Finance for New College Graduates.” In April, Donald Chambers, professor, enlightened participants with “Investing 101.”

To showcase their activities, team members participated in a regional competition in April. In addition to presenting an annual report highlighting the team’s activities, members gave an audio-visual presentation outlining the positive impact of these activities on the community.

Activities for the 2004-05 academic year include providing personal finance education for high school seniors, continuation of the CIRCLE lecture series, and forming a business advisory board, which can consist of alumni and local business people, as well as expanding the core team. Handy is the team adviser. ■

Taking a Closer Look at Offshoring

(continued from page 1)

minimize their costs of production, have been attracted to developing countries where wages are lower. Until the early 1990s, offshoring was generally limited to manufacturing activities because the quality of labor in these countries was also low. Blue-collar jobs were “exported” overseas while white-collar jobs stayed put. In the past decade, however, the emergence of an educated class of workers in developing countries has translated into white-collar jobs being sent overseas as well. Combine this phenomenon with a jobless recovery, and it becomes a hot political issue during this election year. As lobbyist Scott Kirwin notes, “politicians can’t outsource the vote.”

> “Firms, under relentless pressure to minimize their costs of production, have been attracted to developing countries where wages are lower.”

At first glance, the logic of the dissenters seems clear. How can the economy be in the midst of a recovery when employment growth is so sluggish? The sensible (and easy) answer must be that the foreign workers are the culprits who are “stealing American jobs.” If not for offshoring, employment growth would be much higher. Thus it is not surprising that legislators at both the state and federal level have introduced bills designed to stem off-shoring by restricting government contracts, requiring full disclosure, cutting off aid, and other steps. But a closer and more subtle look at the issue suggests that the energies of these policymakers may be misplaced.

Extent: Only a handful of studies conducted have collected objective data. One commonly cited study estimated that 3.3 million white-collar jobs will move overseas between 2000 and 2015. This appears to be a large number but a measure of net job exports would be preferable. Unfortunately, the net outflow of jobs is difficult to measure.

We also need to recall that the economy is constantly churning. Millions of jobs are lost each year even while new jobs are created. Historically new jobs have overwhelmed lost jobs by substantial margins. Thus 220,000 jobs offshored each year pale in comparison to the 28 million jobs that *Economist* magazine estimates are lost each year due to the regular functioning of the economy.

Effect: Speculating about the effect of white-collar offshoring using economic theory is the best that can be done given an absence of technical studies. There have, however, been reputable studies of the effects of manufacturing-sector offshoring. These suggest that there are dynamic effects benefiting the U.S. economy. For instance, Catherine Mann estimates that by making equipment in factories around the world, American companies reduced costs by about 10-30 percent. This, she argues, lifted U.S. economic growth by about 0.3 percentage points per year between 1995 and 2002, as companies made use of information technologies. By making them available at lower prices, small- and medium-sized firms have been able to take advantage of new technologies that they previously could not afford.

One thing is clear about the effect of off-shoring; while the benefits to consumers and firms are dispersed, the costs are concentrated on the individual American workers who lose their jobs. These individual workers rightly argue that they should not bear the full burden so that others in the economy may purchase cheaper goods and services. But protecting their jobs through restrictions on offshoring may be misguided because it misses the driving force behind the changes that constantly take place in the labor market—technological advances. If technology accounts for most displaced workers, anger directed at trade and outsourcing is misplaced. Legislative efforts should focus on helping displaced workers move on. Such efforts would directly address the pains of those directly affected, while maintaining conditions under which the economy as a whole benefits. ■

ECONOMICS & Business is published twice a year by the Department of Economics and Business for economics and business alumni and students, with the assistance of the Office of Public Information. Send news, comments, and letters to the address or numbers below, or econnews@lafayette.edu. Photography: David W. Coulter, Joe Edelman.

Editor: Howard N. Bodenhorn
Associate Professor
bodenhoh@lafayette.edu

Susan L. Averett
Professor and Department Head
averetts@lafayette.edu

Lisa Mutton
Secretary
muttonl@lafayette.edu

Department of Economics and Business, Lafayette College, Simon Center, Easton, PA 18042 ■ (610) 330-5306, Fax (610) 330-5715 ■ www.lafayette.edu

Sustainable Forestry

(continued from page 1)

largely because the benefits generated accrue to many people other than the landowner. Sustainable forestry is also more costly to practice than other forms of forestry, at least in the short term. The combination of spillover benefits and higher costs make it a much less attractive strategy to private landowners.

One way to promote sustainable forestry is to advertise its use and importance to consumers, especially in developed countries. Doing so can create a greater willingness to pay for forest products produced in a sustainable manner, allowing producers to charge higher prices that offset higher costs. Such a strategy requires a process for identifying and certifying forest products produced in a sustainable manner. At present, this process is undertaken by several non-governmental organizations, most notably the Forest Stewardship Council. The FSC was created in the early 1990s to promote sustainable forestry. It does so by inspecting timber operations and certifying with an FSC seal lumber products produced in a sustainable manner.

Determining how successful the FSC certification process has been is what Alboher focused on in her thesis. To test the impact of forest product certification, she conducted controlled experiments at three Home Depot stores in New York and Pennsylvania. In each store, two wood products are sold side by side over a nine-week period, with the first being made from certified lumber and the second otherwise identical product made from uncertified lumber. The certified product is sold at a price premium that varies, and the goal is to track sales of the two products in order to determine whether consumers are willing to pay more for certified forest products. At each store, different amounts of information were provided about FSC and the certification process. The expectation was that providing greater amounts of information about certification would increase the willingness of consumers to pay the price premium for certified products.

Alboher worked with a number of Home Depot senior executives, who helped her design and coordinate her experiments. She also worked with local managers to build displays, ensure an adequate supply of both products, and track sales.

"I found that there is, in fact, a willingness to pay for certified forest products, although the price premiums do have a significant effect on the percentage of certified versus uncertified goods sold," Alboher says. "However, I did not find any significant difference in sales resulting from different amounts of information provided to consumers." ■

Class of 2004 Honors Theses

In addition to senior Stacy Alboher, other honors theses were:

"Medicaid Access: Factors Influencing Take Up and Use among Easton Area Residents," Christine Bender with Susan Averett, professor.

"Do Technical Trading Rules Work: A Test of Foreign and Domestic Market Efficiency," Paul Fischetti with Philip Shively, assistant professor.

"Another Jobless Recovery: The Effects of Structural Change and Self-Employment on the U.S. Job Market," Craig Livoti with Edward Gamber, associate professor.

"The Effect of 162m on CEO Compensation," Lisa Loray with Susan Averett, professor.

"Expansion/Relocation Model for NFL Franchises," Doug Schiz with Thomas Bruggink, professor.

"Contraction in Major League Baseball: An Examination of the Problems with the Business of Professional Baseball and Implications for Franchise Existences in the Future," Chris Turano with Thomas Bruggink, professor.

"Has Increased Globalization Affected the Relative Strengths of Monetary and Fiscal Policy?" David Watts with Edward Gamber, associate professor.

Class of 2004 Awards

John H. Allen Prize to the author of the best essay in public finance—Eric Vacca

Economics and Business Award for Scholastic Excellence for outstanding academic performance and leadership in department activities—Ing Chea Ang

Robert F. Hunsicker Award for meritorious work in the area of small business study —Adrienne Stark

Institute of Internal Auditors Award for excellence in accounting and business studies —Prashant Poddar

Institute of Management Accountants Award for excellence in accounting —Justas Staisiunas

Pennsylvania Institute of Certified Public Accountants Award for excellence in accounting and participation in college and community affairs —Katie Brown

J.H. Tarbell Award to the student who best demonstrates an understanding of financial operations and institutions —Allison Gold

Wall Street Journal Student Achievement Award to the student whose academic performance in economics and business is considered exceptional —Doug Schiz ■

Playing God: An Experiment in Biodiversity Conservation

■ by James Devault

The conservation of biological diversity presents the classic economic problem: on the one hand, we would like to conserve all species; on the other hand, the resources available for conservation are limited, making difficult choices unavoidable. Given that the resources available for conservation are scarce, how do we determine which species will be conserved and which will not? To put the question somewhat differently, what criteria will we use to identify the species that are worthy of conservation?

In this classroom experiment, used in my Environmental Economics course, students are given the opportunity to answer these questions. They are divided into groups and each is assigned Noah's biblical role. Noah's environment contains 100 species and each group must determine which of these 100 species will board the ark and be conserved. Students are given several criteria upon which to base their choice, including the known value of each species to humans, the distinctiveness of each species' genetic code, the cost of conserving each species, and the likelihood that the conservation of a species will ultimately be successful. Students are also given a budget for conservation, which can be thought of as a limit on the size of Noah's ark. Because Noah's budget is limited, not all species can be conserved, so students are forced to juggle the different criteria for conservation. Making the job more difficult is the fact that the value of any one species' genetic code is not fully known. This puts a premium on conserving as diverse a genetic pool as possible.

Since some groups will typically attach more weight to certain criteria than others, and since the precise value of each species is unknown, there is no single correct answer to the problem. This fact enhances the learning experience provided by the experiment because it forces students to recognize that a diversity of opinion is possible. Students are then drawn into a more fundamental discussion of what makes the conservation of biodiversity so important. ■

BankExec Simulation ■ by Edmond J. Seifried

BankExec provides students with an opportunity to participate in the financial management of a bank. In the simulation, an integral part of my Financial Markets course, students explore a range of operating decisions that few banking employees, except senior managers, have the opportunity to experience.

Students serve as members of a management team responsible for the financial operations of a mid-sized institution. Each team is responsible for the development and implementation of asset creation, securities investment, deposit, and capital policies. Each team faces competition from other financial institutions operating in the same community. Moreover, each team faces a dynamic economic environment.

The exercise is built around a computer-based economic model. The economic setting and competitive reactions are realistic representations. Successful management in the simulation environment requires an understanding of the banking business and its underlying economic principles. The purpose is for students to develop an appreciation for the complexities of decision making in changeable environments and the need to establish a set of policies consistent with growth, profitability, and safety.

Students in the course are divided into as many as eight separate teams that compete. Each team is responsible for the management of a financial institution, which is identical at the beginning. Just as in the real world, each team faces a common local competitive environment and is given information about national and local economic conditions. Each bank also faces a number of regulatory constraints, which increases the complexity of decision making.

The simulation operates on a sequence of hypothetical quarters. At the end of each quarter, teams receive reports that describe the institutions' operations and economic conditions. Based on this information, managers make decisions for the upcoming quarter. These decisions include the pricing of assets and liabilities, security purchases and sales, funding priorities, and marketing allocations, as well as earnings per share forecasts and dividend policies.

As these decisions are fed into the simulation, the model simulates each bank's quarterly performance. The model "grades" the quality of each team's decisions by estimating the market value of their institution's outstanding common shares. The game is typically repeated for 12 quarters.

At the end of the semester, students prepare a shareholder report that explains their decisions and details their performance. The reports are given as PowerPoint presentations for the firm's shareholders, in this case, all the other students. ■

Coins on the Carpet ■ by Howard Bodenhorn

Each semester in my Introductory Economics course I hand a group of students a penny, nickel, dime, and quarter. I ask them to drop these coins, one at a time, in the student center and to record how many people walk past each one before someone bends over to pick them up. Invariably, about 50 people will walk past a penny before someone picks it up. Only two or three people will walk past a quarter. Nickels and dimes fall in between.

What's the point? The experiment is designed to demonstrate the most basic of all economic principles—opportunity cost. In this case, the foregone opportunity of not picking up a penny is relatively small. A penny just doesn't buy much anymore. Thus, only a small fraction of college students will expend the effort to recover a penny. The foregone opportunity of not picking up a quarter is larger by a factor of 25, and many fewer people will let the opportunity pass them by.

Having taught two score introductory courses, I realize that opportunity cost, though basic, is a difficult concept. My coin-drop experiment helps students understand it by seeing it in action. ■

eriments in the Classroom

Business Strategy and Virtual Corporate Reality

■ by Christopher S. Ruebeck

Students are often frustrated by textbook descriptions of competition—identical firms selling identical products at identical prices. It doesn't take much of an empiricist to understand that the model does not explain much of the real world. What happens when we make more realistic assumptions? What happens when we account for different firms that compete through product characteristics and prices? What happens when firms act strategically, making their choices based on how they think their competitors may react? These are the guiding questions of Industrial Organization. To help student understand the complexities of such environments, they prepare by playing "Virtual Corporate Reality."

Each student becomes part of a management team that jointly makes decisions about prices, new products, and strategic investment. The goal of VCR is to make decisions that increase the firm's value, calculated as cash on hand at the end of the game as well as the discounted value of the firm's future profits.

Products in the hypothetical VCR market are differentiated in a single dimension: perhaps, the sweetness of breakfast cereal, the location of a gas station, or the cut of a pair of jeans. As the game unfolds during the semester, teams consider how current decisions affect future profits. Team members, for example, must decide whether free cash flow should be invested in new production capacity or loaned out at interest; whether to cut prices to increase sales or maintain higher prices; whether to acquire the rights to produce a competitor's product. The trick throughout is predicting the actions of other teams. Team members must grapple with the same questions real managers face: Will other teams introduce products similar to ours? Will they cut prices? Are they investing in new production capacity? The points that students are expected to take away from VCR is the importance of *anticipating* a rival's actions and the consequences of a rival's *reaction* to their actions.

Key Concepts

The key modeling concept of the game is that in raising its price a firm will not lose all its customers, which is the consequence of having differentiated their product from that of every other producer. Some customers will naturally gravitate toward Coca-Cola instead of Pepsi-Cola, others prefer Ford to Chevrolet. While raising the price will generate more revenue from loyal customers, lower prices will attract customers without strong attachments to a competitor's product. Finding the right balance is a challenge.

The key theoretical concept is Nash equilibrium. Students may see Nash equilibria in other classes, but it is at the heart of modern Industrial Organization and is driven home in VCR. Rather than couching Nash's equilibrium concept in equations and graphs, however, VCR allows students to see how a Nash equilibrium is attained in a competitive environment. Once a student sees how such an equilibrium is attained in a hypothetical market, he or she will have a greater appreciation for the equations and graphs presented in class.

Implementing VCR

VCR was originally developed at Johns Hopkins University. At Lafayette the game makes extensive use of the Blackboard web interface to report the results of each round. Currently, Muhammad (Rafat) Islam '05 and Katherine Wolchik '05 are developing a new web-based interface to replace the current version. These innovations will allow for more interactive use of the web and greater variations in the game, such as changes in customer loyalty, increasing potential market, and introduction of new products. ■

Entrepreneurship is Risky Business

■ by Rosie Bukics

What do the fundamentals of entrepreneurial finance, *Fortune* magazine's *Small Business*, and a board game have in common? They intersect in my Entrepreneurial Finance course as a means of encouraging students to think like entrepreneurs, understand competitive forces, and consider the phases of every firm's life cycle. Because simulating a competitive entrepreneurial environment in a classroom is difficult, I have turned to a board game called Risky Business.

The game begins with all players in the development phase of a business and illustrates how a start-up must have a coherent business plan, a balanced management team, and adequate capital to proceed to the next stage. As the game progresses through the second stage, team members much make decisions about intellectual capital (patent rights) and product development, as well as addressing the increasing need for capital. In the last phase of the game, the role of customers, profits, and management compensation all become critical. The game's objective is to be the first entrepreneur to take a company from start-up to initial public offering.

I use the game twice during the semester, once in the first two weeks and again in the last two weeks. The early play provides students with an opportunity to see the opportunities and pitfalls inherent in an entrepreneurial environment. The second playing allows students the opportunity to apply what they have learned and to focus on different long-term strategies.

Why do I use a board game in class? First, students relate well to games, which makes them particularly effective. Second, the game forces students to understand how unexpected events, such as a competitor hiring away a key manager, may derail even the best strategy. Third, it asks students to continuously consider how their decisions are received in the marketplace. Finally, students take it seriously and, above all, it's fun. ■

Free Agency and Professional Performance

Javy Lopez is a fine catcher. In his first 11 seasons with the Atlanta Braves he had a .281 batting average and hit 15 home runs per season. In 2003 his performance improved markedly, batting .328 and belting 40 home runs. Did Lopez wait until the season prior to his eligibility as a free agent to have a "career" season? Lopez's story has been repeated so often that many fans suspect that professional athletes expend extra effort in the season prior to free agency.

We would expect to see outstanding performances when the correct incentives prevail. But even the most focused professional cannot continuously sustain the intense focus necessary to achieve optimal performance.

While the individual may revel in superlative acts, employers will distinguish the exceptional from the expected, the outstanding from the repeatable. The employer is forced to ask whether the player's recent accomplishment reflects a unique episode or whether it signals a fundamental and lasting improvement in productivity. Professional sports offer a laboratory to study the incentive effects of employee behavior when contracts are regularly renegotiated.

Every professional sport now allows for free agency, or the renegotiation of labor contracts after a predetermined number of years. During this period, athletes are allowed to sign with any team willing to offer them a contract. Entering into the last year of a contract may provide players with additional motivation to achieve. It provides the last opportunity for players to improve their statistics and show team owners that they merit a significant increase in compensation.

Owners, too, may face changed incentives with improvements in a player's performance. If they fail to ink a contract with a markedly better player, they will miss an opportunity to improve their team. Collaborating with two former students, Thom Bruggink, professor, is investigating the free-agent bounce in performance in baseball and basketball.

Free Agency in Basketball

In a study of professional basketball, Constantinos Yiannapoulos '99 and Bruggink studied the performance of 192 players with substantial playing time, including 54 players who would become free agents after the season and 138 players who did not (the control group). With the exception of pending free agency, the free agents and the control group were similar, each with about 6.5 years of playing experience.

Employing multiple regression analysis, the study found that, after controlling for years of experience, playing time, and position, pending free agents scored 0.82 more points and gathered 0.33 more rebounds per game compared to the control group. While these appear to be small improvements, both reflect an approximately 8 percent improvement in performance. The study also finds that pending free agency had no effect on assists per game, perhaps because pending free agents would rather shoot than pass.

Free Agency in Baseball

The baseball study, written with Sarah Bellows '02, considered each player's entire career rather than the year prior to free agency. To be included in the study, players needed to have declared free agency at some point during their first 10 years in the league and played long enough and often enough to have established a reliable basis for comparison.

Multiple regression results for 72 hitters reveal that position players hit modestly more doubles during their free-agent year, after controlling for years of experience and position. There was no free agent effect on home runs or batting average. Among 28 pitchers, the strikeout-to-walk ratio improved in the free agency season, but not earned-run average.

What does this mean for team owners and business managers? In the face of improved short-term performance, owner-employers must be wary in their evaluations. There may be a danger of placing too much emphasis on recent performance when it may represent an unsustainable and nonrepeatable period of peak performance. Thus, in a market with competitive bidding, where emotions run high, there may a danger of placing too much weight on recent performance and overcompensating average players. ■

Fed Challenge Team Recognized

The team that represented Lafayette for the first time at the CollegeFed Challenge in November was awarded honorable mention. A plaque recognizing their performance was presented Feb. 11 by Susan Averett on behalf of the Federal Reserve of Richmond. Pictured right are CollegeFed faculty advisers (back row, L to R) David Stifel, assistant professor; Susan Averett, professor and department head; and Chris Ruebeck, assistant professor. The five students who made the presentation in Baltimore were (top row, right) Ing Chea Ang '04, (bottom row, L to R) Samantha Schackman '05, Magee Perini '05, Nicole Paquet '05, and Katharine Wolchik '05. ■

Australian Politics and Economics

(continued from page 1)

to the people of the United States, “Without any inhibitions of any kind, I make it quite clear that Australia looks to America, free of any pangs as to our traditional links or kinship with the United Kingdom.” A few months later, in May 1942, the victory of the U.S.-Australian fleet in the Battle of the Coral Sea prevented what had seemed an inevitable Japanese invasion.

Gratitude to the country that came to its aid in World War II goes a long way toward explaining Australia’s willingness to fight alongside America in Korea, Vietnam, Afghanistan, and now in Iraq. The U.S. remains Australia’s most important ally, but the Vietnam War provoked significant opposition in Australia and so has the war in Iraq.

The country discarded the last components of the “White Australia” policy and the “We are not part of Asia” mindset in the 1970s. Although the U.S. is now the largest single source of Australian imports, Japan is the largest market for Australian exports and overall is Australia’s biggest trading partner. When the Japanese arrived a few decades after World War II they came armed not with guns but with cameras, and Japan continues to be the largest source of tourists to Australia.

Ten Asian countries together now purchase more than 55 percent of Australia’s exports and provide almost 50 percent of its imports, and their share is increasing. In a few years

the economic giant of the western Pacific may be the People’s Republic of China, with a population four-and-a-half times that of the United States and more than ten times that of Japan. Australia’s fastest growing trade partnership is with China and, in October, President Hu Jintao and Prime Minister John Howard signed agreements that promise a substantial increase in Australian access to Chinese markets. Speaking to a joint session of the Australian Parliament, President Hu expressed confidence that the two countries would work together to resolve difficult issues. For “difficult issues” read “Taiwan.”

President George Bush recently affirmed that neither the Peoples’ Republic nor Taiwan should make any unilateral decisions about the latter’s status. China welcomed this constraint on Taiwan’s freedom of action, but is less likely to feel itself bound by American pronouncements, for China claims Taiwan as part of itself. Despite American affirmation of Taiwan’s separateness, the United States does not have diplomatic relations with the island and Taiwan is not affiliated with the United Nations.

Although wishing to continue its special relationship with America, Australia is nonetheless pursuing closer relations with the countries of Asia, and it is from Asia that Australia now receives its largest immigration flows. It may be illuminating that President Bush addressed a joint session of the Australian Parliament the day before President Hu. Air Force One landed at the capital airport and President Bush, sealed off from contact with press or people, remained in the country less than 24 hours. President Hu stayed four days, attending receptions in Sydney while President Bush was in Canberra, and meeting with prominent Chinese-Australians. There was no doubt who was the more popular visitor. ■

Update on Faculty Professional Activities

■ Rex Ahene presented at the World Bank Institute, Washington, D.C., and through transmission to Kenya, Ghana, Ethiopia, and South Africa. He published “Land Reform in Southern Africa: Malawi Case Study and Recommendations,” *Oxford Analytica*, September 2003.

■ Howard Bodenhorn presented at the Brookings Institution, Washington, D.C., and at Wesleyan University, Middletown, Conn.

■ Rosie Bukics published “Make Your Students into a Human Balance Sheet,” *Accounting Instructor’s Report*, fall 2003; and “Charitable Giving and the Economy,” *Project for People*, fall 2003.

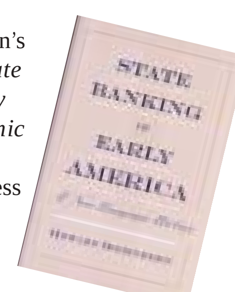
■ Edward Gamber presented at two sessions of the Southern Economic Association Meetings, San Antonio, Texas.

■ Sheila Handy presented at the Organizations Systems Research Association and the American Educational Research Association.

■ Jerome Heavey published “Comments on Warren Samuels ‘Why the Georgist Movement Has Not Succeeded,’” *American Journal of Economics and Sociology* 62:3, July 2003, 592-9; and his *Morning Call* opinion column “It’s Illusion to Think There’s a Social Security Trust Fund” was reprinted in *Social Security This Week: A Weekly Newsletter on Social Security Reform*, 10 November 2003 and in *CATO Daily Comment*, 21 November 2003, Project on Social Security Choice, CATO.

■ David Stifel published “Urban-Rural Inequality in Africa,” *Journal of African Economies*, 12:4, December 2003 with David Sahn, and “Exploring Alternative Measures of Welfare in the Absence of Expenditure Data,” *Review of Income and Wealth*, 49:4, December 2003 also with David Sahn. He also presented at the Trade, Growth, and Poverty Conference, London, UK. ■

Bodenhorn’s *State Banking* Nominated



Howard Bodenhorn’s second book, *State Banking in Early America: A New Economic History*, was nominated by Oxford University Press for the prestigious Alice Hanson Jones Prize. The editor wrote, “We consider this book an important contribution to the broad area of financial and economic history because of the lessons it underscores that so clearly emerge from that history. The book succeeds as a studious investigation into the fundamentals of a structure which nourished the spirit of risk and experimentation that so significantly influenced America’s financial institutions.” ■

LAFAYETTE
A NATIONAL REPUTATION FOR ACADEMIC EXCELLENCE
Department of Economics & Business
Lafayette College
100 Wm. E. Simon Center
Easton, PA 18042-1776

Nonprofit Org.
U.S. Postage
PAID
Easton, PA
Permit No. 108

Professor Gamber Consults for *The Wall Street Journal*

For the past four years, Edward Gamber, associate professor, has served on *The Wall Street Journal* Educational Advisory Board. As a member of this advisory board, Gamber advises *The Wall Street Journal* on programs to encourage professors to use *The Wall Street Journal* in classroom teaching. Gamber has used *The Wall Street Journal* in his own teaching for the past 18 years. “It is a great teaching tool,” says Gamber, “by reading *The Wall Street Journal* every day students see the real world relevance of the economic theories they learn in class.”

In addition to serving on the advisory board, Gamber authors a weekly review of three current articles from *The Wall Street Journal* related to macroeconomics. The review, which includes questions for professors to use on quizzes and tests, is emailed to hundreds of subscribers around the country. Last November Gamber presented “Using *The Wall Street Journal* in the Classroom,” at the Academy of Business Disciplines Conference in Ft. Myers, Florida. ■

National Conference on Undergraduate Research

The idea for a national conference open to all undergraduates was conceived in 1987. More than 40 Lafayette students presented their research this year. The following economics and business students gave presentations April 15-17 on their scholarly research:

Stacy Alboher ’04 “Certified Forest Products: An Exploratory Study”

Christine Bender ’04 “Medicaid Benefits: Factors Influencing Take-Up and Use Among Easton, Pennsylvania’s Indigent Population”

Craig Livoti ’04 “Another Jobless Recovery: The Effects of Structural Change and Self-Employment on the U.S. Job Market”

Lisa Loray ’04 “Executive Compensation and 162(M): Can the Growth of CEO Compensation Be Curbed?”

Shreedhar Sasikumar ’05 “Institutions and Economic Growth in Sub-Saharan Africa”

Douglas Schiz ’04 “Relocation/Expansion and Revenue Model in the National Football League”

Christopher Turano ’04 “Economic Factors Leading to Industry Contraction: A Case Study in Major League Baseball”

John Zembron ’04 “The Large Firm ‘Wage-Premium’” ■

Lehigh Valley Area Undergraduate Conference

An inaugural undergraduate conference on social research and social justice, sponsored by Lehigh Valley Association of Independent Colleges, was held March 25-26 at Muhlenberg College. On the panel *Economic Dimensions of Social Justice: Local and Global Contexts,* Hart Feuer ’05 presented “A Study on Political Terror: World Bank IBRD and IDA Loans,” and Veronica Hart ’05 presented “Race, Imprisonment, and Criminal Sentencing in Maryland, 1828-1860.” ■

CIRCLE Lecture Series Continues

On March 9, Christian Hicks, cofounder and president of Elysium Digital, provided the third lecture in the 2003-04 series on entrepreneurial activities. Hicks was a consultant for the U.S. Department of Justice in its civil action against MicrosoftCorporation.

Hicks and the seven-person firm that he cofounded helped demonstrate that Windows and Internet Explorer could be separated, thus accomplishing what no one else could.

What distinguished this talk from others in the series was that Hicks’ entrepreneurial venture involved establishing a service-based firm that provides expert testimony not only in antitrust litigation, but also patent infringement and code theft. He provided a humorous account of his venture into a self-developed business and some of the cases for which he provided consultation.

CIRCLE series organizers are Matt Guadagno ’05, Adrienne Stark ’04, Marty Lawlor ’05, Noah Payne ’05, and Stephen Caruso ’06. ■

THE LAFAYETTE Experience

The Lafayette Experience consists of four key elements:

- Student-focused teaching and mentoring by an exceptionally qualified faculty, committed to each student’s success.
- A challenging, broad-based academic curriculum that offers strong programs in the liberal arts, sciences, and engineering.
- A small college environment with large college resources.
- A friendly residential community offering an exciting social life with a broad spectrum of extracurricular activities.