

The Park Place Economist

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The Park Place Economist

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Letter from the Editor

Welcome to the 2008 edition of *The Park Place Economist*. This year we are proud to present the sixteenth volume of one of the few undergraduate economics journals in the nation. As always, this year's staff has worked hard to maintain the high quality that has come to be expected of *The Park Place Economist*.

This year we received many diverse articles, which display the unique interests of our students. Quentin Brummet explores the effects of gender inequality on a country's economic growth. Keeping the IWU students in mind, Lane Coonrod looks at how the amount of financial aid affects the academic performance of our students. Chris Davis examines how divorce and parental discord affect children's adult socioeconomic attainment level. Everyone is concerned with the housing market and so is Bryan Duling in his article investigating the determinants of foreclosures on single-family homes in the US. Next, Kunaey Garg looks at the effect of federal fund futures and changes in Federal Reserve monetary policy on stock markets. Then, Jim Kjelland analyzes two competing theories concerning the economic returns of higher education, focusing on signaling theory versus human capital theory. After her semester abroad, Stephanie Panozzo loves all things Chinese, and her paper, which examines capital investment and rural-urban migration in China, proves her continued interest. Scott Swisher takes us through a very intensive investigation in examining the efficient market hypothesis. Finally, Elizabeth Taylor examines socioeconomic factors that contribute to illicit drug demand.

The 2008 edition of *The Park Place Economist* represents a collaboration of the hard work and dedication of many individuals, and I would like to take this opportunity to thank the staff. Specifically, I would like to thank Dan Wexler, Assistant Editor-in-Chief, for all of his help with the tasks I asked him to complete. Thank you very much to Scott Swisher, Technical Editor, who taxed over the arduous task of making the journal look its best. Aside from thanking the Department of Economics for sponsoring the journal, I would also like to thank Dr. Robert Leekley for his advice and guidance this year. Finally, special thanks are given to Gary Schwartz and Illinois Wesleyan's Printing Services.

I hope that you enjoy the 2008 edition of *The Park Place Economist*!

Elizabeth Taylor
Editor-in-Chief



General Information:

Submissions to *The Park Place Economist* are always welcome, and we encourage students to participate in the creation of the journal. If you are interested in submitting an article or becoming a member of the staff, please contact Dr. Robert Leekley, the faculty advisor, at (309) 556-3178 or at bleekley@iwu.edu. Written queries can be addressed to:

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Alumni Notes

Lindsey Haines

Andrew Beath, '99, is pursuing a Ph.D. in Government at Harvard University. He is currently based in Kabul, Afghanistan and is focusing his dissertation on a randomized evaluation of the Government of Afghanistan's National Solidarity Program, which establishes democratically elected development councils in villages across Afghanistan.

Paul Dolan, '94, relocated from Indianapolis to Minneapolis as he joined Target Corporation's Finance Leadership Development Program in June of 2006. He currently works in Treasury as a Senior Financial Analyst.

Justin Hendrix, '06, is currently attending the University of Chicago pursuing a M.S. in Computer Science.

David Janashvili, '02, worked at Hewitt Associates for three years before receiving his MBA from the University of Chicago Graduate School of Business in June 2007 with concentrations in Accounting, Finance and Entrepreneurship. He spent the summer in New York interning as a Summer Associate in Investment Banking with Bear, Stearns & Co., where he returned full time as an Associate in July 2007.

Kimberly Ann Nelson Lawson, '96, is a senior project manager at Hewitt Associates. She and her husband have two daughters, Miranda Rose and Noelle Elyse.

Justin Leverton, '02, is a lawyer in Indianapolis with the law firm Bose, McKinney & Evans LLP. His main practice areas are business services and commercial lending. He graduated from Indiana University School of Law *summa cum laude* in May 2005. He is also

the Chief Financial Officer of his investment company, RJR Capital Management LLC.

James Malic, '06, is working for Hewitt Associates and is attending DePaul University's part-time MBA program.

Ashish K. Vohra, '97, is currently an Assistant Director in the Structured Credit and CDO group of the French investment bank Calyon in London. Ashish finished an MBA from Yale University in 2004 and after taking time off, worked briefly for the television show, *The Apprentice*.

Amanda Watson, '01, attended law school at the University of Illinois at Urbana-Champaign. In November 2006 she began working at Ganan & Shapiro in Peoria.

James Yonker, '02, is a financial advisor for Waddell & Reed in Oak Brook, IL. James has his Accredited Asset Management Specialist (AAMS) certificate and is working towards his Certified Financial Planner (CFP) certificate. He and his wife Lindsay have two sons, Jakob and Lucas.

The Class of 2008

Florence Soyinka

Quentin Brummet

Quentin is from Urbana, IL and a double major in Economics and Mathematics. He is a member of the Mathematics Society, a Calculus tutor and an Economics Lab Assistant. His favorite classes were Economics of Developing Countries with Professor Durbal and Wavelet Analysis with Dr. He. Upon graduation, he plans to enter the Ph.D. program in Economics at Michigan State University.

Katie Conway

Katie hails from Westmont, IL; she is a double major in Economics and Business Administration. She really enjoyed her Business Law class with Professor Marvin. Upon her early graduation, she works in the Finance and Accounting Rotational Program at CNA Insurance in downtown Chicago. She is having fun in the real world and is enjoying herself. Her future plan is to earn an MBA and possibly a joint degree with law.

Lane Coonrod

Lane, whose hometown is Quincy, IL, is an Economics major and Mathematics minor. He has been a member of Student Senate, IWU Cross Country, and IWU Track & Field. He enjoyed all his History classes while at Wesleyan. His future plans include working as an actuary at Allstate Insurance Company, continuing running and, hopefully, traveling. He feels that the Economics faculty at IWU would make for a really good kickball team.

Chris Davis

Chris, who is from Oak Brook, IL, is an Economics major with a minor in Psychology. At IWU he was a member of 9X9 Filmmaking Club, Student Senate and the Varsity Baseball team. Some of his favorite classes were Fundamentals of Astronomy

and Managerial Economics. He took a job with Van Kampen Investments after his early graduation as an internal sales consultant. He looks forward to developing his career niche in the firm and plans to stay in the Chicago area for few years before moving to warmer climates. He offers his deepest gratitude to the IWU Economics department for being so supportive of his desire to graduate a semester early.

Bryan Duling

Bryan, a double major in Economics and Business Administration, is from Clinton, IL. He participated in IWU Track & Field and the Student Athletic Advisory Council. He has also worked in Admissions and was a teaching assistant for Human Biology and a tutor for Economics. His favorite classes were Money & Banking and his Senior Seminar. He plans to work in a consulting firm.

Marcus Dunlop

Marcus, originally from Maywood, IL, is a double major in Economics and Business Administration. He also was an early graduate. He was a member of the football team, Risk Management and Finance Society, as well as Alpha Phi Alpha Fraternity. He enjoyed Money and Banking as well as Portfolio Management while at IWU. He will be working in investment banking at Goldman Sachs in New York, New York.

Michael Feeney

Michael, a double major in Economics and International Studies with a concentration in International Development, is from Monticello, IL. He participated in Theta Chi Fraternity, 2007 IWU 4 Nets Campaign, and the Technos International Conference. On top of that he also served as an International Studies research assistant. His best

classes were Perspectives in International Health and The Anti – Hero. After graduation, he will be working for Archer Daniels Midland with the intention of acquiring international assignments with the company before attending graduate school.

Allison Fisher

Allison is from Oswego, IL and is a double major in Accounting and Economics. She is a member of the Omicron Delta Epsilon honor society, Accounting Society, IWU Track and Field and IWU Cross Country. Her favorite classes were Managerial Economics with Tony O. and Senior Project with Dr. Mike Seeborg. She plans to take her CPA exam this spring and summer and start working as an Audit Associate at KPMG in Chicago this fall.

Russell Flinchum

Russell is from Chicago, IL and is an Economics major and double minor in Environmental Studies and German. His best class was his Senior Seminar with Professor Seeborg. His future plans are to go hot air ballooning around the world and probably go to graduate school or work for a green business. Contrary to popular belief, he thinks there is always a free lunch at the soup kitchen.

Jesse Furmanek

Jesse, who hails from Orland Park, IL, had the opportunity to study abroad in Australia fall semester of senior year. In his free time he enjoys playing Frisbee.

Kunaey Garg

Kunaey is an Economics major and a Business Administration minor from Kolkata, India. He is a Resident Assistant, a member of the Residence Hall Association, SASA and an Economics 100 tutor. His favorite classes were Money and Banking and Financial Management. Upon graduation, he hopefully looks forward to working in finance or consulting.

Alex Gikas

Alex comes from Munster, IN. As an Economics major, he really enjoyed Professor Durbal's Economics of Developing Countries. He says, "It was a real eye opener to observe the economies of other countries, and why some countries have ten or some billionaires while the rest of the country's population lives in shambles." While at IWU he participated in the Sigma Pi Fraternity, student ambassadors, and Interfraternity Council. He also enjoyed being a party DJ, and partaking in Muay Thai Kickboxing and Brazilian Jiu Jitsu.

Dan Haeger

Dan, from Wheaton, IL, is a double major in Economics and Physics. His favorite classes at Wesleyan were Statistical Mechanics and Mathematical Methods. Dan will be pursuing his PhD in Materials Science at UC Santa Barbara, where he will make use of his ability to "bend steel with his bare hands" (according to Dan).

Hayley Jones

Hayley hails from Sheboygan, WI and double majored in Economics and Political Science. She is a member of the College Dems, Equestrian Club, Kappa Delta Sorority and also worked at the Mellon Center. Her favorite classes were Labor Economics and Industrial Organization. She plans to attend law school next year.

Jim Kjelland

Jim, a double major in Economics and English Writing, came to IWU from Plymouth, MN. He is a tutor at the Writing Center and a member of the IWU Hockey Club. His best classes were his Economics Senior Project and his English Senior Seminar entitled Brilliant Failures. His future plan is to work for money.

Donnell McGhee

Donnell is from Hillcrest, IL. At Illinois Wesleyan he double majored in Economics and Business Administration. He also enjoyed participating in Alpha Phi Alpha Fraternity and on the football

team. He also worked in the office of multicultural affairs.

Charles Montgomery

Charlie, from Peoria, IL, is a double major in Economics and Business Administration with a concentration in Finance. One of his favorite classes at IWU was Jazz History. He plans on working in downtown Chicago at the Cutler Group – a trading firm specializing in equity options.

Minh Nguyen

Minh came to Illinois Wesleyan from Hanoi, Vietnam. His original intent was to attend Tulane University, and he arrived to begin his semester three weeks late after the wake of Hurricane Katrina. He enjoyed Illinois Wesleyan so much that he did not return to Louisiana. He intends to return to Vietnam after he graduates.

Daniel Obie

Dan, from Mundelein, IL, is a double major in Economics and Business Administration with a concentration in Marketing. He served as the President of the American Marketing Association. Additionally he was a member of the Alpha Mu Alpha Fraternity and the Omicron Delta Epsilon honor society. His favorite classes were Strategy and Policy and Senior Project.

Stephanie Panozzo

Stephanie is from Rockford, IL and she is an Economics major. She is a member of Kappa Kappa Gamma Sorority and belongs to Omicron Delta Epsilon and Phi Beta Delta honor societies. Her favorite class at IWU was Urban Economics with Dr. Margaret Chapman, in which she enjoyed utilizing economics to understand social issues. She spent a semester of her junior year at China and absolutely loved it. Although her future plans aren't concrete yet, she definitely looks forward to spending more time in China.

Azizuddin Rose

Azizuddin, a native of Chicago, IL, is an Economics

major. He served as Secretary of Alpha Phi Alpha Fraternity, and captain of Track and Field. He was also a member of Risk Management and Finance Society. He really loves economics because it provided him with a new way to view life; whether from a cost – benefit analysis or the opportunity cost of making an investment decision. His favorite class was Senior Project. He aspires to open a multi-billion real estate development firm.

Michael Rosin

Michael, from Morton Grove, IL is a double major in Economics and Business Administration, with a concentration in Marketing. He participated in IWU Varsity Baseball and the American Marketing Association. His favorite classes were Graphic Design I and Seminar in Marketing – Consumer Behavior. He would like to express his sincere appreciation to all the Illinois Wesleyan University professors (especially those who he had close contact with) who have spent their valuable time in and outside of the class to enlighten and engage him and his fellow students. Without their dedication and commitment to us and our education, we would have never had the experience that was IWU.

Matt Sheehan

Matt is from Bettendorf, IA. He is a double major in Economics and Business Administration. He is a member of Theta Chi Fraternity, IWU Cross Country and IWU Track & Field. His best classes were Economics 100 with Dr. Margaret Chapman and the Trial Class with Professor Kearney. His future plan is to attend law school.

Scott Swisher

Scott, from Palatine, IL, is a double major in Economics and Mathematics with a minor in Physics. He is a member of Student Senate and his favorite classes were History of Economic Thought with Dr. Margaret Chapman and Mathematical Statistics with Dr. Lee. Scott served as a research assistant for the Economics department for three years and tutored for the Physics department. He

also served as Technical Editor for the Park Place Economist and the Undergraduate Economic Review over the past two years. His future plan is to earn a PhD in Economics with a concentration in econometrics or macroeconomics.

Elizabeth Taylor

Elizabeth, whose hometown is Spring Valley, IL, is an Economics major and a Political Science minor. She is a member of Student Senate, flute choir, the Ambassadors Club, Titan Band, and Big Brother Big Sister. Senior year, she held the position of the Editor-in-Chief of the Park Place Economist. Her best classes in IWU were Latin 101 and Senior Seminar. She really enjoyed her undergraduate time at IWU as an Economics major and feels that the university is truly blessed and endowed to have such an excellent department. She plans to attend a law school.

Eric Van Hise

Eric is from Rochelle, IL and an Economics major. He is a member of the football team and the Alpha Phi Omega Fraternity. His favorite class was Senior Seminar. He plans on moving back to Rochelle, hopefully starting a career in law enforcement, corrections or probation.

Professor Chapman Retires After 31 Years at IWU

Kunaey Garg

This year the Illinois Wesleyan Economics department loses one of its most valued members. Professor Margaret Chapman has been an inspiration to all of her students and colleagues and will be missed as she retires from the economics department. She has been with IWU for 31 years now and, for her, it seems like just yesterday that she set foot into IWU, with the small two member department that she has seen grow to what it is now.

She received her Bachelors in Economics from Bradley University and Masters and Ph.D. from the University of Illinois, Champaign. She has taught a variety of classes here, ranging from the introductory course in economics to upper level courses such as Money and Banking and History of Economic Thought. For her, the most enjoyable class that she taught was History of Economic Thought, which she liked because it gave her students the big picture by providing them with different ways of thinking that they could not get elsewhere. She did not let her age get the best of her, claiming that it was the students that she has been teaching that kept her young.

Her favorite memories of IWU include things like advising research students, who provide her with satisfaction when their research grows from something crude to a refined and intelligible project. She has also enjoyed watching the economics department grow from what it was 31 years ago to what it is now, and is happy that the major program offered is distinguished and respectable in the US.

Once she retires, she plans to expand her dog agility training business, catch up on overdue maintenance of her house, and build a library of the history and culture of non-European countries. We wish her the best in life and in her endeavors in the future. Professor Chapman, I feel I speak for all the students who have been taught by you when I say that it has been an honor and a pleasure. Dr. Chapman, you and your tremendous devotion to the economics department will be missed.

Economics Where You Might Not Expect

Dan Wexler

The public perception of economics is that it concerns stock markets and banking. The more open-minded might allow that it is at play whenever money changes hands. Dr. Bryan McCannon ('98), assistant professor of economics at Wake Forest University, is working to change these perceptions by showing how economic theory can help explain a vast array of situations outside the scope of what is normally considered to be economics.

Voting is an area generally relegated to the field of political science, yet Dr. McCannon argues that voting behavior can be analyzed using an economics framework. In any given vote, individuals have fixed resources (generally one vote). Each person chooses to allocate his vote to whichever choice will maximize his wellbeing. Since economics is the study of the allocation of scarce resources, voting behavior is clearly an example of an economic problem.

One particular type of voting behavior that Dr. McCannon has analyzed is jury decisions. He provides the jury trial of the philosopher Socrates as an example. The way the court system of ancient Athens worked is as follows. First, a citizen brought charges against the defendant and proposed a punishment for the defendant to the jury. The jury listened to the arguments of both sides and then voted to either convict or acquit the defendant with a simple majority vote. If the defendant was convicted, he would then make a counterproposal to the plaintiff's recommended punishment. The jury would then vote to decide which of the two punishments should be imposed.

Dr. McCannon examines this final vote through the lens of game theory. Once the jury votes to convict, the defendant wants to receive

as little punishment as possible. The defendant thus needs to select the lowest punishment that will receive the support of a majority of the jurors. The possible punishments that the defendant can suggest will lie on a continuum with no punishment at one end and the punishment suggested by the plaintiff at the other. Somewhere between these two points lies the median punishment that jurors desire to impose.

Since the defendant needs a majority of the jury to support his proposal in order to minimize his punishment, his optimal proposal should be on the opposite side of the mean as the plaintiff's proposal such that its distance from the mean is just barely less than the distance of the plaintiff's proposal from the mean. If the defendant instead offers an even lesser punishment, the majority of the jurors will impose the plaintiff's more stringent suggestion. For instance, Dr. McCannon says Socrates proposed that his "punishment" should consist of being served the finest food in Athens at every meal. Unsurprisingly, the jury decided to impose the plaintiff's proposed sentence: death. If he offers a greater punishment, the jurors will vote for his proposal, but he receives more punishment than absolutely necessary. Thus the proposal described above is the optimum.

This example provides only a glimpse of the relevance of economics outside its traditional realm. Dr. McCannon uses economic theory to explain such varied topics as the optimization of plant root architecture, supermajority voting rules, and the outcome of a game of rock paper scissors. With the range of economic research continuing to expand, it seems increasingly relevant to ask what economics cannot explain rather than to ask what it can.