The Park Place Economist

Illinois Wesleyan University

Department of Economics
301 E. Beecher Street, Bloomington, IL 61701

1998-1999

Editorial Board

Editor-in-Chief
Jennifer Van Dyke

Technical Editor
Patrick Holly, Jr.

Articles Editors
Jaynanne Calaway
Justin Etnyre

Assistant Technical Editor
Tom Kirkwood

Managing Editor
Nathan Taulbee

Assistant Editors
Wes Dyke
Dieter Haager
Jaclyn Hood
Elizabeth Kowalski
Bill Schaub

Alumni Editor
Julie Dusek

News Editors
Kate Dougherty
Kris Kaneta
Mandy Watson

Cover Artist
Sarah Studnicki

Advisory Board

Faculty Advisor
Dr. Robert Leekley, Professor of Economics

Administrative Advisor
Robert L. Aaron, Director of Public Relations

President of the Economics Society
Jaynanne Calaway

The Illinois Wesleyan University Department of Economics assumes no responsibility for any statement appearing in The Park Place Economist, Volume VII, April 1999.
## Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Author</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Letter from the Editor</td>
<td>Jennifer Van Dyke</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Reflections on the Economics Program</td>
<td>Dr. Robert M. Leekley</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>From the Economics Department</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>“Alumni Notes”</td>
<td>Julie Dusek</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>“From Bloomington to the Big Apple: Why Not?”</td>
<td>Julie Dusek</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>“The Graduating Class”</td>
<td>Kristopher Kaneta</td>
<td>11</td>
<td></td>
</tr>
<tr>
<td>“Seniors Present Research in Memphis”</td>
<td>Mandy Watson; Jaynanne Calaway</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td>“The Economics Society: ‘Best Club on Campus’”</td>
<td>Jaynanne Calaway</td>
<td>13</td>
<td></td>
</tr>
<tr>
<td>“Global Construction Magnate Speaks to Students”</td>
<td>Mandy Watson</td>
<td>14</td>
<td></td>
</tr>
<tr>
<td>“Workin’ at the Fed”</td>
<td>Patrick Holly, Jr.</td>
<td>15</td>
<td></td>
</tr>
<tr>
<td>Articles</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>“The Opportunity Cost of Monetary Conviction:</td>
<td>Melissa Arms</td>
<td>21</td>
<td></td>
</tr>
<tr>
<td>A Comparison of the DSI and the S&amp;P 500”</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>“The Ripple Effect of Union Strikes: A Micro-</td>
<td>Korey Harlyn Coon</td>
<td>33</td>
<td></td>
</tr>
<tr>
<td>and Macroeconomic Effects of the GM Strike of</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1998”</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>“Immigration and its Effects on U.S. Labor Markets”</td>
<td>Kristopher Kaneta</td>
<td>51</td>
<td></td>
</tr>
<tr>
<td>“Tax Reform Proposals: Which one is the Best?”</td>
<td>Sunil Jagwani</td>
<td>57</td>
<td></td>
</tr>
<tr>
<td>“The Effect of Technology Growth on Money Supply and Demand: A Cointegration Approach”</td>
<td>Patrick Holly, Jr.</td>
<td>63</td>
<td></td>
</tr>
<tr>
<td>“The Benefits of a Fully Funded Social Security System”</td>
<td>Nathan Taulbee</td>
<td>76</td>
<td></td>
</tr>
<tr>
<td>“An Analysis of the Determinants of Financial Derivative Use by Commercial Banks”</td>
<td>Katie Hundman</td>
<td>83</td>
<td></td>
</tr>
</tbody>
</table>
Welcome to the 1999 edition of *The Park Place Economist*! This journal is a collaborative effort by students from several disciplines; produced by the Economics Department of Illinois Wesleyan University. This edition has been affectionately dubbed “lucky number seven” by the staff.

We are very excited to publish eight scholars in this edition. Many of these papers focus on the choices confronting individuals, companies, and the government and how these choices may affect the entire population. The first paper by Melissa Arms examines whether or not investing in green funds is financially beneficial. Jaclyn Hood analyzes the individual’s decision about home ownership using the human capital theory. Sunil Jagwani discusses the different tax system proposals the U.S. government is considering while Nathan Taulbee examines different methods for funding the Social Security system. These are just a few of the papers that deal with the choices facing decision makers today. This issue also features articles on current topics: unions, immigration, the technology of money, and the use of financial derivatives.

This has been a year of continuity for *The Park Place Economist*. I have taken on the distinction of being the only Editor-in-Chief crazy enough to tackle this project two years in a row. This journal has been a pleasure, even with all the late nights. What makes this endeavor such a joy is the creative, enthusiastic staff that produced it. I thank all of them for their dedication to this project. I would especially like to thank Pat Holly, my Technical Editor, for his endless energy and inspiring optimism. He too, is labeled as crazy for continuing in his position for a second year.

Finally, I would like to thank both the Economics and the Public Relations Department for their continuous support. I would especially like to thank Robert Aaron for his advice and counsel, as well as his extra effort to promote this journal.

This journal is still very young, and I am proud to have been able to help it grow. I wish next year’s staff the best of luck. All that being said, I invite you to sit back, relax, kick your feet up, and enjoy “Lucky Number Seven.”

Jennifer Van Dyke, Editor-in-Chief

General Information:
Submissions to *The Park Place Economist* are always welcome. Students interested in assisting in future editions of the journal are also welcome. Those interested in submitting papers or becoming part of the editorial staff, and those with any comments or questions regarding *The Park Place Economist* should call (309) 556-3178 for more information. Written queries and responses can be addressed to bleekley@titan.iwu.edu through e-mail, or to:

**The Park Place Economist**
Attention: Dr. Robert Leekley
301 E. Beecher Street
Bloomington, IL 61701
Reflections on the Economics Program

Dr. Robert M. Leekley, Chair

The Faculty and Program:

Quite a bit has happened in the Economics Department this year. First, Carolyn Fabian Stumph joined us from Lehigh University, where she completed her Ph.D. Carrie’s primary research interest is in open-economy macroeconomics; her current work focuses on Latin America. She has taken over responsibility for teaching both Intermediate Macroeconomics and International Finance. She also brings to the Department some much-needed expertise in time-series analysis.

Second, many of you will be sorry to hear that Pam Lowry has left. For some reason, she decided she preferred San Diego to Bloomington. She took a job in software development with HNC Software, Inc. HNC produces neural-net-based software used to analyze large amounts of data. She reports that she finds the work challenging and rewarding—and the weather “BEAUTIFUL!”

Luckily, we were able to find a one-year replacement in Mingmei Zheng, who was in the last stages of her Ph.D. program at Washington University-St. Louis. She stepped in to teach a very challenging set of courses for us, and has done a fine job. Mingmei also took advantage of spring break to get married. She and her new husband Barry Jones—also an economist—will be joining the faculty at SUNY-Binghamton next year. Thanks, Mingmei, for all you have done for us this year. And best wishes.

This year, then, we conducted a national search for Pam’s permanent replacement. And we are extremely pleased to report that we have hired Ilaria Ossella, who is currently finishing her Ph.D. at Cornell University. The daughter of U.N. diplomats, Ilaria has lived in several countries of Asia and Africa. Perhaps not surprisingly, then, she has chosen to specialize in economic development. Ilaria’s current work makes use of computational techniques to identify sectors of a country’s economy for which productivity gains would have the greatest effects on growth. We look forward to Ilaria joining us this August.

In other Department news, Margaret Chapman has turned over the duties of Department Chair to me. It was, I am afraid, my turn. With such good colleagues, though, it is not too much of a burden. Meanwhile, Margaret is on sabbatical this spring, working on new approaches—including game theory—to understanding community development. It is clear from the spring in her step that she is making real progress and having a grand time. Finally, the Department is extremely proud of Mike Seeborg, this year’s recipient of the DuPont Award for Teaching Excellence. All of us—except perhaps Mike—are looking forward to his address at this spring’s Honors Day Convocation.

Students and their Activities:

This year’s senior class is a small but distinguished one. All eight qualified for Omicron Delta Epsilon, our economics honorary. Six qualified to undertake Research Honors and, while two opted to finish at midyear instead, the other four are hard at work polishing their projects. Jaynannne Calaway, Patrick Holly and Jennifer Van Dyke all presented their work in March at the Missouri Valley Economics Association Meetings in Memphis. Jaynannne and Jenny are also presenting at this spring’s Omicron Delta Epsilon Initiation Banquet; Pat and Jackie Hood are presenting at an Economics Society meeting. And they will all be taking part in the University-wide John Wesley Powell Research Conference.

In other awards, Jaynannne Calaway received the prestigious Lincoln Laureate Award, which goes to just one senior at each of Illinois’ colleges and universities. Sunil Jagwani is being initiated into the national...
scholastic honorary society, Phi Kappa Phi, joining current econ members Melissa Arms, Jaynanne Calaway and Jennifer Van Dyke. We are initiating eight new sophomore and junior members into Omicron Delta Epsilon this spring—Korey Coon, Julie Dusek, Peter Karlis, Tom Kirkwood, Jason Lewis, Esteban Lizano, Nathan Taulbee and Jennifer Urbanus.

The Economics Society has had an active year, thanks to the leadership of President Jaynanne Calaway and Executive Board members Nate Taulbee, Esteban Lizano, Jackie Hood, Jenny Urbanus, Pat Holly, Jenny Van Dyke and Julie Dusek. Thanks to all for your contributions.

This year’s guest speakers included Heidi Munson ’94, an analyst for CILCO in Peoria, David Vance, Chief Economist for Caterpillar, Marvin Suomi, President of Kajima International, Bob Aaron, IWU Director of Public Relations, Rob Fazzini ’62, President of Busey Bank, and Fred Gottheil, Professor of Economics at the University of Illinois. Featured in less formal, lunch-time conversations were Carrie Stumph, Bob Eckley, former President of Illinois Wesleyan, Frank Gunter, Professor of Economics at Lehigh, and Bob Aaron. Thanks to all who gave so graciously of their time and expertise to enrich our program.

A highlight of the year was an Economics Society trip to Chicago to visit the Board of Trade and the Federal Reserve. The visit to the Fed was enriched by a special presentation by Dr. Carl Hunter, Senior Vice President of the Chicago Fed’s Economic Research and Monetary Policy Department. Thanks to him for taking the time to meet with us.

A low light of the year was “silly bowling,” in which econ students got two of their professors to behave even more foolishly than usual.

Of course the Society’s major project each year is The Park Place Economist. Jenny Van Dyke and Pat Holly have reprised their roles, as Editor-in-Chief and Technical Editor, to produce this lucky seventh edition. I think you will agree that they have outdone themselves. See the credits on page two for the others who have made substantial contributions. Congratulations to all on a fine volume.

The University Avenue Undergraduate Journal of Economics (UAUJE), our on-line collaboration with Illinois State University, is also now up and running. Unlike The Park Place Economist, which is entirely the work of IWU students, the UAUJE solicits articles from undergraduates everywhere. Mike Seeborg has guided the work at our end, assisted by Andrew Beath and Justin Etnyre. Congratulations on a successful launch.

Visit our home page at <http://titan.iwu.edu/~econ/> for additional news from the Department and alums, as well as links to the UAUJE and much, much more. If you have not visited the site recently, I think you will be impressed. Thanks to Pat Holly, this year’s webmaster, for the improved design.

Seniors, on behalf of the entire Department, we wish you the best in all your future endeavors. Please stay in touch. Alums, if we have not heard from you in a while, it is time to get back in touch. Give us some news for the web page. Returning students, we look forward to another wonderful year next year.