Interview with Jeremy Sandford: A Glimpse into the Life of a Graduate Student of Economics

John Haugen

Name: Jeremy Sanford, Class of 2002
Hometown: Elk Grove Village, IL
Majors at IWU: Economics and Hispanic Studies
Current Study: Ph.D. in Economics
Current School: University of Wisconsin
Expected Graduation: 2007

What is the work like in a Ph.D. program?
The first year of the program, you’re essentially bombarded with homework problems and exams. 3-4 homework assignments/week, typically, with one homework assignment taking between 5 and 20 hours to complete. You do not have time to do much else other than do homework and try to review the lectures a little while you are solving the homework. This culminates in preliminary exams in the summer. You have to pass these to progress in the program. However, at Wisconsin, typically only about half of each class will pass them both the first time. They cast a pretty big shadow over the whole first year. Simply, most people who go to Ph.D. programs are used to having things pretty easy, and so assume that this will continue in grad school. As such, it does not really even occur to most people before the first week of classes that having to leave the program is a possibility. For me, the first month was a slow, prolonged, and somewhat difficult realization that this was indeed a very real possibility. The rest of the year was spent being terrified of prelims. Fortunately, I passed.

The next deadline after prelims is the field paper, which is supposed to be a publishable paper in your area of interest. This is what I am working on now (with the knowledge that if I can’t do it well, I’ll be kicked out!). Once the field paper is passed, the last hurdle is the job market. I’m still far away from this, but I’ve heard that job market stress is 10 times worse than that induced by prelims or the field paper.

What is the level of difficulty in graduate school?
I didn’t anticipate having many problems before I came. Though once I arrived, I did find it quite hard. My experience at UW has been that about 10% of an entering class will not be overwhelmed by the material of the first year. Everyone else will have to work quite hard. Those with less math experience will be in the most serious trouble. Once prelims are passed, however, the real challenge is maintaining your motivation and focus without clear guidelines as to what you should do.

The hardest thing about grad school is the adjustment; many beginning Ph.D. students are used to understanding everything, being able to do all of the homework and tests, and basically have the attitude “I’m going to work really hard, and so if I can’t do it, no one can.” I certainly did. For those with this attitude, the adjustment to “Uh-oh, I’m in trouble” takes only a couple of weeks, but is incredibly difficult. This becomes the norm pretty quickly, though, and once you get used to not understanding everything, you begin to realize that if you understand the basic tools really well, you can go very far with them.
What is the best part of being a graduate student? The worst?
The best part is being surrounded by very intelligent people and having almost total freedom. The freedom is good. Now that I’m past the first year, what I work on each day is determined entirely by me. I also have near-complete control over my own schedule. However, the freedom is also one of the worst things about being a grad student; without being given guidelines on what to work towards, I often feel like I don’t know what I should be working on. It requires a large reserve of motivation, which is not easy. Doing research fills everyone with self-doubt sooner or later. I’ve heard accomplished professors talk about how research is 90% suffering induced by, say, trying to prove something that you’re not even sure is true, and 10% payoff.

Do you enjoy being a Teaching Assistant?
Sometimes, and it does give me a plethora of good stories (which, unfortunately, this is not the time for). I like working with the good students. I don’t like doing the same thing 4 times in one day, and I often feel like it detracts from my own work. What I especially enjoy is challenging the students. I’ll do something on the board that is probably hard for most of them, ask them a question, and then wait for as long as it takes for an answer. Sometimes it’s as long as 60 seconds! I’ve also gotten a lot better at it and have gained a lot of confidence over the last 6 months, which I enjoy.

Were there any particularly unexpected challenges in your first year as a graduate student?
I wasn’t expecting to struggle simply to understand course material. I wasn’t expecting the prelim exams to be so demanding. I wasn’t expecting the precariousness of grad student life here (many students live in constant fear of being kicked out for either the prelims or the field paper).

How did studying economics at IWU prepare you for what you are doing now?
Some IWU classes were directly useful to me at Wisconsin, particularly Game Theory and Econometrics (and, of course, my math classes). What has been far more useful, though, is my experience writing papers at IWU. I collaborated with Mike Seeborg to write 2 papers that are now published in journals, and I worked on my research honors paper throughout my senior year. I presented this paper at 3 different conferences across the country; this was invaluable experience. The fact is, though, that there isn’t a whole lot in common between undergraduate economics class work and graduate economics programs.

While you were attending IWU, did any faculty influence you to pursue a Ph.D?
I was helped along the way once I became interested. In particular, Mike Seeborg went out of his way to work with me. We met practically on a daily basis throughout my senior year to discuss our papers or economics in general or any number of other things. The stress on independent research at IWU is also excellent preparation for grad school.

Why did you choose to pursue a Ph.D in Economics?
I needed something to do after graduation, and I didn’t feel as though I was “done” with school. I enjoyed doing economics as an undergrad, and I’d always thought about doing grad school of one form or another. Looking back, however, I had virtually no reliable indication of what a Ph.D. program would be like, and the decision was made without knowing most of the things I now know about the economics Ph.D. program here. This doesn’t mean I think it was a bad decision; I probably would have made the same one had I known everything I do now. However, I would encourage anyone who is thinking about a Ph.D. program of any kind to email current grad students in programs they are interested in, and to talk to professors about their experiences. Grad students will be a more reliable source of information than professors, as there are selection problems inherent in asking only those who have successfully completed a Ph.D. program, and memories of even the most unpleasant things tend to filter out the bad stuff with the passage of time.
What areas of Economics are most interesting to you? Which specific field(s) are you pursuing in your studies?
I’m most interested in theory as a field. Theory basically means microeconomic theory, i.e. modeling decision-making behavior, and this basically means game theory (game theory has been the dominant analytical tool in economics for the last 20 years or so). Specifically, I’m interested in repeated games, and even more specifically I’m interested in reputation effects, bounded rationality, and how compelling a solution concept Nash equilibrium is.

What do you plan to pursue after graduation?
I want an academic job. Roughly 50-60% of new economics Ph.D.’s stay in academia. My current inclination is to take a job at a research university (more like UW and less like IWU). At a school like UW, research is emphasized, and teaching is relatively unimportant. To do this, however, I would have to be relatively happy with how my research was going and be convinced that it would satisfy me for the foreseeable future. If this isn’t the case when I go on the job market, I’m certainly leaving open the possibility of teaching at a liberal arts school like IWU. I would rather do the latter than go to a below-average university. I’m not a big fan of following “life plans” though, and so I will wait until the time comes to make a decision on what to do upon leaving UW.

Do you have any advice for undergraduate students who are interested in pursuing a graduate degree in Economics?
Take math classes, particularly in analysis and probability. Take advantage of any opportunities to work with faculty in any capacity, but especially to do research together. Also, know that a Ph.D. program is only for those who want to do research in economics. You basically spend 4 out of 5 years doing research, and the expectation is that you continue to do research upon leaving.

Alumni Notes

Amanda Thorson

Nimish Adhia ’03
Nimish is currently in India spending his time gardening, learning to cook, and playing with his new dog. He plans to join the Economics Ph.D. Program at University of Illinois in Chicago in Fall 2004. His advice to economics majors; “there is economics in everything; you just can’t get away from it! So deal with it.”

Kory Blumer ’03
Kory is currently working at Ernst & Young in Chicago as an auditor. He works with clients across several industries, interacting directly with their upper management team. Kory finds that a thorough understanding of microeconomics and macroeconomics is essential in order to effectively communicate with both his clients and his co-workers. He also uses the knowledge he gained as a student of economics in trend/ﬂuctuation analysis. Kory advises business students to take as many economic courses as possible, because “you will use economics in any business field, guaranteed!” He reminds students to have fun in school, because there is more to life than working.

Desislava Hristova ’03
Desislava is working on a Ph.D. in Mathematics at Boston University. Her advice to economics students is to appreciate and take advantage of the wonderful economics faculty members who are so...
available outside of class to discuss economics, careers, or simply life.

Awo Tiwaa Osei-Anto ‘03
Awo is currently working at Hewitt Associates as a business analyst. Even though she does not use her economics major directly, she feels it has given her a better understanding of Human Resources. Her advice to economic students: You cannot escape economics in the real world. Even if you end up not working in the field of economics, you will still face economic decisions in your day-to-day life. You will need economics to manage your personal finances and to understand current business affairs. Therefore, approach the study of economics as a life skill rather than a mere subject you need to graduate.

Bharat Pardasani ‘03
Bharat is currently working in the property accounting department at Equity Office Properties, the nation’s largest real estate investment trust. He has found his knowledge of economics very useful in understanding the trends in the real estate market and the strategies undertaken by his firm to enhance shareholder value. His advice to current students: attend class, learn good research skills, and never challenge Dr. Seeborg in bowling.

Patrick Spangler ‘03
Pat, a fulltime student at Chicago-Kent College of Law, will be working as a judicial extern for Magistrate Judge Sidney Schenkier in the United States District Court for Northern Illinois. His knowledge of economics has helped him understand the theoretical principles of utilitarianism, efficiency, and cost-benefit analysis imbedded in modern legal scholarship. Pat reminds us that policy concerns involving law often reflect legal theories based in economics. His parting advice to current students is: “Don’t let economics turn you into a nerd like Kory Blumer.”

Jeremy Sandford ‘02
Jeremy is currently enrolled in an economics graduate program at the University of Wisconsin-Madison. He successfully passed his first year exams, and he is currently completing his second year. He is particularly interested in the field of theory, and his field paper will involve game theory. Following graduation, Jeremy hopes to secure employment in academia.

Alicia Lange ‘01
Alicia is currently working in the home equity and consumer loan department at BankFinancial in Burr Ridge, IL. She applies many of the practical analysis tools she learned while in the IWU economics program. She also uses the analytical, writing, presentation, and research skills she learned every day at work and in her graduate studies. She is attending graduate school at Saint Xavier University’s graduate program to obtain a Masters of Education with a certification in Elementary Education, and she hopes to also earn a Reading Specialist Certification. Her advice to students is to participate in as much research as you can while you have access to the many resources at IWU. She recommends that students research topics that are meaningful to them.

Amanda Watson ‘01
Amanda is currently attending law school at the University of Illinois. After her bar exam in July, she will be employed in civil defense litigation at Quinn, Johnston, Henderston and Pretorius in Peoria. She feels that her economics major helped her a lot on the LSAT and gave her critical thinking skills that are essential in law school.

Otis Carter ‘00
Otis is currently in his third year of a JD/MBA program at Washington University and is pursuing a Finance and Managerial Concentration at the Business School. He has accepted a position with a large law firm in St. Louis in their corporate litigation and class action defense practice area. His advice is to take classes that will really challenge you, such as Econometrics and History of Economics. These topics will come into play in the real world, and you will be glad you took them.

Jennifer Van Dyke ‘99
In the fall of 2003, Jennifer entered the Economics Ph.D. program at the University of Illinois in Chicago where she is works as a teaching assistant. She is also consulting on a part-time basis for BearingPoint where she specializes in healthcare.

**Bryan McCannon ‘98**
Last July Bryan defended his dissertation and received his Ph.D. in economics at Penn State University. His main fields of interest are Industrial Organization and Game Theory. Bryan is currently an Assistant Professor of Economics at Elmira College, a small liberal arts college in upstate New York.

**Lee Poehlman ‘97**
After spending a few years as a group manager at Verizon in the Campaign Management department, Lee has started his own business, Centraspect Inc. He feels that economics is essential to his work in market analysis and campaign evaluation. He is also currently attending the University of North Texas where he is completing his final semester of a MS in Applied Economics. In addition, he will graduate with certificates in Mediation, Family Mediation, and Alternative Dispute Resolution. He feels the most applicable classes from his undergraduate studies were Microeconomics, Local Economic Development, and Statistics.

**Brett Roush ‘97**
Brett is currently employed as an actuary for Trustmark and is working out of his home in Tucson, Arizona. He feels that the method of thinking involved in economics—logical analysis, integration of math and social science, and a “big-picture” perspective—has attributed greatly to his success. His advice to economics students is to never lose sight of the implications, the significance, and the ability to explain the concepts involved as you dig into the numerical aspects of an economics problem or issue.

**Ashish Vohra ‘97**
Ashish is in his last semester of the MBA program at the Yale School of Management. He has not yet decided on a job after the completion of the program.

**Faizal Chaudhury ‘96**
Faizal works in the Internal Audit Dept. of Stepan Company in Northfield, IL. He is currently involved in Sarbanes-Oxley Act, related compliance work, and implementation of corporate governance reforms. Last fall he began a MBA at the University of Chicago Graduate School of Business. Faizal advises students who plan to attend business school to acquire a strong quantitative background. Econometrics is a must!

**Kimberly Ann Lawson ‘96**
Kimberly is currently a senior project manager at Hewitt Associates aligned with their HRO Total Benefits Administration, specifically working with Health & Group Benefits (medical, dental, vision, and life plans). She feels her degree in economics is very valuable in the business world because of the emphasis on data collection and analysis. She recommends that students complement their economics major with a minor. This combination diversifies your skills, knowledge, and experience. She has found this diversification to be invaluable from both a career and personal perspective.

**Gnanika Wijayaratne ‘94**
Gnanika worked for ChevronTexaco until very recently when she became a full-time stay-at-home mom. She also has graduate degrees in the fields of Human Resources, Management/Training and Development.

**Yuet Wei Wan ‘93**
Yuet Wei is currently working for Oaktree Capital Management in New York. Her position involves the emerging markets hedge, and she is responsible for the metals and mining, paper and steel sectors. Yuet Wei feels that since global macroeconomic factors drive commodities and foreign exchange markets, a background in economics is invaluable. She reminds students that a strong understanding of international economics is essential because we live in a very global economy.
The Class of 2004

Nick Holland

Ranmali Abeyasinghe
Ranmali, from Kandy, Sri Lanka, majors in economics and minored in political science. She fondly recalls many amusing moments and incidents during Senior Seminar with Dr. Seeborg. After graduation, Ranmali plans on entering the workforce and pursuing her JD and MBA.

Syed Iftekhar Ahmed
From Dhaka, Bangladesh, Iftekhar majors in both economics and public accounting. After he graduates, he will work at PricewaterhouseCoopers as an associate auditor in Peoria, Illinois.

Ajeet Bajaj
Ajeet, from Saharanpur, India, majors in economics and computer science. Ajeet is searching for employment related to software engineering. He is also in the process of earning his programming certificates. Ajeet plans on moving to Chicago soon.

Jack Benson
Jack majors in economics with a minor in business administration from Hoffman Estates, Illinois. He plans on obtaining a full-time position as a business analyst or a financial representative after graduation.

Sarah Bland
Sarah, of Rockford, Illinois, is currently seeking employment pertaining to urban development, environmental management, or economic analysis. She hopes to attend graduate school in economics in a few years.

George Thomas Coontz, Jr.
George, from Springfield, Illinois, is a double major in economics and business administration with a concentration in Finance. Some of his favorite experiences as a student of economics include: being inspired by Dr. Margaret Chapman to major in economics his first year, as well as political and economic debates with Dr. Diego Mendez-Carbajo. George thanks Dr. Chapman, Dr. Leekley, Dr. Mendez-Carbajo, Dr. Durbal, Dr. Kumazawa, and last but certainly not least, Dr. Seeborg. George will continue his education at Loyola University of Chicago to earn an MBA with specializations in economics and finance. He will then pursue a degree in law.

Piotr Dabrowski
Pete is from Elmwood Park, Illinois. His most memorable moment as a student of economics is the celebration at Mugsy’s, a local bar, marking the end of Senior Project. After graduation, Pete will make the transition from a student of the University to an employee of the University, working in the admissions office. He is also considering a career as a firefighter.

Robbie Gallagher
From Darien, Illinois, Robbie is an economics major and a business administration major. After graduation, Robbie will attend law school at Chicago-Kent.

Mahi Garg
Mahi is from Calcutta, India. In addition to majoring in economics, she also majors in art. She recalls with amusement trying to convince Dr. Michael Seeborg “that it’s Adobe GoLive, not JustRight!” Mahi also remembers spending hours preoccupied about her 0.00001 sig values associated with her senior seminar results before she happily realized that low sig values are good, not bad. After graduation, Mahi plans on working in an economics-based or residential life position.

Connor Howard
Connor is a double major in economics and accounting from Lincoln, Nebraska. After graduation, he plans on getting a job in public accounting.

William R. Irwin
Will is a double major in economics and biology from Belleville, Illinois. He alleges that his proudest moment as a student of economics occurred when he received notification that The Park Place Economist would publish his paper. Will plans on continuing his education at law school after graduation at either Duke, Vanderbilt, or Washington University in St. Louis.

Patrick Kinsella
Pat is from Bolingbrook, Illinois and has a double major in economics and business with a concentration in finance. After graduation he plans on finding a job. In the long term he hopes to start a new youth baseball league in his hometown with the help of his friends. His favorite experience as an economics student occurred during May Term his first year. During a field trip in Chicago for Dr. Seeborg’s Economics of Race and Gender class, a classmate twisted his ankle. Pat recalls with amusement when a classmate (who shall remain anonymous, though he/she is a member of the class of 2004) “was convinced that we should run and get Dr. Seeborg because he is a doctor, and he could give us medical advice on the situation.”

Satish Lohani
Satish hails from Katmandu, Nepal, and he majors in both economics and mathematics. He plans to attend graduate program in economics at Washington University in St. Louis. Satish’s long term goal involves the pursuit of a career in biostatistics or econometrics.

Alexis Manning
Alexis, a resident of Lake Forest, Illinois, has a double major in economics and Hispanic Studies in addition to a minor in environmental studies. She has many fond memories of studying economics. She recalls her Research Honors trials and tribulations, an unprecedented battle with Robbie for the red Starburst candies in the candy dish, and her first economics class ever, Introduction to Economics, with Dr. Margaret Chapman. After graduation, she will to teach environmental education in Nicaragua as a Peace Corps Volunteer.

Nii Amaah Ofosu-Amaah
Nii Ammah is from Accra, Ghana. He is glad to be an economics major, and he reminds us that economics rocks! He expects to find a job soon.

BeiBei Que
Beibei, from Westmont, Illinois, will attend law school.

Amit Sane
Amit comes from Olympia Fields, Illinois, and he is seeking employment after graduation.

Svetlin Vulov
Svetlin, a double major in economics and international business, is from Plovdiv, Bulgaria. He is currently seeking employment.

Weston W. Walter
Weston, a double major in economics and political science, hails from Barrington, Illinois. Weston views the semester he spent studying abroad in Germany as his most memorable experience. He had the opportunity to visit the European Central Bank, the World Bank, and the OECD. After graduation Weston plans to attend law school.

Melinda Wick
Lindy is from Highland, Illinois. In addition to her major in economics, she has a minor in business administration. She remembers her Dr. Seeborg’s Introduction to Economics with Grapefruitola as her most interesting economics course. After graduation, Lindy has a diverse set of options. She has interviewed with Cardionet, and she is also applying to FOCUS (a youth ministries service), the Secret Service, and State Farm’s Catastrophe Response Team.
A New Beginning: The Undergraduate Economics Review

Mahi Garg

For the past seven years, students at the Economics Department of Illinois Wesleyan University have been actively involved with online journals such as the University Avenue Undergraduate Journal of Economics. This year the department decided to take that involvement further by creating its very own online journal - The Undergraduate Economics Review (UER).

The UER, although still in its conceptual stage, aims at becoming a peer-reviewed online journal which is committed to supporting and encouraging high quality student research in all areas of economics by publishing the best undergraduate papers from across the world. Chief Faculty Advisor Dr. Mike Seeborg, Editor-in-Chief Mahi Garg, Managing Editor Iftekhar Ahmed, Articles Editor Ranmali Abeysinghe, and Webmaster Robbie Gallagher have worked hard to create a strong foundation that will enable the journal to achieve its mission. The plan is to complete the website and have it uploaded by the end of March. Article solicitation will begin in fall 2004, and will be aided by the journal’s several unique features, such as a guarantee of review within three weeks of submission, immediate posting of accepted articles, and separate sections for students with varying levels of experience. Thus, the journal will use advanced technology to cater to a large clientele and provide them with significant advantages through time savings.

Within IWU as well, Dr. Seeborg believes that the UER will benefit both students and the Economics Department in several ways. To start with, the process of creating a journal from scratch will serve as an excellent co-curricular activity that develops leadership and teamwork skills, encourages learning about editorial policies and procedures, and promotes engagement with economic concepts. Further, the journal will allow students to showcase and review top quality research from universities across the globe. In terms of the department, the UER will provide recognition and contribute to the excellence of the economics program. Although the Park Place Economist does this to a considerable extent, the UER will play a different role by reaching out to more universities.

Mahi Garg agrees with Dr. Seeborg’s assessment. She feels that the last few months have been an incredible learning experience in several ways. The various aspects involved in the creation of an online journal ensure that the founders develop an ability to brainstorm creative ideas, perform internet research and combine gathered information into tangible forms that sustain the mission of the journal. Although the conceptualization has been challenging, team members Dr. Seeborg, Iftekhar Ahmed, Ranmali Abeysinghe and Robbie Gallagher have used amazing ingenuity and sincere effort to make the journal happen, and have undoubtedly learned a lot in the process.

By the end of the 2003-2004 academic year, the foundation for this unique endeavor will be created. The journal’s distinct advantages and features promise to impact undergraduate economics students around the world by providing them with a high-quality environment to showcase their work. It will undoubtedly serve as a source of pride and admiration for economics students and faculty members not only at IWU, but also at participating universities all across the globe.
According to some education researchers, “co-ed can be no ed.” For many proponents of single-sex schools, the notion that co-educational classrooms can be detrimental to academic success serves as the basis for advocating separating the genders into single-sex schools. However, does a single-sex education significantly improve an individual’s future labor market outcome? Sherrilyn M. Billger, Assistant Professor of Economics at Illinois State University, attempted to answer this question in her research entitled, *Reconstructing School Segregation? The Impact of Single-Sex Schooling on Labor Market Outcomes.* Billger presented her findings to Illinois Wesleyan students and faculty on March 10, 2004 as the annual Omicron Delta Epsilon speaker.

Billger began her presentation by highlighting several of the benefits of single-sex education. Previous literature on the subject finds that separating males and females into different schools provides a less stressful environment for students, particularly in the case of females. Student benefit from single-sex schools, in part, because a single-sex environment alleviates the typical gender roles. A study by the American Association of University Women (AAUW) demonstrated that teachers in co-ed classrooms call on male students more often than female students since boys tend to be more outgoing and boisterous than girls. This favoritism and gender stereotyping can be detrimental to female students, even at the collegiate level. For example, a former women’s college that recently began admitting men experienced a decrease in the number of females majoring in the sciences and mathematics as well as a drop in the number of female graduates receiving advanced degrees.

Statistically, Billger explained that graduates of all-girl secondary schools are 84 percent more likely than graduates of co-educational schools to attend college and almost twice as likely to attend graduate school. Similarly, males who attend single-sex schools are more than twice as likely to graduate from college and 67 percent more likely to enroll in graduate school. However, these numbers ignore a selection bias, since students who choose to attend single-sex schools generally have higher family incomes, stronger work ethics, parental involvement, and other characteristics that typically lead to greater success.

In order to isolate the effects of single-sex education on labor market outcomes, Billger created econometric models that controlled for other factors which could lead to higher individual incomes. In her model that controlled for observable variables, such as parents’ education and occupation, region, and school type (private or public), Billger determined that females in her sample who attended single-sex schools earned wages that were 10 percent higher than females from co-ed schools. Likewise, Billger discovered that when controlling for unobservable variables, such as work ethic and family value of education, females who attended single-sex schools still earned 13 percent higher wages.

From these results, Billger concludes that single-sex schooling can lead to beneficial labor outcomes, particularly for disadvantaged girls. However, Billger, also noted that many educators believe that single-sex schools, in fact, reinforce gender stereotypes; and if men and women are going to eventually live and work together, they should attend school together as well.

Billger ended her discussion by looking toward the future of single-sex education. According to Billger, current policy changes in education, such as *the No Child Left Behind Act* and the evolving interpretation of *Title IX*, will lead to greater school choice and probably the creation of more single-sex public schools. To truly determine whether these schools benefit students, Billger stated that more research is required; the effect of single-sex schools remains ambiguous.
Opinion: The Benefits and Costs of Outsourcing Jobs

George Coontz

With today’s consumer stretching the dollar further and further, tremendous competitive pressure has been put on U.S. companies trying to compete with foreign companies. In this competitive world, companies must reduce costs in order to provide a product or a service. Reduction in labor costs is one way to reduce costs of production. Another way is to improve efficiency.

We have to remember that someone somewhere will always be hurt by some policy; we must remember that we are also creating jobs in other areas of the world. Lots of jobs going overseas are those in call centers. These are places where companies offer technical support. For example, credit card companies and computer tech support have been moving their support operations overseas. As a result of moving these support jobs overseas, a reduction in cost is seen for the company in the form of lower labor costs. This in turn will lower the cost of the goods and services to you, the consumer, and the company will remain competitive. This need for reduction in prices is consumer-driven. With the increased competition involved in a world market, corporations from other areas of the world with lower labor costs are directly competing with corporations from the United States with higher labor costs. Since American consumers demand lower and lower prices for goods every day, if American companies do not make these changes and lower production costs, they will go out of business and all of the company’s jobs will be lost. I believe that it is better to lose only a few jobs than to lose the entire company and all of its benefits to American society.

Outsourcing, from a purely at economic perspective, is good for developing economies. Free trade benefits all parties involved because of comparative advantage. Basically, comparative advantage means that if a certain country can produce a good or service more efficiently than another country, then this country possesses the comparative advantage. This country should elect to produce this good or service, while the other country should produce goods for which they have a comparative advantage. Both countries trade with each other to obtain the goods for which they have the comparative disadvantage. This promotes economic growth and prosperity. You cannot be in favor of both free trade and protectionism at the same time, and outsourcing is an example of free trade.

However, outsourcing does have some costs, namely the elimination of jobs here in the United States. For the displaced workers, the cost of relocation and retraining is born by the economy. It depends on each person’s view of things to determine if these are major costs to the economy. If you are displaced, this is a huge loss, but if you just reap the benefits of the lower cost of production by outsourcing with lower prices, you will only see the positives externalities of the job relocation. I personally have not been the victim of an outsourcing incident, so I can only offer the economic reasoning behind why companies choose to outsource. Efficiency gains and comparative advantage impact the economy positively, resulting in gains for every member of society.

Outsourcing is an example of a real life application of comparative advantage. Many developing countries have a surplus of labor, and therefore, the cost of this labor is low. Consequently, companies elect to utilize this low cost labor by outsourcing labor-intensive jobs, such as call centers, to these countries. The main benefit to the U.S. involves lower prices of goods and services. Other areas of the world benefit, because outsourcing provides them with employment. Unfortunately, outsourcing does result in the elimination of some jobs in the U.S. And to those people who are laid off due to outsourcing and cannot easily find new employment, the benefit of outsourcing – lower prices – may not serve as much
of a consolation.

Unfortunately, people will continue to lose their jobs due to outsourcing. They may not be able to find work for a while as there could be a time lag before they find a new source of employment. This is a cost to society because unemployment benefits will be paid by the government and taxpayers.

It is possible that this loss just could be temporary. In the future, the United States might develop a comparative advantage in some new good or service thus creating jobs in the United States and removing them from a place with a comparative disadvantage in those services. My suggestion is that we should all strive to gain as much education as possible in order to learn how to conduct business more efficiently and gain the comparative advantage for America. Always strive to be the best at what you do and be proud of it.