



ISSUES IN POLITICAL ECONOMY

Undergraduate Student Research in Economics

Volume 24
July 2015

Editors

Jordan Grover and Jennifer Smith

Associate Editors

Annie Barker, Callie Crew, Lauren DiRago-Duncan, Kyle Groves, Oshan Jarow,
Kate Smith-Lin, William Wilkinson

Reviewers

Shruti Anantatmula, Christopher Battaglia, Matthew Baum, Cameron Branning, Annie Cosby,
Stefano de la Feld, Keegan De Silva, Karl Dick, Stephanie George, Daniel Griffin,
Dana Gullquist, Kyle Hoganson, Burke Hrovat, Anna Johnson, John Johnson, Rachel Kagan,
Katherine Larson, Nicholas Mayersohn, Maria Restuccio, Ashley Roth, Jonathan Russell,
Cameron Saucier, William Shelly, Stuart Shotwell, Lauren Simms, Daniel Spiller, Matt Trogdon,
Jake Valente, Sterling Voynick, Meaghan Walsh, and Alexandra Worsham

Elon University

University of Mary Washington

Mission Statement

Issues in Political Economy is committed to supporting and encouraging quality undergraduate research in all areas of economics. The Journal was founded on the belief that the best way to learn economics is to do economics. Through the process of research, writing, and peer review, students actively engage the discipline in a way not possible by simply listening to lectures and reading textbooks. In short, undergraduate research is a vital component in an economics education. The literature suggests that students take projects more seriously and learn more when the project is directed towards an external rather than an internal audience such as a class assignment. *IPE* is designed to provide an external audience for such research.

Issues in Political Economy is edited and refereed entirely by students, with oversight from faculty at Elon University and University of Mary Washington. In order to maintain quality and objectivity, we follow a double-blind review process. The only requirements for submission are that the article pertains to some aspect of economics, that it was written during undergraduate study, and that it be submitted through a faculty sponsor. Though submissions on all topics in economics will receive consideration, papers should be analytical and seek to add new understanding to the topic

For additional information please visit our website <http://www.elon.edu/ipe>

Faculty Sponsors:

Steven A. Greenlaw
Professor of Economics
University of Mary Washington
Fredericksburg, VA 22401
Email : sgreenlaw@umw.edu

Stephen B. DeLoach
Professor of Economics
Department of Economics
Elon University
Elon, NC 27244
Email: deloach@elon.edu

NOTE FROM THE EDITORS

Issues in Political Economy began over a decade ago with the goal of developing a forum to further the understanding of economics among undergraduate students. The original journal was conceived and cultivated by dedicated students and faculty at Bellarmine College in Louisville, Kentucky.

In 1999, Elon University and the University of Mary Washington inherited the sponsorship and editorial responsibilities of *Issues in Political Economy*. Since then, *IPE* has gained international recognition as one of only two undergraduate research journals, and has received submissions from all over the world.

The IPE not only focuses on promoting undergraduate research, but also is a student lead incentive. While faculty oversees the project, an editorial team of senior economic majors primarily leads the journal. Students review all submissions and the final decision-making rests in the hands of the editorial team.

We would like to thank Dr. Steve DeLoach from Elon University and Dr. Steven Greenlaw from the University of Mary Washington for their guidance and support. These faculty members steered much of the process, and the final result would not be possible without them.

The Journal also sponsors an undergraduate session every year, typically in conjunction with the Annual Eastern Economics Association Conference. This year's 22nd annual IPE Conference was held in New York City and was a great success, hosting many student papers and allowing students to serve as session chairs and discussants. We would also encourage any future submitters to consider presenting at the conference as well as submitting to the Journal, as the experience of a live presentation is not something to ignore.

It is our hope that each year's *Issues in Political Economy* will build upon the success of the past and continue to be a creative and beneficial journal for all involved.

Jordan Grover and Jennifer Smith
2015 Editors

FOREWORD

The twenty-fourth volume of *Issues in Political Economy* contains five papers. These papers offer a wide range of topics from the importance of undergraduate major choice to growth in developing countries. Each paper offers a thorough and in-depth economic analysis using various different techniques from logical analytics to sophisticated econometric models.

Emily Ellis, from American University, begins this year's issue with an investigation into workplace discrimination against behaviorally gay and lesbian people. Previous research has found that gay men earn less than straight men, while lesbians actually earn more than straight women. The General Social Survey from 1992-2002 is used to collect data to identify gay and lesbian individuals and determine behavior traits to complete this research. Comparing wages to masculinity traits using an OLS regression, Ellis's results are consistent with previous literature for men, but show the opposite for women. The implications of this research could cause a revision of discrimination laws, changing the workplace for the LGB community.

The second paper is by Kevin Roberts, a 2015 graduate from Davidson College. Roberts was able to create an advanced and original model to capture how knowledge spillovers and entrepreneurship affects growth in developing countries. He then tested his model with an example from China, and their migration policies and patterns. Roberts' model adds to a handful of existing models from economists who have been interesting in mapping knowledge spillover effects since 1986. By using agent-based computational economics, Roberts not only grasps the impact knowledge spillovers make on research and development, but also the innovative entrepreneurs' impact on developing economies.

In our third paper, Michael Bassett adds to previous literature on the impact undergraduate major choice makes in future earnings by examining long-term effects. He carefully models factors that affected the changes in income between 1997 and 2011 for approximately 9,000 college graduates. Bassett's findings suggest that despite heavy short-term significance on income, over the long term (15 years in this case), other factors become more significant. Bassett also integrated a Heckman-Selection Model into his study in order to capture participants who reported no income.

Jessica Perregaux, from St. Lawrence University, investigates the cost elasticity of remittances sent from Senegalese migrants that have moved to France and Italy. With remittances making up a significant portion of Senegal's GDP, Perregaux examines how lowering the cost to send remittances would affect the frequency and magnitude of the financial aid. Using data from the World Bank household survey in 2009, the research finds that the partial elasticities of four different transfer methods are significant at a one percent level ranging from -0.4 to 1.02. In further analysis, the theory is challenged as results show an increase in use of a less secure method versus an expensive method.

The issue wraps up with author Leonardo Pedicelli, from American University, researching the effects of long-term guaranteed contracts in the NBA. Previous research suggests shirking behavior due to the nature of the contracts, and Pedicelli aims to add to the discussion using a fixed effects regression model. Panel data from 100 NBA players in the years 2006 to 2014 is used to show the change in player performance during the last year of the player's contract. The

results do not find evidence of shirking, but this theory could also be applied to long-term contracts in any situation as well as collective bargaining.

We are fortunate to have such a talented set of writers this year. The range of topics covered as well as the depth in which each topic is explored demonstrates the quality of studies the IPE is proud to maintain. We hope this edition inspires submissions for next year, promotes future research, and provides valuable and significant insight into each topic as this year's papers have done.

Jordan Grover and Jennifer Smith
Elon University