



ISSUES IN POLITICAL ECONOMY

Undergraduate Student Research in Economics

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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>

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NOTE FROM THE EDITOR

Issues in Political Economy began over a two decades 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 24nd annual IPE Conference was held in New York, N.Y. 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 out of 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.

Holly Ann Brueggman
2017 Editor

FOREWORD

This year's submissions for Issues in Political Economy represented the highest volume of superior-quality research in the journal's history. We reviewed papers written on foreign affairs, poverty, incarceration trends, pollution, and educational attainment in developing nations, just to name a few. The number of studies that tackled relevant and pressing topics in today's global political economy provided a glimpse of the impact that these young economists are capable of in the future.

In order to sufficiently feature the fifteen well-deserving candidates in this year's publication without resorting to abridgements, we on the Editorial Board have decided to issue two separate volumes: the current Spring Edition and a Fall Edition, to come late August 2017. Both volumes feature undergraduate studies with a wide variety of relevant economic problems and a high level of quality, with authors from prestigious universities across the United States and United Kingdom. This volume features eight papers which offer in-depth economic analyses from logical analytics to sophisticated economic trends.

In the first paper, Brendan Moore of Columbia University aims to inform the debate about the effects of corporate tax rates and income apportionment on levels of employment. His paper stands out among existing research in that the large majority focus solely on the federal level as opposed to the state level. Moore's data consists of a panel using state-level corporate income tax rates, income apportionment formula weights, employment statistics, and various economic control variables, spanning years 1979 to 2015. While no significant impact of statutory corporate tax rate on state employment is found, Moore does observe an asymmetric effect wherein a tax increase yields lower employment but a tax decrease yields no change in employment.

The second paper is Ameya Benegal of Elon University examining the effects of armed conflict on the incidence rates of infectious diseases. While many existing papers on armed conflict focus on economic impacts by way of recovery and foreign aid, Benegal takes a different approach by linking these conflicts with public health. To test his hypothesis, Benegal uses panel data with Country Fixed Effects. He finds a positive and statistically significant relationship between at least one type of conflict and the incidence rates of infectious diseases in men and women, with the exception of HIV. He concludes with some dynamic policy implications and future research possibilities on this topic.

The third paper is by Trent Davis of Washington State University and attempts to demonstrate a positive correlation between joining the Eurozone and increased international trade flows using the Gravity Model. He uses international trade data from 1988 to 2013 in a three-way fixed effects OLS model to estimate the impacts. In a secondary hypothesis, Davis queries whether the amount of time spent as a member of the Eurozone correlates to level of international trade. While the first question was found to be statistically supported, the latter was not found to be significant.

The fourth paper in this issue, by Shea Feehan of Hartwick College, asks whether poll data in political elections is utilized by donors to determine whether or not to contribute. Feehan uses the

fourteen months leading up to the latest election to observe donations at the state level. Poll data is used as a proxy for competitiveness of the race, and Feehan hypothesizes that the closer the race, the higher the level of monetary donations. He builds a donor utility maximization model and estimates it twice, once with data from the Republican Party and once with the Democratic Party. He finds significance in his theory with one party, but not with both. He recognizes his timeframe limitations and suggests further research with a wider historical lens.

The fifth paper to appear is by Dawid Sawicki of the University of St. Andrews, United Kingdom. Following a topic pattern of international affairs and the Eurozone, Sawicki asks whether European integration plays a role on income inequality in the Eurozone economies. This is based on previous research suggesting that income gaps have increased in the EU despite its goal of bringing economic prosperity and social cohesion to the entire region. Eurostat data is used to sample seventeen of the nineteen Eurozone economies, and the findings suggest that European Integration contributed to the increase in income gaps in the Eurozone. This result can be explained by the lack of coordination between monetary and fiscal policies at a supranational level.

Sixth, Dmytro Bogatov of Worcester Polytechnic Institute presents a dynamic, voluntary contribution mechanism, public good game and derives its potential outcomes. Bogatov assesses three kinds of outcomes: the lowest payoff outcome, the Nash Equilibria, and socially optimal behavior. In this unique paper, he is able to analytically derive a generic formula that produces the optimal strategy under a given set of assumptions about the players in an environment where players have the option to invest in public goods.

In the seventh paper, Jakub Zagdanski of Durham University, United Kingdom examines modern practices and influence on fiscal and monetary policy, under the observation that changes to national statistics have a significant effect on headline figures such as GDP and inflation measures. This paper examines methodology corrections against the economic principles and the fitness for purpose criteria from the perspective of fiscal and monetary policymaking. The findings show that manipulation of national statistics is a plausible threat for the fiscal and monetary policymakers. Examined practices in the US, the UK and Greece focus on establishing professional independence and borrow from the experience gained establishing independent central banks.

In the final paper, Sara Omohundro of Butler University looks at the effects of fiscal policy on consumer confidence using survey data of mainly university students. This is an important group to examine due to their future as a primary consumer group, and understanding their behavior and reactions to fiscal policy can inform these debates going forward. Omohundro discovers that a combination of tax cuts and government spending resulted in the highest level of consumer confidence, and there were no demographic factors measured that contributed significantly to consumer confidence.

Holly Ann Brueggman