ISSUES IN POLITICAL ECONOMY
Undergraduate Student Research in Economics

VOLUME 17

Mission Statement

Issues in Political Economy is committed to supporting and encouraging quality undergraduate research in all areas of economics. Now in its 17th volume, 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 simply by 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.

IPE is edited and refereed entirely by students, with oversight from faculty at Elon University and the University of Mary Washington. 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.

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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 decade ago with the goal of developing a forum to deepen 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, receiving submissions from all over the world. Over the past five years, the acceptance rate has been approximately 30%. Although faculty mentoring has played a significant role in the development of the *IPE*, student reviewers and editors referee all papers.

Issues in Political Economy greatly appreciates the patience and leadership provided by faculty and sponsors. In particular, we would like to acknowledge the work of Isaac Knowles, Robert Rycroft, William Hawk, and Stephen Stageberg. We would also like to thank all those who have been acknowledged for being instrumental in past issues. This journal builds on the foundation carefully created by its thoughtful predecessors.

And of course, we would like to express special thanks to Professors Steve DeLoach from Elon University and Steve Greenlaw from the University of Mary Washington. Their guidance and enthusiasm has been invaluable to the publication of this journal. They have actively promoted the awareness of a wide range of topics in economics.

In conjunction with this journal, *Issues in Political Economy* also continues to coordinate undergraduate student presentations at the Eastern Economic Association annual meetings. This year's meetings were held in Boston, MA and consisted of ten sessions. There was a diverse group of presenters and their participation sparked discussions and initiated thought about a variety of economic issues.

It is our hope that this issue of *Issues in Political Economy* will continue to aid the flow of ideas and research.

William Swanson

FOREWORD

The seventeenth edition of Issues in Political Economy contains five papers of undergraduate research. In each paper, the authors utilize an array of econometric techniques, in-depth theoretical reasoning, and unique argumentation to develop upon a variety of fascinating topics in modern economics.

In the first article, Chad Stecher from Colby College provides a valuable study of the biases that may exist within survey data, arising from a participant's refusal to answer specific questions about personal income. Even though income data is a widely used variable in economic research, survey questions about personal income are notoriously sensitive to non-response. Using national Japanese data on elderly citizens, Stecher applies a logistic regression model to identify the characteristics of the individuals at risk of not responding. His approach and findings have considerable practical value, insofar as they may help future researchers to anticipate and correct for the nonresponse bias in survey data. Comparing the results to those of Western countries, Stecher also makes a final empirical observation; cultural differences do have a significant influence on a participant's probability of survey non-responsiveness. From this broader comparison, the author concludes that both inter- and intra-population biases are relevant to the quality of survey data.

The second article, by Samuel Giffin and Quinton White from Furman University, inquires into the existence of a wage premium or penalty that women may suffer as a result of marriage. Using cross section data from the National Longitudinal Survey of Youth, Giffin and White estimated four Ordinary Least Squares regressions for five noncontiguous years between 1984 and 2004. The authors recognize at least three of the standard explanations for women's wage gap, and developed a unique combination of explanatory variables to assess each theory. Even though the results were compelling for several individual years, the authors could find no consistently significant results. As the authors point out, past research has usually demonstrated a strong marriage effect on women's wages. This paper reassesses the question using the most recent data available. The lack of results may be significant as a call for optimism, insofar as the data may now indicate an evolving social climate.

The next article will alert the reader to the intricacies of team sports dynamics, and imply a few of the difficulties in quantifying "productivity." Gregory Miller from West Chester University uses an ordinary least squares equation to investigate the impact of recent rule changes on the productivity of larger players. While most studies have used a player's salary as the proxy measure of productivity, Miller uses points-per-hour as an alternative dependent variable. With this approach, the author is able to estimate short term changes in productivity. A player's wages are usually constrained within the details of a long term contract; using points-per-hour enables Miller to estimate short term changes in productivity. In contrast to his initial hypothesis, the author concludes that the recent rule changes have not negatively impacted the productivity of taller players.

In a related article that will also interest sports economists, Andrew Peters considers the relationship of specific skill factors and the winnings for PGA Tour contestants. The direct linkage between tour performance and tour winnings allows the author to estimate the profitability of specific skills in the game of Golf and the opportunity costs of mastering a specific skill. When the author regresses data for a golfer's average driving distance, driving accuracy, putting, and other rudimentary golf skills, he concludes that putting is the most profitable skill to master. Although the Peters' findings are consistent with past researchers, his approach is unique. Rather than calculating a production relationship to estimate the marginal revenue product of certain skill factors, Peters approaches the question with a unique combination of explanatory variables in an OLS regression. The reader may also note an interesting tangent. The choice to measure performance is a compelling counterpoint to the previous article, in which Miller avoided using a player's salary as the proxy variable for performance.

In the final article, Hari Sharma from Trinity College considers the components of China's rapid growth between the years 1952-1998. When working with this particular capital stock series, most researchers have limited their estimation method to a standard OLS regression using de-trended data. Sharma reconsiders the data, however, in light of the possible problem of cointegration amongst the variables. After applying various tests for non-stationarity, the author is able to demonstrate that the time series data for labor, capital, and total factor productivity do have unit roots in level form. This persistence of cointegration motivates the Sharma to take a unique approach. Using an Error Corrections Modeling framework, Sharma estimates the production function for China's macro economy while accounting for cointegration. Even so, the author's results confirm the findings of previous researchers. Final estimates for the contribution of labor, capital and productivity to the aggregate growth trend in China reveal that capital is the most substantial ingredient to China's dramatic success. As the author points out, the nature of the consistent results may portend a few upcoming threats to the marginal utility of capital, and the sustainable nature of China's growth.

The relevance of these papers to businesspeople and policy makers at all levels, will attest to the success of each article as undergraduate research. In promoting economic research by undergraduates, *Issues in Political Economy* hopes to raise awareness of significant undergraduate contributions. It is my sincere hope that this year's publication provides readers with a variety of topics that will spark continued research and debate.

William Swanson