



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. Now in its 18th 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 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 the [University of Mary Washington](http://www.umw.edu) and [Elon University](http://www.elon.edu). 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 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. Although faculty mentor has played a significant role in the development of the *IPE*, student reviewers and editors referee all papers. Over the past three years, the acceptance rate has been approximately 30%.

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 Cynthia Bansak, Philip Brown, Mary Hansen, Margaret Ray, Vineeta Sharma, and Elizabeth Teixeira. Additionally, Karl Sienerth and Mary Gowan have provided invaluable support for this publication. Would also like to thank all those who have been acknowledge 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 a special thanks to professors Stephen DeLoach and Jayoti Das from Elon University and Steven Greenlaw from the University of Mary Washington. Their guidance and enthusiasm has been invaluable (another word?) 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 Economics Association annual meetings. This year's meetings were held in New York City and consisted of ten sessions. There was a diverse group of presenters and their participation sparked discussions and initiated through 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.

Drea Dorrow
2009 Co-Editor

FOREWORD

The eighteenth edition of *Issues in Political Economy* contains six papers of both unique and impressive undergraduate research. These papers utilize an array of econometric techniques, in-depth theoretical research, and intriguing individual arguments. This year's publication is particularly exceptional in both the variety of topics discussed as well as the international expanse from which submissions were received.

In the first paper, Ricardo Silva of University of Aveiro takes on the complexities of business cycle association in an examination of the effects of single currency convergence. This paper takes a specific look at the European Union, and through descriptive analysis, tests the hypothesis that "the launch of the currency union in Europe increased the cyclical synchronization between the participating countries." Silva's extensive analysis ultimately finds that the existence of a shared currency does in fact increase the links between the participant economies and argues the implied policy implications.

In a unique and intriguing study, Stephanie Rzepka from the University of Mary Washington, examines the market for thoroughbred yearlings sold at auction for the presence of adverse selection. In a market of asymmetric information, thoroughbred yearling buyers are at an informational disadvantage compared to the sellers, and therefore, use seller type as a signal of a yearling's racing potential. Rzepka uses a hedonic pricing model to find evidence that adverse selection is present in the market for thoroughbred yearlings sold at auction.

Next, Stefka Antonova and Mihnea Tudoreanu from St. Lawrence University uses the Current Population Survey to test and analyze the impact of a minimum wage increase on the probability of being employed in the fast food industry. By looking at two pairs of states, one pair having experienced a minimum wage increase, Antonova and Tudoreanu were able to establish a control and effectively analyze the minimum wage impact. The interesting findings are paired with equally interest policy implications.

Ivan Balbuzanov of Colby College provides a fascinating exploration of boy-girl discrimination in China. While previous studies examining this subject have met little success by using household expenditure data, Balbuzanov uses an alternative method to gain an understanding of this economic puzzle. This paper employs the outlay equivalent analysis to test for gender bias in expenditure patterns of rural households in China. While using a new method to test for discrimination, Balbuzanov was unable to present strong evidence for differential treatment of boys and girls in terms of household resource allocation. However, this article does, therefore, suggest that the "cause of the skewed sex-ratios is not femal mortality caused by denial of necessary resources."

The fifth paper, authored by Claire Lunieski of American University, provides a paper that takes a close up look at the erratic behavior of certain commodities. Commodities like oil, and their price fluctuations have kept economists debating for years. Lunieski analyzes the way monetary forces alter the volatility of commodities prices in the context of interest rates and an index of primary commodities. Through the use of the a GARCH estimation, this article finds that "monetary policy uncertainties, as measured by the prediction error of the federal funds futures price, are a significant predictor of price

volatility in gold and contribute to futures price level for the commodity index.” The conclusions drawn by this paper also have significant policy implications.

The final article investigates the complex macroeconomic question of long run sustainable growth. In this paper, Deepak Saraswat from Kirorimal College of the University of Delhi takes an in-depth look at sustainable growth by analyzing income and consumption inequalities. This analysis is done through a case study of the Indian economy. Several theoretical models, including IS-LM, are used to identify the key contributing factors to economic growth in India. This study finds that both improved labor mobility and a growing manufacturing sector are essential elements in creating the ground work for sustainable economic growth in India for the future.

The relevance of these papers to businesspeople and policy makers at all levels, as well as the scope of subject areas covered, is both evidence and proclamation of successful economic undergraduate research. In promoting economic research by undergraduate students, *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.

Drea Dorrow