



# 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 20th 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 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* is one of only two national journals dedicated to undergraduate economics research. As such it occupies a unique place in the furthering of economics research, as it is dedicated not merely to the research that is taking place in the now, but to showcasing upcoming talent in the field. Founded by the students in Bellamine College exactly two decades ago, the responsibility and privilege of this Journal has rested with Elon University and University of Mary Washing since 1999. For only the second time in 20 years, some submissions were also refereed by students from Minnesota State University at Moorhead.

In addition to focusing on undergraduate research, the *IFE* is a student lead incentive. While faculty oversees the project, and handles the inherent problems of a Journal primarily lead by seniors, all papers are reviewed by student reviews, and all editorship and decision making rests in the hands of the students.

We would like to thank Steve DeLoach from Elon University and 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.

We would also like to extend a special thanks to Oscar Flores of Minnesota State and his students. Who joined us this year and helped to make this publication possible. It is our sincere hope that we will continue to work with them.

The Journal also sponsors an undergraduate session at the Eastern Economics Association Conference, which is held every year. This year's session was held in New York and was a great success, hosting many student papers. I would encourage any future submitters to consider presenting at the conference as well as submitting to the paper, 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 years prior and continue to be a creative and beneficial journal for all involved.

Kevin Sheridan  
2011 Editor

# FOREWORD

The twentieth volume of *Issues in Political Economy* contains six papers. These papers cover topics as macro economical as monetary cycles to as micro as single-mother's use of gas.

The first paper is by Nicholas A. Fett, of West Chester University. In it he explores "The effect of Monetary Policy on Real Growth Cycles". In order to do this, he studies OECD countries using a time lagged regression model. The paper attempts to answer the debate between the Keynesian and Austrian schools by exploring if monetary fluctuations dampen or exuberate the boom-bust cycle. He concludes that monetary policy can affect the cycle and will distort the growth rates, and gives support for the Austrian school

Next, Jeffrey M. Gough of Bellarmine University writes on the "Determinates of the U.S. Household Savings Rate". Performing an in-depth analysis, the paper not only uses a wide range of variables and models, but also performs several econometric tests to insure reliability. The end result is a very strong paper that points to several key determinates of savings, such as uncertainty, college education and the real interest rate.

In the third paper, Jordan Liz of Hartwick College attempts to explore "The Effects of Technology on Development." The paper builds a very strong model of Technological input by synthesizing perspectives from previous growth models. The paper then performs a regression across many nations of the world, looking at both developing and developed nations to see how technological progress coincides with growth. It concludes that labor force changes affect growth in developing countries, while developed ones rely on technology and energy usage.

The fourth paper, by Stephanie Franz of Elon University, explores "The Effects of Gas Prices on Single Mothers' Time Use". The paper builds an econometric model that tests how gas prices affect the tradeoff between work and child-care for single mother's. Franz concludes that higher gas prices lower time spent on child care.

The fifth is by Hau Nguyen of St. Lawrence University. In it, the author explores whether "Natural Resources (are) a blessing or a curse" for a country's economic development. To this end he performs a regression of data from over 221 countries, with both natural resources and an extensive host of control variables. He concludes that natural resources help growth in less developed countries, but hinder it in more developed ones, however, depending on natural resources as a source of growth disappears as countries develop, so the effects may not be that significant.

The final paper, "An Invisible Arm of the Chinese Government: Why State Owned Banks Pushed Reflation," comes all the way from Zhongnan University in China. Fei Liu explores why the policies of the Chinese government are beneficiary for the country despite not seeming to be.

We are fortunate to have such a talented set of writers this year. The scope of topics covered as well as the depth in which each topic is explored demonstrates the quality of studies that IPE is proud to maintain. We hope that this edition inspires submissions for next year, promotes future

research and exploration that gives valuable and significant insight into each topic as this year's papers have done.

Kevin Sheridan