



**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 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 21<sup>th</sup> annual IPE Conference was held in Boston, Massachusetts and was a great success, hosting many student papers and allowing students to serve as session chairs and discussants. I 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.

Taylor Knight  
2014 Editor

## FORWARD

The twenty-third volume of *Issues in Political Economy* contains five papers. These papers offer a wide range of topics from an examination of capital flows to the effect of political crises on the exchange rate in Venezuela. Each paper offers a thorough and in-depth economic analysis using various different techniques from logical analytics to sophisticated econometric models.

In the first paper, Duc Tran of Brandeis University examines the relationship between the U.S. fiscal position and foreign capital flows into the United States. He finds that a widening U.S. fiscal deficit would not have a big impact on foreign holdings of U.S. securities. In the short run, an increase in the U.S. fiscal deficit might be associated with stronger foreign demand for U.S. stocks and treasury bills. The empirical results show that the U.S. debt level is an important determinant of foreign investment in U.S. equity and debt markets. While a higher U.S. debt level would be associated with a decrease in foreign holdings of U.S. securities, the magnitude of this effect is small due to strong and consistent foreign demand for U.S. treasury bills.

In our second paper, Daniel Schwindt of Wake Forest University researched whether or not political events such as coups, mass protests, strikes, and elections affect Venezuela's nominal and real bilateral exchange rates with the United States and Venezuela's real effective exchange rate. He estimated time series models using dummy variables for different types of political events. The author's results showed that political events from the period 1985-2003 had a significant effect on the value of Venezuela's foreign exchange rates, and a major political event was usually associated with a depreciation of the Bolívar. He found that these results indicate that political events are often large determinants of exchange values that carry important implications for Venezuela's trade competitiveness.

In the third paper, Richard Beem of West Chester University of Pennsylvania looks at the determinants of mortgage defaults. The author uses data from the Freddie Mac Single Family Loan-Level. He finds that there are many predictors of mortgage delinquencies. Among the most robust are the characteristics of the individual homebuyer, which include one's credit score, first-time homebuyer status and DTI ratio. Also of importance is the impact that the macroeconomic environment played in the housing market. Finally, the loan characteristics themselves played a significant role in that as interest rates increased along with the use of debt financing, homeowners quickly became delinquency candidates.

The fourth paper, by Garret Mann of Elon University, explores the unprecedented growth in the Middle East to see if it is sustainable. The sample consists of seven countries from the Middle East — Egypt, Israel, Iran, Jordan, Syria, Saudi Arabia, and Yemen. The evidence appears to suggest that these high growth rates are relatively sustainable for most countries. However, the author urges that some caution must be taken as these predictions do not take factors like political stability into account. He warns that this important factor could influence their stability for the future.

The final paper is by Lukas La Riviere of Warren Wilson College. He argues that there has been a rise in environmentalism morality that is challenging the standard notions of international political economy's rationalist and material discourse. He specifically argues that the rise in

environmentalism is going to influence policy-making in order to produce political economies centered less on the consumption of CO2 emitting fuels.

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.

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