



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 24th 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 decided to issue two separate volumes: the Spring Edition which was released in May 2017, and the current Fall Edition. 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 seven papers which offer in-depth economic analyses from logical analytics to sophisticated economic trends.

Sophia Zupanc of Ohio State University kicks off the Fall Edition by exploring a hotly contested topic in economics as well as politics: renewable energy. She uses a panel dataset to examine renewable portfolio standards (RPS) in the 50 US states and how the stringency of these standards impacts annual percent change in state GSP per capita between 2005 and 2015. Zupanc uses a formula based on the Incremental Share Indicator as developed by Yin and Power (2010) to calculate stringency. She finds that, consistent with existing literature on the topic, more stringent RPS policies lead to more green business development and therefore contribute positively to state economic growth.

The second paper is Shikha Chivukula of American University examining the effect of racial identity on labor productivity in the United States. She uses pooled cross-sectional data from the American Community Survey in an OLS model, with variables ranging from educational attainment to ethnic groups and more demographic indicators, with wage used as a proxy for labor productivity. The results indicate that racial identity does play some positive role in labor productivity, but among higher education levels this impact diminishes. She acknowledges that the four broad categories used for ethnic groups may be skewing these results, as it is currently grouping together Chinese and Indian participants with Vietnamese and Filipino participants in the "Asian" dummy variable.

The third paper is by Ken Crew of Elon University and tackles the question of whether efforts to reduce traffic in urban areas via road infrastructure investment also reduce carbon emissions. To determine causality, Ken uses a two-stage least squares fixed effects model with panel data from the Texas A&M Transportation Institute, the National Highway Traffic Safety Administration, the Environmental Protection Agency, the Federal Highway Administration, and the U.S. Census Bureau. His results show that urban areas that open a second high-occupancy toll lane will, on average, experience about a 9.5% reduction in peak travel time relative to off-peak travel time two years after implementation, but this reduction is insignificant in the reduction of carbon emissions in the urban area and further research would need to be conducted to determine the relationship between congestion and carbon emissions.

The fourth paper in this issue, by Francesca Orrico of American University, studies the impact of credit rating agencies, such as Standard & Poor's, Moody's, and the Fitch Group, on junk sovereign debt. Existing literature cites that CRAs have a limited impact on well-established financial instruments, so the question remains whether they should impact lesser financial instruments such as junk debt. A stationarity Phillips-Perron test on set countries and their credit events reveals that markets are more likely to react to a potential change in credit rating before it is announced than the actual change itself, but the impacts have grown since the economic crises of the twenty-first century.

The fifth paper to appear is by Julia Copperwheat, Johanna Swab, and Emma Winiski of Furman University. The team studies whether there are academic benefits to increased racial and socioeconomic diversity in non-charter public schools, using subject-level standardized test scores for grades 3 through 5 as a proxy for overall academic achievement. The results from their study are compelling and beckon for further research on the topic, as socioeconomic diversity shows insignificant results. More intriguing is that the data shows racial diversity creating an adverse effect on academic achievement for a small portion of the racial groups.

Sixth, Annie Ray of Elon University explores another question of diversity, but this time referring to the sizable population of Turkish German nationals being potentially discriminated against in the German job market. The question in her research is whether wage differences between German natives and Turks is attributable to measurable factors or immeasurable, discriminatory tendencies. While the Blinder-Oaxaca method of analysis showed no proof of systematic discrimination against Turks, her research indicates that a vocational training lateral entry program for Turkish immigrants into the German workforce could be a helpful force in diminishing the wage gap that exists in Germany.

In the seventh paper, Christine Yee of American University examines inflation targeting as a fiscal policy used in emerging markets and developing economies. She uses panel data consisting of 43 emerging market countries from 1989 to 2015 to identify the countries using inflation-targeting practices at some point in time before comparing their economic performance to a control group consisting of the emerging market countries which did not employ inflation-targeting tactics. While the results show that inflation targeting does not play a significant role in economic performance, Yee recommends several avenues for continuing research using group effects as well as having more effective controls for regional and time-based.

Holly Ann Brueggman