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Get Outta Town

by *Graham Griffiths*

Some of the best advice I've received while at UW came to me in my first quarter. I was enrolled in a freshman seminar, and the seminar coordinator arranged to have a senior come speak to us about studying abroad. This particular senior had spent a quarter in Oaxaca, Mexico. He told us that he had hated it: during his stay in Mexico he was ill, homesick, and depressed by the standard of living of the people with whom he was working. He also said it was the best experience of his life.

This testimonial made me decide then and there that I would study abroad no matter what. I didn't have the faintest notion of where I would go, what I would do, or how I would manage to graduate on time. As it turns out, I spent seven months at the American University in Cairo studying Arabic and taking classes in philosophy, economics, and anthropology. Just as the senior I had heard speak my freshman year claimed, it has been the highlight of my time at UW. Not only did I have a blast, but I found that Egypt brought to life for me various issues I had studied in the classroom, especially the debates surrounding economic liberalization. Further, the experience of living in the Middle East and learning Arabic has convinced me that I want to get a Master's in Middle Eastern Studies, a path I never would have considered previously. Finally, Egypt provided the perfect combination of contemporary relevance, a challenging cultural experience, and a plethora of historical sites and artifacts that made every day I spent there a new adventure.

The UW offers a wide array of study abroad programs to suit every personality type and graduation plan. From 3-4 week exploration seminars to quarter-long (and longer) programs, and from Anglophone countries

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Hot M&A Issue and On-going Trial Battle in South Korean Financial Market

Can HSBC Successfully Make a Deal on KEB?

by *Joonsoo Kim*

In August 2007, the Lone Star, a Texas based private equity firm, agreed on taking over the entire stake of Korea Exchange Bank (KEB) to the world's second largest retail banking chain, Hong-Kong Shanghai Bank of China (HSBC). Since this company first acquired the 50.02% of stock share of KEB in 2003, about \$6.5 billion net profit would be expected to be made by this potential transaction. The opponents, however, insist another problem should be solved before these two parties undertake the M&A process.

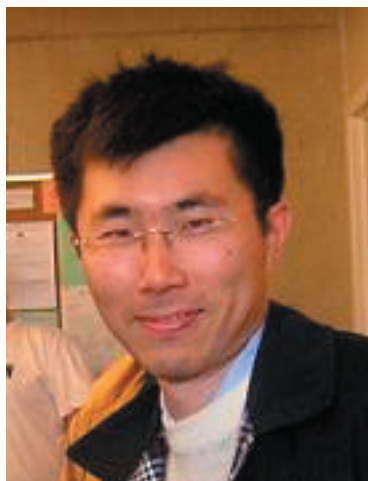


Who will be the owner of KEB by January 2008?

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Getting to Know Econ's New Faculty: Seik Kim and Hendrik Wolff

by MJ Lee



Seik Kim



Hendrik Wolff

Two new professors joined the UW Department of Economics in September 2007. The *Economizer* is pleased to present you an interview with two new faculty members: Professor Seik Kim and Professor Hendrik Wolff. Professor Kim studied at Yale University and his research interests are Econometrics and Labor Economics. Professor Wolff received Ph.D. from University of California, Berkeley and his area of interest is Environmental Economics.

EUB: Welcome to the UW Econ Department. What brought you to the UW?

Kim: When I first visited the UW campus I really liked the atmosphere here. Also I always wanted to come to west coast. I was very glad when I was offered a job at the UW.

EUB: What is your favorite place in Seattle?

Kim: Pike Place Market. This place gives me a sense of being at hometown and I feel alive from a crowd of busy people.

Wolff: I really like my neighborhood Fremont, as it reminds me of Berkeley where I lived for four years. There are lots of nice small art galleries and restaurants. The Greenlake is nearby, which is great to go for a run after work.

EUB: What inspired you to become an economist?

Wolff: I was an engineer before. Working as an engineer made me wonder how technologies adopt for economic reasons. I was a consultant for vegetable export in Ghana. There was a problem with pesticide use and I thought economic incentive is the reason why farmers keep using this pesticide despite of decreasing quality of vegetable. I believed rigorous economic analysis could solve more questions, so it led me to become an economist.

EUB: Could you tell us about your favorite economist?

Kim: If I have to pick, my favorite economists would be my two advisers at graduate school. Joseph Altonji is an economist with warm heart and I respect him very much as a great scholar and teacher. The other is Mark Rosenzweig. Everything he says is precise and accurate. I could learn so much even from a very short meeting with him.

EUB: One of Professor Wolff's papers has been discussed on several popular media including Wall Street Journal and ABC News. Could you tell us about the paper?

Wolff: It is about whether extending Daylight Saving Time reduces electricity consumption, a question that is currently discussed in many countries worldwide. In my experiment, extending DST failed to save energy. Working on energy issues is very important since we are facing global climate change and many crucial energy policy questions have to be answered in the near future that will have important consequences on the way we drive, fly, consume electricity and organize our daily lives in the coming years.

EUB: Do you have a favorite movie?

Wolff: *Koyaanisqatsi: Life out of Balance*. This film shows the nature of world and how human impact nature. There is neither dialogue nor narration in the movie. Minimalist composer Philip Glass made the soundtrack and it is great. This film is a piece of art.

EUB: Could you give some advice for undergraduate students?

Kim: Spending time on what is already given to you can be more important than spending time on worrying about what else to do. Sometimes we do not realize how valuable what we have is.

Wolff: Do what you love to do! Work hard and Play hard. Life in college is very unique time, and after this your life will be very different. It is very big investment in short period. Instead of wasting your time in front of TV alone, rather discuss things with your friends!

Thank you to Seik Kim and Hendrik Wolff for taking the time for this interview. Professor Wolff is currently teaching Econ 436 Economics of the Environment and Professor Kim is teaching Econ 483 Applied Econometric Modeling.

Get Outta Town

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and Western Europe to Africa, South America, and Asia, there's a program for everyone. My decision to study in Egypt hinged on my desire to challenge myself by going outside of Western Europe and to study a language that could help me with a future career, but if your priorities are different, it's easy to find a location and program that suits them. If you're concerned about keeping on schedule with your degree for example, take a look at the programs sponsored by the Economics Department in Thailand, Germany, the Netherlands, and France (more information can be found on the department's webpage).

Studying abroad does take a good deal of planning: you have to find a program that interests you, fit it into your academic plan, figure out any additional finances it might require, and find out whether the credits you take abroad can be transferred back to UW. Speaking with a departmental adviser and an adviser from International Programs and Exchanges (online at <http://www.ipe.washington.edu/>) at the beginning of the process can save you from headaches later on. The programs sponsored by the Economics Department require that you apply during winter quarter to study abroad the following year and require the completion of ECON 300 and 301.

A final piece of advice: don't worry if studying abroad delays your graduation by a quarter or two. Based on my experience, the benefits of studying abroad, perhaps the only time you'll have the chance to live outside of the U.S. far outweigh the costs of hitting the job market six months later than planned.

Can HSBC Successfully Make a Deal on KEB?

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Since the Asian financial crisis in the late 1990's, the KEB has been struggling with increasing debts mainly accumulated by managing too much insolvent securities. The Lone Star was showing their interest on the KEB when this bank's deficit hit the bottom in 2003. The deal was made very quickly. Within a couple months, the Lone Star successfully bought the 50.02% stake of KEB. Most people believed it was a 'win-win' result for each other. Two years later, however, the Korean Financial Supervisory Service (FSS) agents investigated several abnormalities related to this transaction, and accused the Lone Star for the illegal transaction, and several other trial cases. The prosecutors claimed that this company was collaborating with the officials at the South Korea Ministry of Finance and Economy to mark down the stock price of KEB in prior of acquisition by intentionally lowering down the BIS Capital Adequacy Ratio. Besides the illegal transaction issue, the South Korea FSS also accused the Lone Star as a title of taxation evasion based on the profit they have made with the stock transaction; the Lone Star is still denying paying any income tax they have earned in South Korea during the last four years not only from the stock exchange but also the profit made by investing in South Korea's real estate market. Even though the case started in 2005, the South Korean supreme courts has been unable to reach a ruling—this is the reason why this M&A agreement became a hot issue in South Korea. The South Korea FSS officials view these M&A talks unacceptable since the trial case is not finalized. In contrast, the representative from Lone Star insists that they have not participated in any illegal transactions, and that they are just a victim of an anti-foreign political motivation.

BIS Capital Adequacy Ratio?

Capital adequacy ratio (CAR), also called Capital to Risk (Weighted) Assets Ratio (CRAR)[1], is a ratio of a bank's capital to its risk.

By <http://en.wikipedia.org/>

The M&A between the KEB and HSBC is expected to be completed by the end of January 2008. Clearly, many economists in South Korea hope that this case is finalized as soon as possible because they are concerned that this continuing trial battle will discourage foreign investors in South Korea. With the end result still unclear, the conclusion will interest many people in the Asian financial market.

HONORS IN ECONOMICS

The Department Honors Program has been redesigned: if you are graduating in 2009, you need to apply to in your junior year before the end of the winter quarter and sign up for the required Junior Honors Research Seminar (ECON 396) in the Spring (a weekly lecture offered by a different faculty each time presenting potential research topics). In addition to being an Econ major, the admission requirements include: 3.3 UW CUM GPA, 3.5 in ECON 300 and 301. If you are a junior, you must apply immediately after completing ECON 300. As a senior, you take: Fall - ECON 496, Honors Seminar; Winter and/or Spring - ECON 497, thesis. The Honors students have an edge when applying for jobs or to graduate school: a degree in Economics "With Distinction" is regarded as a strong background by any graduate school in Law, Business Administration, economics etc. *An information session will be held in January.*

DIY Gas Ban in Oregon

By Devon Shannon

Over the summer a buddy and I took a road trip to Southern California. After driving south all night, we pulled into a gas station for a refill; I opened my car door and young man in coveralls stepped in front of the gas pump. I then remembered we were in Oregon. I retreated back into the driver's seat and handed him my credit card through the window, feeling aggrieved sitting in my car seat, as I had longed for the chance to escape the confinements of my truck cab and stretch my legs. The gas station attendant then proceeded to clean my windshield—wiping away the 200 plus miles of insect remnants. What great service! I turned to my friend and asked “Do you think I'm supposed to tip him?” After a walk around the parking lot, we were back on the highway, and with little to distract me, driving on a pitch black I-90, my Oregon gas station experience consumed my thoughts. Why are drivers prohibited from pumping their own gas in Oregon?

On returning home I did a little research. As it turns out, Oregon and New Jersey are the only states that prohibit self-service gas, in Oregon punishable with up to a \$500 fine. These states passed laws in the 1940's prohibiting self service due to safety concerns. Supposedly, the fear was customers might “mishandle” the pump causing, fire, bodily harm, toxic fumes, and ground water contamination, at least, that's what the state government says, as ridiculous as this sounds. There have been repeated attempts by service station owners to introduce self-service pumping as an alternative, and British Petroleum, BP, challenged the constitutionality of the law in 1989, but all have failed. The citizens of Oregon seem to like things the way they are.

What's more troubling, beyond this silly law, is the extent its proponents defend the self-serve ban with the claim that it has created jobs. The Oregon State Government even lists employment as one of 17 declarations which attempt to justify the law. Declaration 14 reads: “Self service dispensing at retail contributes to unemployment, particularly among young people”. One proponent put it best in an interview published in Bloomberg, in saying, “Every time you pump your own gas, you take away jobs”. We can forgive the public for their predisposition to think of jobs as ends in themselves. It's true

jobs will be created when more labor is used in any task. So why not have a law mandating valet parking at sit-down restaurants, and make it a crime to carry your own groceries to the car, or as my first economics professor recommended, “Why not pass a law requiring everyone to work with one hand tied behind their back”. It is clear that the creation of things, goods and services valued by society, is what matters and should be maximized, certainly not the number of people employed producing these things. As a Jr. Economist (an Economist in training), I'm inclined to believe that if having your gas pumped from the comfort of your car seat is a service which people really do value, enough to be willing to pay for it, we would see service stations meeting this market demand and offering full service filling elsewhere, without government intervention. But we don't. The only argument for full service filling that finds any footing with me is that we need equal access to fuel for the handicapped as is mandated by the Americans with Disabilities Act. But then you just wonder how they get by in the 48 other states.

I'm just glad I live in Washington. But next time you find your self filling up in Oregon, you should know that the tip typically varies from \$1-5 depending on how much they do. \$1-2 for a good job on the windshield, and \$3-5 for the windshield and a fluid check.

Visit the EUB on the Web:

<http://depts.washington.edu/ecnboard>

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Questions, Comments, Concerns?

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