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New addition to Econ Department: Mu-Jeung Yang

By Megan Mao

As the US economy crawls its way out of the recession, macroeconomic topics are on the rise. It comes as no surprise that the EUB annual departmental survey last year found that most students were interested in monetary and financial economics. To meet the demands of students, the Economics Department welcomed its new Assistant Professor Mu-Jeung Yang, who is currently teaching Econ 422: Finance Capital and Investments.

Prof. Yang has just completed his doctorate at the University of California, Berkeley with his paper entitled "Micro-Level Misallocation and Selection: Estimation and Aggregate Implications." During his graduate studies, he spent two years at the Booth School of Business, University of Chicago, where his advisor had moved to. Prof. Yang grew up in

western Germany and studied economics at the University of Bonn, Germany, a famous institution that boasts of renowned faculty and alumni like philosopher Friedrich Nietzsche and economist Joseph Schumpeter.

I started our conversation on how his time at the university had made him decide to pursue a PhD in economics. He recalled a memorable class learning experience wherein his economics professor got the lecture crowd involved in a natural experiment to illustrate how prices converge to equilibrium relatively quickly in the real world. Though intrigued by the class experiment, he had a different



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Welcome aboard Dennis O'Dea

By Wit Wannakraioj

The Economics Department is pleased to welcome Lecturer Dennis O'Dea who received his PhD in economics from the University of Illinois at Urbana-Champaign in 2010. A dedicated teacher, O'Dea has been on the List of Teachers Ranked as Excellent during his time at the University of Illinois and has extensive teaching experience in microeconomics and macroeconomics courses at different levels. O'Dea is currently teaching Econ 201: Introduction to Macroeconomics and Econ 450: Public Finance.

Wit: What made you want to study economics?

O'Dea: I was interested in economics for the same reason lots of people are, to start with. I had an interest in public policy and human behavior. I also major in math as an undergraduate, and the scientific rigor

and analysis of economics appealed to me. So it was an easy decision to study economics, and learn those tools and that style of thinking.

Wit: What is your research interest?

O'Dea: My research ended being more microeconomic than macroeconomic or policy focused. My work is on social networks, and the role of networks in labor markets. My dissertation was on a model of network formation, where I studied a public good provision problem on a network; essentially, when the point of a social network is to share some public good like information, what shape will the network take? You end up getting networks with dense clusters of relationships, with



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Economics Advising Office's blog : <http://uwecon.wordpress.com>

Continued: Yang inspired by personal experiences

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research interest in mind.

Yang: I was unsure if experimental stuff was for me. In general, for every situation where a increases and b decreases, there could be 5 different models. Do I want to be the guy who has the 6th model? I like to analyze data and see through the noise to understand the economic mechanism. It was hard to do this in Germany because the institutions there were strong in economics theory but not so much in empirical economics and empirical macroeconomics.

I asked him what spurred his interest in empirical economics and Prof. Yang spoke passionately about how it all started. His experience of the 2007 US financial crisis was not the only event that led him to his research interest. Although he grew up in Germany, Yang had family in South Korea who were affected by the Asian financial crisis in 1997. At the time, Thailand, Malaysia, Indonesia, Singapore, and South Korea were experiencing phenomenal growth rates from late 1980s to 1990s. Like many of us who experienced the financial crisis in 2007, Yang was 15 or 16 when the Asian

financial crisis hit. Professor Yang shared his story.

Yang: At the time Korea was such a great example of a country trying to grow and open and I was slightly interested in politics. I went to a Korean church and my youth pastor told all the kids to tell their parents to sell gold. I saw what happened to my relatives and I wanted to know more about the underlying mechanisms. The issue was so confusing and as I read more all the economics of it was very technical and I thought to myself, I didn't want to be the victim forever.

I wondered what brought him to the University of Washington (besides all the awesomeness of being a Husky).

Yang: In general, Seattle is a great city. I came in July and the summer was awesome. Besides, there is a lot of potential in the Economics Department here. Recently the UW opened up a US Census Bureau Research Data Center, which is great for me.

Currently, Prof. Yang has multiple works in progress with colleagues from institutions around the world. The students and faculty of the Economics Department welcome Professor Yang and look forward to his upcoming research findings.

Continued: O'dea shares research interest

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some people on the periphery with few relationships.

Wit: What inspires your research interest?

O'Dea: I got interested in this question partly from a modelling point of view. Sociologists have found networks structures among people like the ones in my model, but without a clear model of the forces driving people's decisions about what relationships to form. So it was an attempt to use tools from game theory to explain these network structures.

Wit: Would you mind sharing your current work?

O'Dea: My current work focuses on networks in labor markets and learning. In my work with Marcelo Arbex at the University of Windsor, we study optimal taxation in a model where labor markets are mediate by social networks and jobs have to be found using information from your peers. We characterize the optimal tax for a variety of different network structures. This paper is

under review at Macroeconomic Dynamics. A paper I'll be presenting here in November with Serge Popov and Tingwen Liu is on learning in a model of money, in which people have to learn the value of money from experience. We show that it is much easier to learn that money has value, than to learn that it does not. This provides evidence for the emergence of the use of fiat money.

Wit: What attracted you to UW? What's your favorite place in Seattle and what are your hobbies?

O'Dea: I was excited to join a big, high quality university like UW where I knew the students would be excellent, not to mention the opportunities of a big city like Seattle. The collegiality of the department was probably what attracted me the most. My wife and I enjoy living in Eastlake and I enjoy biking and running around the city and playing Ultimate on the weekends.

Wit: How do you enjoy the rain so far?

O'Dea: So far, so good. I'll probably miss there being a "real" winter.

**Want to see your article featured in The Economizer?
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Article should have a 800 word limit and must be submitted by February 28.

Selected articles will be featured in next quarter's newsletter.

EUB members speak about their internship experiences

By Cameron Najmabadi

Can you describe a typical day during your internship (i.e. projects you worked on, tasks you completed)?

Henry Apfel Summer Intern at Public Financial Management group	Audrey Lam Financial Analyst Intern at Amazon.com - Display Ads Team	Megan Mao Forestry Technician at Forest Service Pacific NW Research Station	Cameron Najmabadi Wealth Management Intern at UBS
In a typical day, I would take a look at some OSes (Official Statements), which provided most of the details for bond issuances. Then, I might make a Debt Profile or two- essentially, an extra-complicated excel document detailing everything a consultant would need to know about the extant debt for the entity in question. I also performed research on topics such as performance-based incentives for solar power generation in various US states.	In coming up with various new financial metrics to assess the displaying advertising business, I worked closely with the sales and technology teams in discerning relevant measurable variables and making sensible benchmarks. The process of designing the backbone of the matrix took a couple of weeks, and then I moved on to automating the metrics report generation.	When I first got my job, I was primarily responsible for data management and analysis. I would retrieve data from various agency data sources. Then I used Excel and Access to do data manipulation. Apart from data analysis, I am now more involved in the research process by conducting literature review and getting papers published.	I spent a lot of time putting together client books for their quarterly performance reviews. In addition, I used various sources to provide research on a privately-managed mutual fund for clients. Moreover, I did a lot of administrative tasks such as filing client papers and updating client reports.

What advice do you have for current students who are looking to secure an internship for Summer 2013?

EUB: An internship is the best way to get to know the job and decide if you really want to spend time with it as your future career. So try to look for an internship that is really interesting to you and one you want to be involved in in the future; start thinking about it as soon as you can. Then keep applying!

Once an interview has been scheduled, what steps should students take to make sure they are well prepared?

EUB: Role-play, multiple times! It helps you figure out answers to some of the most common interview questions. Talk to someone at the career center or someone in the industry about what those common questions actually are. Make sure you have reviewed what you have learned in school, especially the major topics. Mock interview with friends is also very important. Research the firm thoroughly, understand all their areas of business, not just the one you will be working in.

What types of resources and/or classes from the Economics Department did you find useful in your internship search and preparation?

EUB: Although the Economics Mentorship Program isn't an intern placement program, the mentors are certainly there to help you prepare as you search, apply and attend interviews for an internship. In addition, resources such as departmental career workshops and the UW Career Center are excellent places to get started. For instance, UW Career Center publishes a yearly career guide that includes resume writing and cover letter tips that would help you kick start your internship application process.

How can students make sure the internship they accept will be a challenging and enriching experience for them?

EUB: Typically at the end of an interview, the interviewee will have the opportunity to pose questions to the interviewer. Ask questions about your roles and ask the employer what types of skills they are looking for in candidates. By doing this you will gain a solid understanding of their expectations and responsibilities. To challenge yourself during the internship, speak up when you have questions and look for opportunities to engage or help. Sometimes you start off doing things you don't like, but you have to take gradual steps to show your employer you are ready for more challenges.

Across the border

By Henry Apfel

They say that only two things are certain: Death and Taxes. But it's equally certain that as long as there are two people left alive in the world, they will want to exchange something. Trade, in one form or another, has been around since the dawn of humanity. A particularly notable and contemporary example of trade in action is the constant exchange of goods between the United States and Mexico.

The volume of trade between the US and its southern border is genuinely immense, amounting to approximately 461.25 billion US dollars in 2011, according to the US Census. Of this, around 198 billion USD in goods were exported to Mexico, with a little over 250 billion imported in return. Consequently, the United States recorded relatively minuscule trade deficit of about 65 billion dollars. Much of this can be attributed to NAFTA, the expansive free-trade agreement that has also contributed to Canada's status as the number-one US trading partner. But it is worth noting that Mexico's internal economy has various features that could make it an extremely attractive place to do business. These include a vibrant manufacturing sector with relatively low labor costs and a large service sector.

The manufacturing sector is

significant, particularly in light of the nature of Mexico-US trade. According to the US State Department, much if not most of the trade consists of the import of semi-finished products used to produce finished goods in the United States, many of which are then exported back to Mexico. This intra-industry trading up and down the supply chain is not unique in the world, but is a particular feature of US-Mexico trade. In addition, Miroff and Booth reported in Washington Post (September 9, 2012) that in early 2012, China actually lost its manufacturing wage advantage relative to Mexico, making the country a far more attractive option for any manufacturing firm. This is likely to be a significant boon to Mexican manufacturing and to the North-South Trade, although it is important to note that an advantage in manufacturing as a result of low labor costs usually does not last, given the flexibility of wages around the world.

Additionally, about 62% of Mexico's economic activity takes place in the services sector, according to the CIA World Factbook. Although services can be difficult to transfer – an insurance salesman in Wisconsin would have difficulty “exporting” his services to Sweden – a vibrant service sector is important for any economy. Financial, legal, and consulting services are especially important to any foreign business

that wishes to establish a presence in an economy. The size and vitality of Mexico's service sector not only helps ensure that the Mexican economy is diverse and thus relatively resistant to external shocks, it makes Mexico a more accommodating environment for investment relative to the United States. In addition, language barriers are comparatively low. Spanish is the most commonly spoken language in the United States after English, and the number of Spanish speakers triples those of any Asian or Pacific Islander languages. Consequently, the cost of doing business in Mexico is not particularly onerous, at least as far as communication is concerned. Certainly, the NAFTA agreement has contributed immensely to Mexico-US trade. But the internal economic features of the Mexican economy also make it an enormously attractive place to do business for US companies and individuals, since both manufacturing and supporting services are abundant and costs are comparatively low. This is despite a relatively low GDP growth rate of about 4% as of 2011 and a vicious drug war that has claimed thousands of victims. Indeed, both Mexican and US consumers and firms are increasingly inclined to purchase from and produce for each other, and the commercial back and forth they have concocted is one of the brighter spots of the present world economy.

**Show your department pride by wearing Department T-shirt or Sweatshirt!
You may purchase them at the Department main office (Sav 305).**

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