



UNIVERSITY OF WASHINGTON

Economics Undergraduate Board

# THE ECONOMIZER

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DEPARTMENT OF ECONOMICS

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## A new addition to Econ Dept.: Professor Rachel Heath

By Cameron Najmabadi

Professor Heath joined the Department of Economics this year as an Assistant Professor. Her research interests are in development and labor economics. She received her bachelor's degree in economics from Duke University and her Ph.D. from Yale. She is teaching ECON 491: Issues in Economic Development and ECON 591: Microeconomics of Development this quarter.

Below is a transcript of our recent interview with Professor Heath.

Q: Could you reflect on your research interests, in particular your latest research on firms hiring using referrals?

A: Sure. My research focuses on explaining why firms hire using referrals, in particular Bangladeshi garment factories. In Bangladesh, family members of current workers are referred to openings within the factory.

Even though the worker might not be properly qualified or suited for the given position, they are still hired. The reasoning behind this is that if a worker does not fulfill the responsibilities of their role, they can be punished. The factory owners take advantage

of the familial bond between workers and threaten to hurt members of a worker's family in order to make sure everyone is doing their job correctly.

Q: Building off of that idea, many famous economists such as Steven Levitt (author of *Freakonomics*) and even my ECON 200 professor have argued that sweatshops



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## Econ Dept. welcomes Professor Gregory Duncan

By Scott Walters

As I walk into Professor Gregory Duncan's office, he is talking to a Ph.D. student. The topic is auctions, and as I eavesdrop on the conversation, I hear things like "Verizon Labs", "AT&T", and the occasional "That's something that I can't delve into". Professor Duncan has always been a busy man, working in the private sector while concurrently holding professorships at schools including Northwestern, Washington State, and the University of California at Berkeley. He thus has a wealth of information for all of us budding economists. This quarter, he teaches ECON 482: Econometric Theory and Practice.

The interview starts with the beginning of his history in academia, as an undergraduate at the University of Washington. Professor Duncan started out wanting to be a poet, but after having his first child in his junior year,

he turned towards the more lucrative field of economics.

"I would have stayed a poet if I could have afforded it," he said. "I thought that I would have gotten a job at a bank and written on the side." Professor Duncan mentioned later how he still writes poetry

in his free time, and eventually we got to the topic of creativity. He mentioned that "It doesn't matter how, it just has to come out." He commented that even when writing code there's a creative buzz to it. I ask him: "Do you feel that you have returned to the



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

## Continued: Heath shares her research interest

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are not a bad job opportunity for workers in developing countries. What is your opinion on this matter?

A: It is true those sweatshops may be the best opportunity for workers in those countries and that by accepting a position to work in a sweatshop, those workers have made a conscious decision to work in such an environment. However, that does not mean that wages are set at an efficient level. Closely associated with the idea of sweatshops is the definition of a monopsony. A monopsony is a market where one buyer faces many sellers. In this case there is one buyer (of labor), such as an apparel manufacturer, who faces many sellers (workers), who are eager to be employed at a wage marginally higher than the status quo.

Q: What did you write your undergraduate thesis on?

A: I wrote my thesis on wage discrimination in the Bolivian labor market. Actually, an interesting story: I studied abroad in Bolivia and Cuba as an undergraduate. When I approached my study abroad adviser she was

shocked that I wanted to study abroad there as opposed to some established economics program at a European university.

Q: Previous to joining the UW Economics Department, you worked at the World Bank as a researcher. Could you speak about your experience there?

A: One project that I worked on was analyzing what factors led women in Africa to develop a subtenant business. We looked at how small businesses eventually grew into larger ones. Women's businesses tended to become more profitable than men's as they grew older because their children would group to help the business.

Q: What do you enjoy doing for fun?

A: I really enjoy running. I ran on my school's running club as an undergraduate and ran some marathons. When I went to graduate school, I began to run a lot more on my own and I continued going on long-distance runs. Now that I live close to Fremont, I enjoy running around that area.

## Continued: Duncan offers great advice to students

*Continued from page 1*

school you left?"

"It's different," he replies. "It was a Chicago farm school, a Chicago way of thinking about things." "What are we now?" I ask. "There's not really an identity anymore. The school used to have more emphasis on economic history, mostly from Douglass North's influence." Professor Duncan ended up graduating with both a degree in English and Economics, having taken graduate level courses in economics in his last quarters as an undergrad. Working on his English degree at the UW, he obtained his conversational style of writing. When I asked him how this has influenced or contributed to his study of economics, he commented "Not a bit". He reflected that this particular style of writing hasn't necessarily meshed well in writing papers in economics, as it's less typical for scientific articles.

After his experience at UW, Professor Duncan studied at UC Berkeley, obtaining a master's degree in statistics and a Ph.D. in economics. Afterwards, he has worked at places like GTE, Verizon Labs, National Economic Research Associates, Deloitte, Huron Consulting Group, and the Brattle Group. Currently he works at Amazon as a principal economist in the machine learning group, working with Ph.D. economists and computer scientists. At the end of our interview, I ask Professor Duncan for some general advice for economics majors. He had this to say: "Take as much mathematics as you can. Be able to program in a language like Java, R, or STATA. Write three essays a year." Professor Duncan likes to hunt in his free time, train and raise dogs, fly fish and write poetry. But he says that the best thing he is good at is being a dad. Professor Duncan came out of retirement before coming to the UW, and we are excited and grateful to have him.

### Join the EUB for 2013- 2014!

The Economics Undergraduate Board serves as a liaison between the undergraduate student body and the Economics Department faculty and staff. We offer free tutoring for introductory and intermediate economics students, organize various informational seminars and social events for majors, and put together this newsletter!

We are seeking Economics majors who are graduating in Winter 2014 or later to join the Board for next year. (In spring, we may hold another round of recruitment for those graduating before then.) Organized, motivated students with strong academic standing who are looking to build leadership credentials and get involved within the department are all encouraged to apply. Applications are online at <http://depts.washington.edu/ecnboard/> and can be submitted to Savery 305 or emailed to [eub@uw.edu](mailto:eub@uw.edu). The deadline is Monday, March 18th!

# Economics of a better commute

By Megan Mao

Last month, I attended the Seattle Economics Council's luncheon which hosted environmental economist Yoram Bauman, "the world's first and only stand-up economist" who got a PhD from UW and is a strong advocate of a carbon tax. During the luncheon, another presenter spoke about the different economic tools that the Washington State Department of Transportation (WSDOT) is considering implementing to tackle transportation concerns such as congestion, energy consumption, pollution, and funding for construction. Seattle already has express lanes, carpool lanes, ramp metering, public transit, and strict parking management, and is expanding non-motorized transportation routes. The other options that economists suggest are gas taxes, carbon taxes, congestion

tolls, and even mileage taxes. The question is this: which economic tool can tackle our concerns all at once? Personally, I find congestion tolls the most appropriate because they are user fees that can directly fund the tolled road. According to automotive navigation systems manufacturer TomTom, Seattle is the fourth most congested U.S. city after Los Angeles, San Francisco, and Honolulu.<sup>i</sup> In their first quarterly report of 2012, Seattle climbed from 12th worst in 2011 to 4th worst in this ranking. Last year, Seattleites changed their daily commute to adjust for the SR-520 tolls; however, will Seattleites also be finding tolls on the federal highways I-90 (between Seattle and Bellevue) and I-405 (between Bellevue and Kirkland)? The largest opponent of tolling federal highways is the non-profit group Democracy Workshop, which insists that "federal interstates are

the economic backbone of our state" and therefore must be "free and efficient".<sup>ii</sup> As economists, we immediately wonder how they can actually be free; moreover, is the status quo actually efficient? The Executive Director of the State Transportation Commission knows her share of economics. Reema Griffith rebuts tolling opponents by saying that there is a price to pay to have a better commute, and points out that although tolls impact individuals, so does sitting in traffic (via opportunity cost). Griffith has a point. If you've taken ECON 450: Public Finance-Expenditure Policy or ECON 455: Microeconomics of Public Policy, you know that when there is congestion, the marginal opportunity cost curve lies above the individual driver's cost curve because an additional driver slows down everyone on the road. Not surprisingly, the economically efficient volume of traffic is smaller than the congested level. The difference between the marginal cost to society and the cost to an individual is the economically efficient toll, which as Griffith stated, is the price to pay to have a better commute. Newly appointed Transportation Secretary Lynn Peterson not only is a strong advocate of tolling warranted roads, but she also supports the proposed 10-cent-per-gallon tax increase. Congestion is only one issue associated with transportation. As long as other concerns like pollution and energy use persist, the government will have to implement multiple economic tools.



i "TomTom Research Finds Los Angeles Most Congested City in North America." The Wall Street Journal Market Watch 8 Jan 2013. Web 23 Feb 2013. ii (Esteban, Michelle. "Tolling opponents hope to qualify initiative to ban tolls on I-90." KOMOnews 20 Feb 2013. Web 23 Feb 2013)

Additional source: Mikkelsen, Drew. "New transportation secretary supports gas tax, tolls." King5 21 Feb 2013. <http://www.king5.com/news/politics/New-transportation-secretary-supports-gas-tax-tolls-192391741.html> 23 Feb 2013.

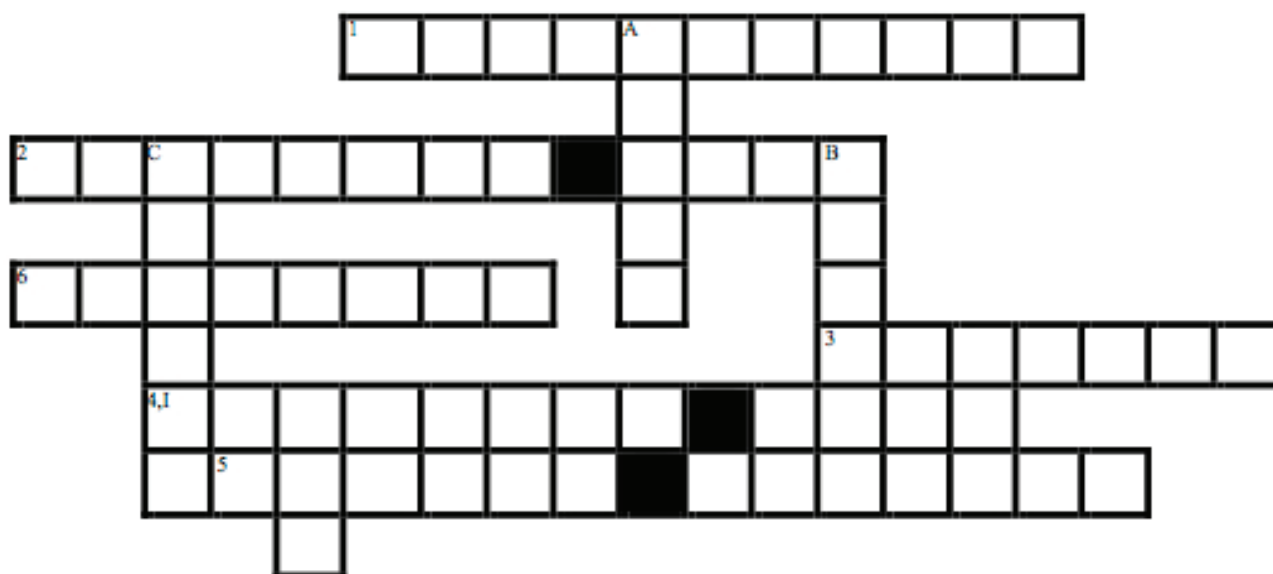
LEUB

Crossword puzzle (Page 4) solution:  
1. Development 2. Familial Bond 3. Chicago 4. Exchange Rate 5. United Kingdom 6. Bertrand A. Labor B. Duncan C. Market



# Economics crossword puzzle

Based on this issue of The Economizer, economic events that happened in this quarter, general knowledge of economics and resources offered by the Econ Department. Go ahead and take a stab at it!



Answers are on the bottom of page 3.

Across		Down	
1	What is Professor Heath's area of research interest?	A	What is Professor Heath's another area of research interest?
2	According to Professor Heath, garment industries hire based on referrals in order to take advantage of what?	B	Last name of Principal Economist at Amazon.com and Lecturer for Econ 482.
3	According to B, UW economics was influenced by which school of thought in the 70s?	C	The G20 agree to let what decide the economic indicator in 4?
4	An economic indicator that the G20 countries agreed not to further lower or target.	<b>Diagonal</b>	
5	A country whose sovereign debt rating was downgraded by Moody's to Aa1.	I	A student group that publishes this newsletter and offers tutoring for introductory econ classes.
6	The type of duopoly in which producers choose the price and consumers choose quantities for consumption?		

The Economizer is a quarterly newsletter published by the Economics Undergraduate Board. The articles herein do not necessarily reflect the views of the department or its faculty.

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