



UNIVERSITY OF WASHINGTON
Economics Undergraduate Board
THE ECONOMIZER

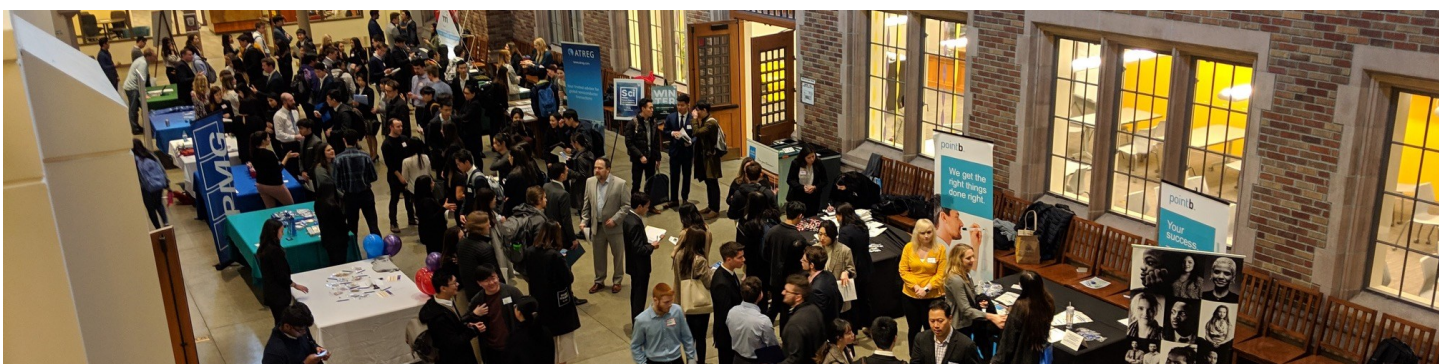
VOLUME 28, NUMBER 03

DEPARTMENT OF ECONOMICS

SPRING 2019

Get Hired With UW Economics: *Results From Our First Undergraduate Career Fair*

ADAM NOBLE



At the end of every winter quarter, the Economics Undergraduate Board sends out a survey to all undergraduates in economics to further understand students' experience and how we can help to improve upon them. Last year we received an overwhelming amount of feedback that indicated that students would like there to be an economics oriented career fair here at UW. With that in mind, the EUB set out to help organize the Economics Department's first Career Fair. With the help of friends, econ faculty, and

the economics visiting committee, we were able to contact many companies regarding the fair and gauge the interests of an economics career fair from an employer's point of view. During this process we learned a lot. Many of the employers we interacted with showed an interest in UW undergraduate economics students. For many of the employers that could not attend, the limiting factor was due to timing and scheduling conflicts, but they did say that they would be like to be contacted for next year's fair.

Continued on page 2

Tit for Tat: *Future Implications of the US-China Trade War*

ALICE KEMP

On May 3rd, the US increased tariffs by 15% on nearly half of Chinese imports¹ in an escalation of tensions surrounding current trade negotiations between the two governments. In response to the tariff hike, President Trump added fuel to the fire by threatening to expand levies to other Chinese goods, with Beijing responding with its own warnings of retaliation. As of yet, there appears to be no end to the current trade war. Leading economists warn that this contentious form of governance may be catastrophic for the global economy.

The current tariff hikes are estimated to impact gross US GDP by about 0.3% or \$62 billion and would suppress China's GDP by about 0.8%¹. However, Pres. Trump insists that the negotiations will end with China opening its markets and "treating American firms more fairly."^{2 2} In contradiction to the president's most recent comments stating that any tariffs would be a one-way payment from China, Chief Economic Advisor Larry Kudlow responded that US consumers would be negatively impacted from the escalating trade negotiations, a sentiment shared by many economists.

Continued on page 3

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

Continued: Results From Our First Undergraduate Career

Continued from Page 1

The career fair was held earlier this year on January 25th in Mary Gates Hall resulting in an unanticipated level of interest from both students and company representatives. Fourteen employers ended up attending the fair. Amazon, DocuSign and KPMG were some of the companies in attendance. These companies were from a vast array of economic related industries such as real estate, consulting, business intelligence, investment management, banking, and education.

The feedback we received from these employers has been nothing but positive. One employer said, "The career fair was a great experience...The turnout was great and the students were eager and professional." In fact many of the employers disclosed that they would love to come back and be involved in the future.

With regards to the students, we had 210 undergraduate economics students attend the fair. Due to the fact that this was the first economic career fair, this was far more than we expected, which displays the magnitude of the student's desire for a career fair. Of the 210 students that attended, the majority were upperclassmen with 73 Juniors and 105 Seniors attending. There were a few lowerclassmen that attended as well with 28 Sophomores and 4 Freshman in attendance.

We have also received feedback from the students that attended as well. This year on our annual survey, we asked follow up questions regarding the career fair. While responses were positive, there were a few takeaways that we can learn from to better improve the student experience. For example, there were many requests to have the fair include a greater variety of companies and industries repre-



sented. In addition, students requested that the career fair be held in a larger space. Among those improvements, we are planning other changes to the career fair next year. Instead of organizing it to be in the winter quarter, we are planning it for the fall quarter. That way we can also have more competitive firms such as Microsoft and Deloitte attend the fair.

From all of us at the EUB, thank you very much for your feedback on our surveys and helping us improve your undergraduate experience. If you would like to add some more suggestions or feedback please email us at eub@uw.edu

The Econ Department Remembers J. Parker Sroufe

ABBY TALKINGTON

A treasured member of the Economic Department's family, James Parker Sroufe, known as Parker, passed away earlier this quarter on March 29th due to complications with Parkinson's Disease. A UW alumni, Parker graduated with a BA from the UW's Department of Economics in 1963.

Parker was one of the founding members of the department's Visiting Committee as its first chair in 1987. The Department of Economics Visiting Committee (VC) is admired by many alumni groups in the college as a committed group of alumni and friends at all stages of their career who recognize the value of an economics education. This group is committed to providing a stable source of funding to the department, advice to the Department chair and other faculty members, advocacy on behalf of the Department to the business and civic communities, and share their experience and expertise with students as mentors, instructors, and internship advisers.

The Economics Mentorship Program in particular has been an effective use of the VC's resources in its ability to engage with undergraduates in the department. Around 33% of undergraduates in the recent EUB Depart-

mental Survey said they had participated in the program. Parker was honored at the 2017 VC Summer Social for his years of service to the department, where he was named one of the first Emeritus members of the VC. The Department also selected Parker as the Distinguished Alumni and graduation speaker in 1993, for his work as Chairman of the WebSea Group.

As a strong believer in the power of economics to explain human behavior, he was an articulate advocate for the study of economics and recruited a strong committee to carry on the mission. To promote diversity, which has been limited in the department for some time now, he established a scholarship for disadvantaged students studying economics, this is known as the J. Parker and Evelyn Cruz Sroufe Endowed Fund in Economics. This award is given each year to a student who has achieved a level of academic merit, and who have a financial need or are part of an underrepresented group.

We are inspired and grateful for the work of J. Parker Sroufe as a supporter of the experience of undergraduates in the past, present, and future.

Continued: Tit for Tat: *Future Implications of the US-China*

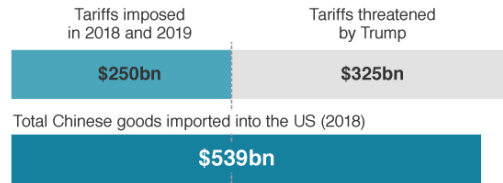
Continued from Page 1

Although economists differ on exactly how much the trade war will cripple the US economy, most agree that the costs of any taxes would be passed on to American consumers and business owners in the form of increased prices on most consumer goods. In just 2018 alone, the US imported over \$540 billion in goods from China and all of these goods will be subject to increasing prices if negotiations continue. Specifically, last year's tariffs cost the average American household about \$419; the latest jump is estimated to increase this figure to above \$800, according to Columbia University's David Weinstein. A common misconception in economics is that import tariffs are paid by the exporting country. In reality, these taxes are paid by companies themselves and get passed indirectly to domestic consumers in order to clear the border. This causes an increase in prices paid by American households and a decrease in consumer surplus, thus harming the domestic economy more than the foreign one. Often, these tariffs are imposed as an expression of political leverage over another country or in order to protect domestic industries such as manufacturing. All in all, it's likely that the continued trade war will cause more harm than good in negotiating the future of China and the US's economic relationship.

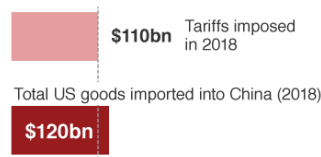
During his 2016 presidential run, Pres. Trump campaigned on the negative impacts of offshore employment in the low-wage, low-skilled manufacturing industry. However, this narrative relies on an increasingly outdated view of the Chinese economy. As the country continues to develop, a growing middle class of workers has begun to increase demand for higher quality, foreign goods; just last year, Chi-

How the trade war has played out

US tariffs on China



Chinese tariffs on US



Source: US Census Bureau, BBC research. Note: Data as of 8 May 2019

nese consumers purchased more Cadillacs than Americans did¹. This phenomenon is not isolated and reflects an important shift in the framework of the global market as China evolves from a low-skilled source of workers into one of the biggest consumer markets in the world. According to the senior fellow William Overholt from the Harvard University Asia Center, "We're at the beginning of a period of globalization of consumption in which the center of gravity moves from baby boomers in the west to the relatively young Chinese¹." This factor becomes even more crucial in the context of the continued trade negotiations that continue to embattle the US and Chinese governments. For now, all eyes will be trained on the June G20 summit where it is expected that the two nations will finally reach an agreement.

Sources for information in this article can be provided upon request

The Role of Altruism in Strategic Bargaining

YIMING LI

When someone outside the field of game theory is asked to reflect upon the notion of games, or strategic interaction between self-interested individuals, the first thing coming to that person's mind is often this: game theory "teaches" one how to secure victory over or outperform the other individuals involved in the strategic situation. This is because combinatorial games, such as chess and checkers tend to be the most familiar games in everyday life and their zero-sum nature (meaning that the payoffs to the players sum up to 0 and in the two-person situation, this translates to the fact that any gain to one is a loss to the other) conveniently embraces that interpretation. Even in games that are not zero-sum, there seems to be little place for altruism. However, this view is actually quite misleading. In many types of

repeated and multi-staged games, other people's belief on someone's utility function, which can incorporate his level of selfishness, can very much influence that person's expected payoff. If we restrict our attention to games of complete information, the beliefs coincide with the actual utility representation, implying it is entirely possible for someone's "character" to exert influence on the corresponding payoff, both positively and negatively. To put this into context, the paper *Altruism, Spite and Competition in Bargaining Games* by Professor Maria Montero is a great example that focuses on repeated bargaining. But before that, some background information is provided in the next paragraph.

Continued on page 4

Continued: *The Role of Altruism in Strategic Bargaining*

Imagine a unit surplus that has to be split between two players. In the first round player 1 offers share $(x, 1 - x)$ and player 2 then chooses “accept” leading to the payoffs $x, 1 - x$ respectively for the two players or “reject”, moving the game to the second round. In the second round player two offers $(y, 1 - y)$. If play 1 accepts, the utilities received by the $\delta_1 y$ and $\delta_2(1 - y)$ where δ_1, δ_2 in $(0, 1)$. In case player 1 rejects, the game moves to the third round. In general we assume, the surplus gets discounted each period by the factor δ , that is, the total surplus in period t is δ^{t-1} and the two players alternate to offer a distribution ad infinitum. This is a form of the Rubinstein bargaining model. In game theory, a Nash equilibrium is roughly speaking, a set of strategies, one for each player, such that no player wants to deviate from the current strategy given that other people do not change theirs. When a game is represented in extensive form (a way to better represent time and other features of the game), there is a refined version of the Nash equilibrium called subgame perfect equilibrium (SPE). A set of (mixed) strategies is said to be a SPE if, intuitively speaking, it is a Nash equilibrium for any induced subgame (for instance, the subgame formed by starting at the third stage of the bargaining). Now a classical result yields: there is a unique SPE in a bargaining game described above. The strategies involve two constant, c_1, c_2 , both can be described in closed form involving only the discount factor such that player one each time proposes a split $(c_1, 1 - c_1)$ and player two accepts any division granting no less than $1 - c_1$; play two each time proposes $(c_2, 1 - c_2)$ and player one accepts any division granting no less than c_2 . Also it can be proved that:

- Patience helps: the smaller the discount factor is for a player, the higher his or her equilibrium payoff.

- The first one to move (here player one) has an advantage given homogenous patience level δ .
- If immediate counter-offer is allowed, there would be multiple equilibria.

Having seen this, now one can introduce the concept of altruism to the game.

In her paper, Montero shows that if there exists competition for bargaining partners, altruism can be beneficial. Moreover, in a game in which players are chosen to propose randomly, the more altruistic one is, the higher his/her payoff gets given the players are “sufficiently patient”. However, if $\delta = 1$, then altruism or spite no longer plays a role in the payoff. In the paper, a special form of utility function is used so that what one player gains from playing depends upon what other people get, instead of his or her material payoff alone. In this framework, whether someone is selfish, altruistic or spiteful, along with the degree, can be captured by a constant. First, the paper considers the following rules of bargaining:

There are three players, and the game has two stages:

- a. In stage one, a pair of partners emerges (a coalition is formed) and the third player receives zero payoff.
- b. In stage two, the two players play a Rubinstein game. If no agreement is reached, both players receive zero.

Intuitively, all of the players want to find someone altruistic to form coalition with, thus the two more altruistic players will bargain together, leaving the toughest player with nothing. However, it can be proved that it is the player with intermediate preference who receives the most in material terms.

UPCOMING EVENTS:

Math/Stats Review: In early Fall quarter the EUB will be hosting a Math and Statistics Review Seminar to help students brush up on the math used in ECON 200/201, as well as ECON 300/301.

Economics Tutoring: The EUB offers free tutoring every weekday at various times every quarter! Check the schedule on the EUB website to see tutoring times. If you need help with an upper level class, however, make sure you check the website to see which tutor can help.

Economizer Submissions: The Economizer will be seeking guest writers for our Fall Quarter issue.

Interested writers should check their emails from the department in early Fall quarter for submission instructions.

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.

EDITORS: Tyr Bernard & Anni Hong

WRITERS: Alice Kemp, Yiming Li, Adam Noble, Abby Talkington

CONTACT: Please e-mail us with your questions, comments, or concerns at eub@uw.edu

Visit EUB on the Web: <http://depts.washington.edu/ecnboard>

