UCLA ECONOMICS

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Undergraduate Newsletter

Welcome Back Econ Bruins!

"I got into economics because I wanted to make things better for the average person."—Ben Bernanke

Welcome New Professors!

UCLA Department of Economics would like to extend our warm welcome to three new faculty members joining us for the 2015-2016 academic year. They are:

Professor Saki Bigio
PhD. (Econ) NYU, Asst Prof. Columbia Business School

Professor Rodrigo Pinto
PhD. (Econ) Chicago

Professor Jay Lu
PhD. (Econ) Princeton, Asst Prof. Cornell

Master of Applied Economics

Thinking about graduate school? Do you want a degree that will make you marketable to employers? Consider the NEW Master of Applied Economics program at UCLA! This new program will begin accepting applications in Fall of 2015 for students to begin in Fall of 2016. The MAE is an intense, 9-month program focusing on microeconomics, macroeconomics, econometrics, and communications studies. In addition to existing world-class faculty, the program will also feature distinguished guest lecturers – providing students with a unique opportunity to network and learn from industry professionals.

Find more information consult the website: http://master.econ.ucla.edu/

ECON 103

Professors recommend that students take ECON 103 Introductory Econometrics right after they complete other core courses. Knowledge of Econometrics is necessary in other upper-division Economics courses. Additionally, proficiency with Stata is highly valued by potential employers. Waiting to take ECON 103 right before graduation is not recommended.

Important Dates and Notices

October 23: Last day to DROP non-impacted courses without a transcript notation
November 6: Last day to change grading basis (optional P/NP) with per-transaction fee through MyUCLA.
November 13: Last day to DROP non-impacted courses with transcript notation
November 15: Travel Study UCLA, Registration begins for Summer 2016
December 4: Instruction Ends for Fall quarter
December 4: Last day to DROP non-impacted courses by petition with instructor approval and transcript notation
December 7-11: Final Exams

Inside this issue:

Econ Talk: Professor Asker

Professor John Asker joined UCLA in 2014. He received his PhD from Harvard University. Prior to joining UCLA, he taught at NYU Stern School of Business.

Q: How did you get interested in Economics and Research?
A: I studied a dual degree program in Law and Economics [at Australian National University]. After finishing the economics degree, I had two more years of law school left. I had learned the ideas of how to think like a lawyer and had no intention of practicing law. I thought that the economics coursework was pretty interesting, so I dropped the law degree. As an undergraduate I took a lot of Ph.D. courses, which I really enjoyed, did several classes on game theory, and enjoyed writing an undergraduate thesis. So I thought doing a Ph.D. would be the most interesting thing I could think of.

Q: What does your research focus on?
A: Almost all of my research is focused on either industry regulation and antitrust policy, or the strategic interaction between firms at an industry level, called Industrial Organization (IO). IO is that part of economics that informs the government before making a decision on whether to approve a large merger, and thereby verify that the merger would not be anticompetitive. It helps having a little bit of legal background at times to understand what's going on, because it's an area of economic policy where lawyers and economists intersect. Part of why I enjoy the research I do is because it has a direct input into policy. I present my research in front of the Department of Justice and Federal Trade Commission.

Q: Is there a piece of your own research that you find particularly interesting?
A: Much of the research I do is on cartels, which are groups of firms who get together to collude on high prices, instead of competing against each other. One cartel I studied consisted of several stamp dealers who bought postage stamps at estate auctions. They had a very clever scheme for deciding as a group how much they would bid in an auction, who would actually get the stamps, and how they would pay each other off for not competing against each other. They were eventually prosecuted, and the court documents and their data essentially explained the rules of their game. You can use a bit of economic theory to draw up exactly what the incentives are in that environment, and then you can use econometrics to find who was hurt and how much the damages were. "It's sort of like a John Grisham story with numbers."

Q: Why did you decide to move to UCLA?
A: As an academic, it's always good to expose yourself to a new intellectual environment and this is a magnificent department of exceptionally influential academics. It's just a pleasure to be here from a research point of view. It's also great to be on the west coast, which is a lot closer to my family in Australia, and LA is a really nice place to live.

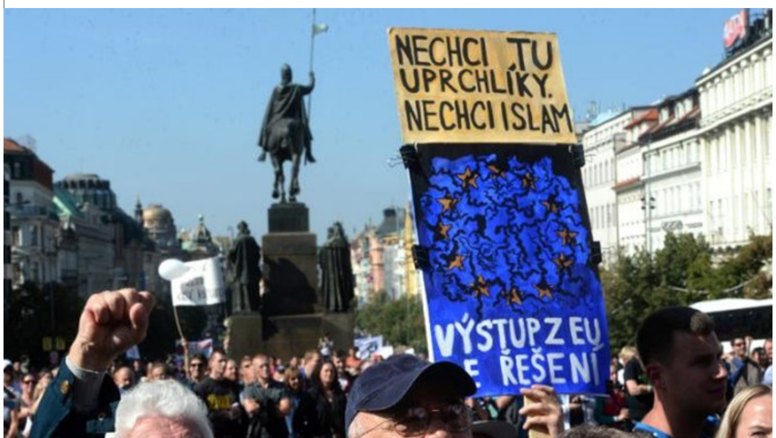
Q: Is there something non-academic about yourself you'd like to share?
A: One of the big reasons I moved to be LA was to be outdoors. When I was a kid I was a big runner. I grew up chasing kangaroos around the woods and represented Australia in a couple of international [running] competitions. It's nice to be back in a place where you can go for a run all round the year. New York City, where I was before, had no hills, making running incredibly boring.

Q: How does one know if academic life in Economics is right for him or her?
A: If you want to be an academic, you have to like research. You have to like math. You have to like sitting in a room by yourself for eight hours a day, and your motivation has to come internally. Someone who needs external motivation is just going to be unhappy. The toughest part of this job is dealing with the fact that you're not working in a team, and that the projects you engage in are very long-term projects that very well may fail. You don't have a company to hide behind. It's your name on the front of the piece of paper, and the piece of paper is the only thing anyone cares about. You might spend six to twelve months writing that 30-page paper and someone might decide it's complete rubbish. You have to have that kind of robust, self-reliant sort of personality. By far the most important thing is that you have to be interested in markets. Walking through a market is a really interesting thing to do, and that's where you get your ideas for research. That's why we teach you all this stuff. So that you can go off into a firm, a government position or an academic position and you can understand how the market is going to respond to shocks.

Contributor: Kyle Barron

Opinion: Immigration in Central Eastern Europe: A Missed Opportunity, or an Economic Safeguard?

The current immigration issue in Central and Eastern Europe is a problem, which countries in the region have never faced. Anti-immigration and nationalist attitudes are rife. So is immigration an issue that countries, such as the Czech Republic, can benefit from? I believe so, despite strongly contradicting common thought in the region.



Having lived in the Czech Republic, I have seen the growing nationalist tendencies over the past couple of years. I keep thinking to myself: "have the potential advantages not been explored?" Currently, the EU (European Union) and its members have not yet agreed to share an additional 120,000 immigrants, as part of a [proposed] quota system. According to the BBC, and perhaps general public consensus, the quota system will not prevent the desire of migrants to reach Germany, where the standards of living exceed those of other Central European countries. Locals in countries such as Hungary, Slovakia and the Czech Republic fear that the possibility of migrants with predominantly Islamic backgrounds dispersing throughout Europe on their way to Germany poses a threat to the economy, culture, security and religion of these nations. This is because there is a negative and naive stigma attached to Muslims in Central Europe. This arises despite the Czech Republic, for example, being one of the most secular nations in the world, where 30% of the population is atheist. The rejection of migrants can be seen as a quasi protectionist policy, in the hope of protecting jobs for locals. Given the demands for economic growth, however, a move towards accepting economic and refugee migrants, may not be a bad move altogether.

The economic growth of the Czech Republic, Slovakia and Hungary currently stand at 0.9%, 0.5% and 0.9% respectively. Seemingly stable and acceptable rates of growth, the low birth rates of these nations deems these nations to short-term growth, but long-term stagnation. Consequently, the injection of physical capital in the form of migrants in these countries could solve an issue, which monetary policy in the form of interest rates and money supply, could not. I believe that accepting migrants will bring a multitude of benefits to Central European economies, such as a greater incentive to trade with the Middle East, an influx of new ideas from contrasting backgrounds, and an increase in the next-generation workforce. The potential for an increased workforce would not be able to materialize in the short-term, given the vastly differing culture and language that would need to be embodied. Yes, training is expensive. Yes, it may take time, but the fusion of benefits would, in my opinion, stimulate economic growth in the Central European countries. Trade and cultural diversification would help the countries in the region innovate and eventually become major stakeholders on the political scene.

It is impossible to definitively state that accepting migrants would guarantee long-term economic prosperity, because there are obvious risks associated with the decision. In theory, however, potential labor diversification would alleviate the region's closed-mindedness and help further ambitions through trade and growth. A parallel could somewhat be drawn with the Turkish "Gastarbeiter" in Germany in the 1960s and 70s. Germany was in economic stagnation and ruin following the Second World War, and decided to welcome vast numbers of "Guest workers" from Turkey in the hope of adding to the physical capital and diversity of their economy. Although Central Europe is currently in a vastly differing historical context, Germany turned the corner and became the main European economic powerhouse. Central Europe should, therefore, follow suit.

Cr. "Czechs Boost Controls on Austrian Border over Migrants: Minister." Yahoo! News. Yahoo!, 13 Sept. 2015. Web. 09 Oct. 2015. (Photo)

Contributor: Joe Cunningham, Undergraduate Economics Student

Questions?

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Opinion: Interest Rate Hike by the End of 2015?

With the end of the year approaching, many economists are speculating whether or not the Federal Reserve will raise interest rates by the end of the year. In order for the Federal Reserve to raise its interest rate, which would be the first time in nine years, officials need to be certain that the United States economy can handle the hike. However, certain economic indicators like the recent September job report, China's slowing economy, and the decline in oil prices are raising doubt that it will be possible by the end of 2015. If these are indicators that our economy may be taking a turn for the worst, it's probably best that we hold off on an interest rate hike.

The September job report offered very disappointing numbers, some that were significantly lower than expected. Approximately 200,000 jobs were expected to be created in September, while only 140,000 were created. At the news of such low numbers, the stock market almost simultaneously crashed. These far from impressive numbers created doubt that an interest rate hike would be beneficial to the economy, and therefore, should be held off until 2016. Stanley Fischer, the Federal Reserve Vice Chairman, offers a differing opinion on the September job report.

Even with the underwhelming numbers, Fischer claims that the US economy is still "moving toward the Fed's goal of max employment," implying that an interest rate hike could be possible by the end of the year.

In addition to the September job report, investors' confidence has plummeted following the constant slowing of China's economy. China is in the process of deviating from an economy that relies on labor to an economy that relies on consumer spending. With that in mind, the United States' imports from China will begin to decline, prompting the US to begin to increase its exports. However, according to Christine Lagarde, the Monetary Fund's managing director, China's "moderate slowdown is expected and healthy since China is at a stage where it cannot continue to grow at such a high rate."

Further adding on to investors' declining confidence has been the decrease in oil prices, which ultimately has caused low investment. While on a broad spectrum, cheap oil doesn't bring many benefits to the economy, some aren't worried about the low prices. Citigroup Inc.'s head of commodities research, Ed Morse, claims that "oil prices will reach a turning point next year and begin to rise over the next twelve months." In fact, Morse states that "other commodities producers are shelving projects and scaling back output" in preparation for the turning point.

With all this in mind, the question of whether or not interest rates will rise by the end of the year is still up in the air. However, it is important that the economy is in good standing before any action is taken. Hiking up interest rates at the wrong time could push our economy into a downward spiral. The employment rate and inflation rate should be where the Fed wants it before a decision is made.

Cr. http://www.thinkglink.com/ (image)

Contributor: Nia Hampton, Undergraduate Economics Student