

UNION COLLEGE
ECONOMICS DEPARTMENT

NEWSLETTER

Featuring:

- 2** Chair's Corner
- 3** Professor McCarty Retiring
- 4** The Effects of a Stronger Greenback
- 5** Consequences and Solutions for U.S. economy Amid Crisis in Ukraine
- 6** Poster Session
- 7** Let's Talk Thesis

EDITOR IN CHIEF
Cozette Blumenfeld '22

FACULTY ADVISOR
Lewis Davis, Department
Chair

EDITORS
Abira Naeem '23, Audrey Palmeri '22, Blake Thomas '24, Daniel Wilcox '22, Ethan Layton '24, Jack Varner '25, Ludovica Palmieri '23, Matthew Zlatanic '22, Miles Fee '25, Ryan Hayes '23, William Martin '22

SPRING 2022



Greetings from the Chair's Corner!

by Lewis Davis, Thomas Armstrong Professor of
Economics and Economics Department Chair

Dear students, alumni, and fellow faculty members, it's a great pleasure to greet you as the second year of my chairmanship comes to a close! As the weather turns nice, and our truly gorgeous campus regains its spring time green, more than 100 Senior Economics and Managerial Economics majors are finishing up their academic careers at Union and preparing for the world beyond! Below, I catch you up on department news.

Comings and Goings

The department is also saying goodbye to some long-standing members of our community. It is with great sadness and gratitude, that we say goodbye to Professor Therese McCarty, who is retiring at the end of the academic year. I first met Professor McCarty when I joined the faculty sixteen years ago in her role as the Dean of Faculty and Vice President of Academic Affairs, a position she held for eleven years, before returning to the classroom and our department five years ago. A gifted teacher, advisor and researcher, Professor McCarty will long be remembered by myself and others for her humor, kindness, and depth of judgment and for the many ways she has enriched us as a friend, colleague and mentor.

This coming fall, we will welcome two new tenure track members to the Department. Zachary Rodriguez received a PhD in Economics from University of West Virginia in 2020 and is currently a postdoctoral researcher at the Department of Entrepreneurship and Emerging Enterprises at Syracuse University. His research addresses the determinants of microfinance and entrepreneurship in developing countries, and he will teach courses on Entrepreneurship and the Economics of Global Poverty.

Prateek Arora earned a PhD in Economics from the University of California, Santa Cruz, with specializations in International Finance, Monetary Economics, and Macroeconomics. His research addresses the economic consequences of dominant currency invoicing of international

trade. He plans to teach courses on Monetary Economics, Financial Economics and International Finance. Both Zach and Prateek are highly personable young scholars engaged in exciting research who bring important academic expertise to the department. We are exceptionally excited to welcome them to the Department!

Jennifer Clifford, the Department Administrative Assistant for many years, left Union this past fall to pursue other opportunities. As Chair, I had come to depend on her wealth of institutional knowledge, abiding care for our students, consummate professionalism, and wry sense of humor! We still see her around campus on occasion and wish her well!

Our new AA, Marcie Kenneally, who also serves the Sociology Department, started in her new job at the beginning of winter term, and landed in the middle of an incredibly busy hiring season for the Economics Department. During this trial by fire, Marcie proved herself time and again as a quick study and unflappable presence in the office. Things have now settled down a bit this term, and Marcie is increasingly becoming indispensable to myself and to the Department.

Covid, Yet Again

This is, I think, the first Chair's Corner I've written in which Covid was not the initial entry. This is a good sign and reflects the fact that Covid, which has been our constant companion for the past two years, appears to be fading somewhat in importance in the life of our campus and community. While not quite gone – I tested positive myself earlier this term, to minor effect – the latest wave has been more manageable and less disruptive than earlier waves, and our students have handled the inevitable disruptions with admirable equanimity.

CONTINUED ON NEXT PAGE...

Good News for Our International Students

Sometimes a minor bureaucratic adjustment can have an important impact in the life of our students. As an example of this, Union's Economics major, formerly classified as CIP 45.0601, has been reclassified as, drumroll please, 45.0603. Ta Da! As tedious as this news sounds, it means that the Economics BA at Union is now recognized by the US government as a STEM degree. This will allow our international students to extend their student visas for a full two years after graduation for Curricular Practical Training, provided they work in a field directly related to their degree. Given the craziness of US immigration policy in recent years, and the related bureaucratic backlogs, this change will dramatically improve the employability of our graduates. The timing of this change also means that it will apply to this year's graduates. Many thanks to Steve Schmidt and a small handful of highly persistent international students for helping to keep this issue alive until the change could be made.

Putting Your Thesis to Work

I was talking to Chad Salazar, one of our graduating seniors, earlier this week and he mentioned that his thesis project on the demand for environmentally friendly products, written under the supervision of Professor Fuat Sener, had led to an internship this term with Alliance for Clean Energy in New York during the spring term and then to a fellowship with Novitium Energy, which will begin after graduation. You can read more about his experience [here](#), on a webpage I'm calling Putting Your Thesis to Work. If you would be willing to share your own story of using your thesis to jumpstart your career, please email me at davisl@union.edu.

Signing off and wishing you a very safe and happy summer!

Best regards,

Lewis Davis



Congratulations to Therese McCarty on her Retirement

Written By: Economics
Newsletter Staff

On March 9th, 2022, we celebrated Professor Therese A. McCarty on a wonderful career.

The John Prior Lewis '41 Professor of Economics joined Union College in 1987 and has served the College to the highest degree.

With numerous publications in the fields of public finance and the economics of education, Professor McCarty has contributed significantly to the study of economics.

Those students who were fortunate enough to take Professor McCarty's environmental economics course would be remiss to mention the ingenuity and creativity of the class. Based around the role-playing game "Rage Against the Machine," McCarty decided to ditch the traditional lecture style class that today's students dislike, and allowed for a more immersive learning experience.

We wish Therese all the best as she embarks on a new and exciting chapter of her life! She will be greatly missed by the Union community.



PHOTO BY ALLEF VINICIUS ON UNSPLASH

The Effects of a Stronger Greenback

By Ryan Hayes

The dollar index has grown stronger amidst rising global turmoil sparked by the Russia Ukraine conflict and concerning high global inflation and higher treasuries. The dollar's status as a safehaven currency has seen a global rush into the greenback with global uncertainty high and long term outlook hazy. Rising inflation at home has weakened the purchasing power of a dollar for American consumers but the dollar's appreciation against other global currencies has resulted in a greater ability to purchase foreign goods. We can expect the US trade deficit to surge as imports become cheaper and exports become less competitive in the global market. Lower prices on imports owing to the dollar rally will be a welcomed externality by the Federal Reserve as it tries to fight inflation.

Emerging market economies will face pressure on growth as they encounter higher prices on oil and materials imports priced in dollars.

Companies that conduct a significant amount of business either in the United States or in dollars will also benefit from a strengthened currency.

One of the more unfortunate consequences of a stronger dollar is the possibility of a contribution towards entering a recession. As mentioned earlier, consumers abroad will enjoy less purchasing power of products priced in dollars; this has the potential to reduce the demand for American goods abroad. Falling sales abroad will further push the balance of trade towards one of an even larger deficit. Lower domestic and international sales for American businesses could slow the country's growth and accelerate the path to a recession. With recession forecasting at the top of many analyst's minds, expect a continued strengthening of the greenback to contribute to the possibility of recession.

Consequences and Solutions for U.S. economy Amid Crisis in Ukraine

By: Matthew Zlatanic



PHOTO BY ERIK MCLEAN ON UNSPLASH

People have assumed the United States economy will be ravished by the recent ban on Russian oil and gas. For now, that statement holds some weight, but there may be potentially dangerous consequences for the United States economy if Europe's economy falters from the war in Ukraine, if inflation is not dealt with soon, and if domestic food and gas prices continue to increase.

One consequence is the EU's economy contracting due to the recent price hikes in oil. According to John Cassidy of *The New Yorker*, the price of oil has gone up to \$110 per barrel, from about \$90 per barrel, a huge increase in price. Europe is heavily reliant on Russian oil and gas, according to Mike Patton at *Forbes*, Russia exports, "49% of its crude oil and condensates and 74% of its natural gas to Europe". The cancellation of the Nord Stream 2 pipeline would affect future German gas imports from Russia. So, all in all, cutting Russian imports off will heavily affect the EU's energy sector and slow down their economies. They will need to find a new energy-rich source to keep up with economic supplies and demands. Back in the U.S. with inflation up 7.9%, a 40-year high, consumers are less likely to spend on future goods. The Fed raises questions on how to combat inflation, and they have a likely solution to stabilize it.

One of their solutions, proposed by the Fed, is to increase the federal fund rate to .25% from 0%, which includes an expected 6 more rate hikes for this year alone. This is the first hike since 2018 and it could increase inflation

further, only if the Fed intends to keep the increased rates at those levels for the long term. However, if the hikes work as intended, Cassidy predicts that the rate hikes will, "gradually restrain the level of spending in the economy and nudge inflation down—an outcome that economists refer to as a soft landing". However, Cassidy raises a good point that, "when the Fed has raised interest rates to fight inflation, its actions have sometimes knocked the economy into a recession". But, to give some shimmer of hope, used car and truck prices have shown some price decreases, Cassidy points out that the Consumer Price Index has (CPI) for used cars has decreased by 0.2 percent in the last month, compared with the 46 percent price increase over the last year. So, there is still some anticipation for prices to even out in the near future, despite the situation in Ukraine.

Increasing gas prices could have potentially dire consequences. Although the US imports relatively little oil from Russia (about 8% of crude oil and petroleum), and gas has already risen to a "National average of \$4.33 per gallon" in the U.S., according to Cassidy. This could incentivize Americans to save more for gas or drive their cars less often, decreasing consumer spending. Peter Coy of the *New York Times* discusses that 22 states might remove the gas tax in order to lessen the burden of consumers paying more for gas when on the road. Coy has argued against because it helps, "finance road construction and repair". (Cox) New Jersey and California, which have opposed this move, are sending out checks to vulnerable Americans to not only help cover the cost of gas, but to help those that are heavily impacted by inflation. The money could also be used for: "college tuition (up 2 percent), rent (up 5 percent), milk (up 11 percent) or meat (up 14 percent)" (Cox). So, there are state government that are coming up with alternatives to combat inflation, whether that be through checks or cutting off certain taxes.

Increased prices in wheat have already impacted the markets. Ukraine and Russia, combined, make up 26% of the market, with Russia being the largest wheat exporter in the world. According to Dante Chinni of *NBC News*, the price of wheat per bushel has already gone up over a dollar. On January 3rd, the price of wheat per bushel was \$7.52, on

CONTINUED ON NEXT PAGE...

February 25th, a day after Russia Commenced its invasion into Ukraine, the price skyrocketed to \$8.55, a 13% increase in price. This raises concerns for consumers who will have to be cautious of their wallets now when buying groceries, unfortunately.

Global unrest and record-high inflation means the U.S. economy, and Americans, could be facing a tough year ahead. Inflation has been racking up due to unprecedented demand outpacing supply for goods and services. Although the Fed is looking for ways to stabilize inflation, it is looking more likely that the U.S. will face a recession sometime this year. The war in Ukraine has contributed to the increase in gas and wheat prices. It is unclear how much further the effect of the war could negatively impact those essential products for the U.S. consumers. That is up to our domestic policies of curbing inflation and sending out government checks to those in need. But, if the war drags on for too long (I'm taking about years), and the Fed/state government do not control inflation soon, there could be serious ramifications for the global supply chain, and the U.S. economy.

Sources

Patton, Mike. "How Russia's Invasion of Ukraine Could Affect Europe and U.S. Economy." *Forbes*, Forbes Magazine, 21 Mar. 2022, <https://www.forbes.com/sites/mikepatton/2022/03/21/how-russias-invasion-of-ukraine-could-affect-europe-and-us-economy/?sh=a50fc9e7d69f>.

Cassidy, John. "How Big a Threat to the U.S. Economy Is the War in Ukraine?" *The New Yorker*, Condé Nast, 14 Mar. 2022, <https://www.newyorker.com/news/our-columnists/how-big-a-threat-to-the-us-economy-is-the-war-in-ukraine>.

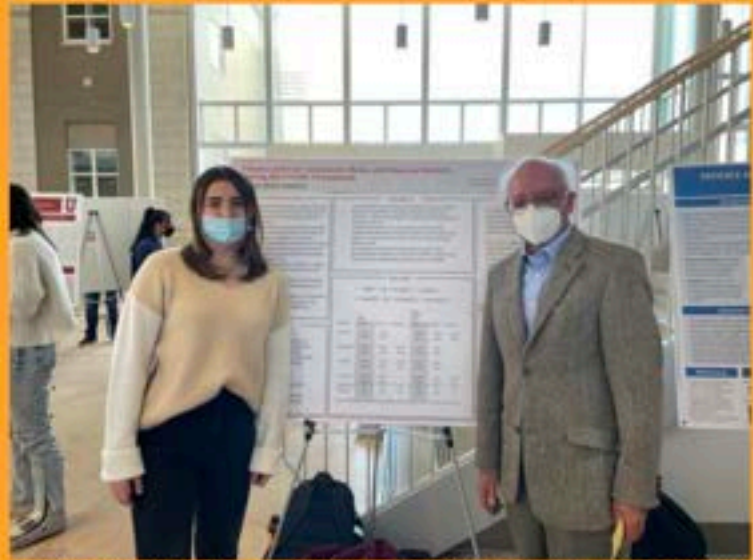
Amadeo, Kimberly. "Why Recessions Happen in the U.S." Edited by Erika Rasure, *The Balance*, Dotdash Meredith, 30 Jan. 2022, <https://www.thebalance.com/the-history-of-recessions-in-the-united-states-3306011>.

Chinni, Dante. "3 Ways Russia's Invasion of Ukraine Will Affect the American Economy." *NBCNews.com*, NBCUniversal News Group, 27 Feb. 2022, <https://www.nbcnews.com/politics/meet-the-press/3-ways-russia-s-invasion-hurting-u-s-voters-ahead-n1290101>.

Coy, Peter. "Cut the Gas Tax? No, No, No." *The New York Times*, The New York Times Company, 18 Mar. 2022, <https://www.nytimes.com/2022/03/18/opinion/gas-tax-cut.html>.

Eaton, Collin. "How Much Oil Does the U.S. Import from Russia and Why Did Biden Ban It?" *The Wall Street Journal*, Dow Jones & Company, 14 Mar. 2022, <https://www.wsj.com/articles/why-does-the-u-s-still-buy-russian-oil-11646151935>.

Prize Day 2022



ALISON SOMMERS AT THE HONORS ECONOMICS THESIS PRESENTATION

Alison Sommers is the winner of the **Peissner Prize** this year

The Peissner prize is determined by the Economics Department. It is given "To an economics major who has done work of outstanding merit"

Alison's Thesis advisor was Prof. Eshl Motahar.

Her academic advisor was Prof. Fuat Sener.

Her thesis title is: "Finance and Fear: Sentiment, Media and Financial Markets During the Covid-19 Pandemic"

In her thesis, Alison Sommers built on the existing research on market psychology, and the effect of sentiment on financial markets. The main objective was to determine the ability of investors to make rational decisions during the most recent period of high sentiment. The anomalies that have occurred in the stock market can be better understood by market psychology which focuses on the biases and social factors that influence investors. Many existing studies of sentiment and financial markets conclude that emotion has a prominent influence on investors' decisions. A unique economic situation emerged during the COVID crisis as uncertainty increased and resulted in extreme volatility in financial markets that cannot be explained by mainstream financial theories and rational decision-making alone. Ali's thesis expands on the recent literature about the pandemic and attempts to understand the market movements by looking at a range of explanatory indices reflecting panic, sentiment, and fake news in the media alongside measures of fundamental economic conditions to assess irrational decisions during the pandemic. She used these measures to test sentiment and the media's significance on the S&P500 and the 10-year treasury yield in the US for 2020 and 2021.

SUMMARIZED BY PROF. ESHI MOTAHAR

Poster Session Snapshots

On March 3rd, 2022, the Honors Economics Thesis Students presented their theses in Wold Campus Center. The showcase was in preparation for the 32nd Annual Steinmetz Symposium, which was eventually held on May 13th and 14th, and featured oral presentations, posters, performances, and exhibits by students. Students and faculty from all disciplines stopped by, talked, and shared in the feedback and success of the Economics Honors students' wonderful research. Congratulations, Honors Economics Thesis Students! Check out some snapshots from the event courtesy of Professor Sener.



Let's Talk Thesis

Name: *Joseph Libretti*

Major: Honors in Econometrics and Quantitative Economics

Minor: Spanish and Environmental Science

Thesis Advisor: Professor Lewis Davis

Favorite Economics Course: Financial Analysis with Professor Tomas Dvorak

Campus Involvement: Club Lacrosse, Garnet Group

Previous internships: Capital Markets Analyst at Bass Rock Capital Management; Wealth Management Intern at Lenox Wealth Advisors; Acquisition Analyst at Soldier Saint Steward

How has the economics department prepared your internship experience?

As mentioned above, I found Professor Dvorak's Financial Analysis course to be extremely helpful, among other academic offerings. This course provided a deep dive in corporate finance fundamentals and valuation methods which I used in my internship. Additionally, all the Professors within the Economics department have had interesting careers prior to their time here at Union so I can really use them and leverage such relationships to learn more.

What is your thesis?

How Presidential Disapproval Rating Affects Bitcoin Returns: A product of the President

Why did you choose this topic?

There is limited existing



research on bitcoin so I found it necessary to address this growing area. Equally important, the recent election was extremely polarized and we are about to enter another election season so I am curious to see the influence of discretionary macroeconomic conditions on bitcoin. Also, the bitcoin and crypto-ecosystem is so robust and new.

Describe your thesis:

There has been a growing fascination for decentralized electronic assets, and Bitcoin has emerged as the face and leader of the movement. There have been three different presidents coinciding with the growth of Bitcoin. Since the creation of Bitcoin, each president has faced periods of net disapproval, and these periods have been the norm throughout Obama's, Trump's, and Biden's presidencies. There is currently no existing literature on Presidential ratings as a predictor of Bitcoin, however, there has been research done on the predictors of Bitcoin and Presidential ratings as a predictor of financial markets. I hypothesized that increases in net disapproval ratings will be a predictor of increases in the returns of Bitcoin because when people do not trust the government they are less likely to trust financial institutions and thus more likely to

invest in a decentralized asset like Bitcoin. I run OLS regressions with daily, weekly and monthly data to test whether changes in net presidential approval ratings are a predictor of the excess returns of Bitcoin one month later. I add stock market, political, and Cryptocurrency investor sentiment control variables as robustness tests. I find that net presidential disapproval ratings as a predictor of Bitcoin are unique to each president. Under Daily and weekly frequencies, my results show that changes in net disapproval had a nearly no effect, during Biden's presidency, A positive effect during Trump's term, and a negative effect during Obama's regime, on Bitcoin's excess return one month later.

What has been the most challenging part of your thesis?

Like most, I found the process of collecting data to be the most challenging.

What advice would you give a current Union economics student?

Get on your data collection early! But really, I think all students should speak with their advisors outside of their scheduled meetings and keep an open dialogue with them.

As a side note, do you have any hidden talents or interests?

I recently won the Club Lacrosse National Championship! Also, I love Pizza and am passionate about my fitness and health.

ARTICLE BY WILLIAM MARTIN

Let's Talk Thesis



Name: *Jessica Frigon*

Major: Economics

Thesis Advisor: Professor Dang

Thesis Topic: The Impact of COVID-19 on Consumer Spending Trends

Describe your thesis: I focused on how different manufacturing and retail industries were impacted by covid cases in the first two years of the pandemic at the industry level. I found the pandemic had a significant impact on industry sales.

How has the economics department prepared you for your thesis?

My economics seminar class with Alicia Dang really taught me how to efficiently read scholarly journals and interact with Stata.

What has been the most rewarding part of the thesis experience?

Getting to the end and having a topic that was relatable, tangible, and statistically significant

What has been the most challenging part of your thesis? What was the most impactful lesson you learned?

The most challenging part was acquiring data, troubleshooting problems on a strict timeline, and aligning the project with my interests. The most impactful lesson I learned was that I am really passionate about research, which has now become relevant in my career path.

Looking back on your experience throughout the thesis, what advice would you give to a current or future Union Economics student?

Make sure your topic is something you're interested in and passionate about!

Favorite Economics Course:

Econometrics

Extracurricular Activities:

Co-Captain of the Women's Swim and Dive Team, Student Investment Fund, Acrylic Painting

ARTICLE BY COZETTE BLUMENFELD



Name: *Katherine Christian*

Major: Math-Economics Interdepartmental Major

Thesis Advisor: Lewis Davis

Thesis Topic: Abortion Accessibility in Texas; Does Travel Time Play a Role in Domestic Violence Rates?

Let's Talk Thesis

Describe your thesis: I looked at domestic violence rates before and after a very restrictive bill was enacted in Texas. The bill is called House Bill 2 (HB2) and was passed in 2013.

How has the economics department prepared you for your thesis?

I took the Economics of Culture with Professor Davis seminar before starting my thesis, which gave me good insight into a smaller version of what a thesis would look like, and laid out how much time and energy one might put into a thesis.

What has been the most rewarding part of the thesis experience?

Running regressions and seeing results that no one else in the world has seen but yourself.

What has been the most challenging part of your thesis? What was the most impactful lesson you learned?

For me, it was gathering domestic violence data. This was extremely hard to locate, and for the specific time period I was working with, I had to do a lot of data cleanup and manipulation in order to plug it into my final regressions.

I gained a whole new respect for people with careers in research. Before, I always understood it as something that was difficult, but am now so impressed and respect the field, because a lot more goes into it than is actually seen in the final publication.

Describe key thesis findings:

My key findings were that women of color and women living in poverty are disproportionately affected by abortion restrictions, and that women who are restricted of abortions are more likely to continue living in poverty, and have less access to education.

Looking back on your experience throughout the thesis, what advice would you give to a current or future Union Economics student?

It's very helpful to find something that you're passionate about, and even if you don't think it could be a real topic, there are ways to work around that. Also, don't be afraid to ask for help from your advisor. They're either just as or more excited for your research than you are, and in my experience, my advisor was beyond helpful.

Favorite Economics Course:

Economics of Sin

Extracurricular Activities:

Women's Lacrosse Team, Co-President of the Association for Women in Mathematics, Cocoa House, Baking

ARTICLE BY COZETTE BLUMENFELD