Business Economics Program Sessions

Wednesday, March 25, 2020

BUSINESS ECONOMICS

1:30   2:45 p.m.   'O   'k   ' rd Floor

Theme: Topics in Finance

Chair: Paul McGrath, Purdue University Northwest

Market Risks and the Cross Section of Expected Returns in Foreign Exchange Markets

Jinsuk Yang, University of Southern Indiana

Sung Myun Kang, University of Texas-Arlington

Sang Woo Heo, University of Southern Indiana

Jong C. Rhim, University of Southern Indiana

The cross section of foreign exchange returns has substantial exposure to risk captured by international parity conditions as risk proxies: forward, CPI, and interest. Our study examines relations between -Rf) and market risk premium (Rm-Rf), volatility, skewness and kurtosis using risk proxy variables. We expect that the higher moments offer strong explanatory power for the cross-sectional expected returns from foreign exchange markets.

Optimising Number of Coupons

John G. Wilson, University of Western Ontario

Surprisingly, given the wide use of coupons in the retail industry, very little research has been conducted on optimising the number and price of coupons. We will look at the current state of the literature. We show that there are there key indicators that can help a company decide whether or not to offer coupon books. Results are presented for various distributional assumptions on buyer behavior.

Mortgage Foreclosures in Indiana and the US: 1989   2015

Paolo Miranda, Purdue University Northwest

Paul McGrath, Purdue University Northwest

The burst of the housing bubble in the United States and subsequent mortgage crises exposed weaknesses in the economy leading to the recent Great Recession. Indiana, particularly its northwest region, experienced a miserable few years as a result.

Using quarterly data collected by the Mortgage Bankers Association (MBA) for the period 1989 through the third quarter of 2015, we will examine the behavior of the flow of foreclosures and foreclosure inventories for Indiana relative to the U.S. This comparison is for all mortgages, as well as for specific product types (e.g., sub-prime, Federal Home Loan, Veterans Affairs). Historically, the rate of foreclosures started and foreclosure inventories has been slightly higher in Indiana than the U.S., as a whole. We will posit some reasons for this difference.

Indiana falls a bit behind the nation in many economic categories. Based upon 2014 data, Indiana ranked 38th amongst the states in terms of median income. The st
national average while college graduation figures lag behind the national average. Population increase

rate is significantly above the national average.

Interestingly, foreclosure rates began to rise in Indiana earlier than the U.S. as a whole, as can be seen in the Chart 1 below. In Chart 1 we illustrate the flow of mortgage foreclosures in Indiana and the U.S. for all types of mortgagees. The data available will allow us to examine categories of mortgages, such as sub-

Theme: Economic Development and Research Methods

Chair: Joshua J. Lewer, Bradley University

Mapping the Inter-Relationships between Community Assets to Inform Local Economic Development

Matthew McPherson, Gonzaga University

2020

Robert Kao, Park University

Several new modern economic theories have been developed in the digital economy. Developments of a platform-based capitalism, a self-managed decision-making process, and a crowd-based equilibrium have been creating many economic and sociopolitical consequences. Many critical pedagogies have been suggested to integrate these new theories in teaching economics. How will the newly created productivity and income be distributed in the realm of capitalism? Will robotic automation and artificial intelligence (AI) surge unemployment and/or a major de-skilling of the workforce? Are emerging technologies inaugurating large gaps in social provisions and fiscal revenues? Will world economies be likely impacted

navigating effective transitions into the digital world? Will the digital evolutionary economies reshape or benefit the societies and the balanced trades? Students will consider these questions in different scenarios of how to interact economics with other fields, i.e. sociology, engineering, technology, and regulations.

Learning outcomes for teaching the modern economics course should include major technological changes in the digital economy, the influence of AI and robotic automation in professional skills, the value that is driven by the digital economics of networks and participants, the natural tendency of the digital economy towards monopoly, the euphemisms of digital economics in productivity and income distribution, the welfares of the digital economy, and a hands-on experiment project.

Diverse pedagogies for teaching modern economics will be illustrated in a different learning environment. The assessment will be a mixed method of a five-point rating system and open-ended questions. The different categories can be evaluated the ability of students to relate to course assignments, effectiveness

students to relate modern economic theories to course assignments can measure by how effectively of the teaching outcomes. The effectiveness of supplemental materials can be measured by the usefulness of additional course materials, i.e. journal articles and tutorials, for students.

Monte Carlo Method: From Statistical Analysis and Simulation to Student Evaluation

Homa Tajiani, Purdue Fort Wayne University

Hadi Alasti, Purdue Fort Wayne University

The celebrated Monte Carlo method (MC) has been widely used for years in statistical analysis and statistical simulations in variety of application fields such as business, performance evaluation of technology products, computational algorithms in mathematics, computer science, etc. In academia, student evaluation approach is a critical measure that impacts the schools accreditation, student enrollment, faculty evaluation and is closely connected to the learning performance. This paper addresses

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focus on functional knowledge. On the other hand, competencies that were underemphasized in MBA curricula but more emphasized in learning goals tended to focus on soft skills (e.g., human capital) and cognitive abilities (e.g., decision making).

The move towards infusing liberal arts education into MBA program, indeed, has picked up speed. The benefit of liberal arts education in successful business practices has been known to many success creators. At the launch of the iPad 2, for example, Steve Jobs shared what many people over the years

absorb radiation within the thermal infrared range—are linked to higher average global temperatures. This paper uses the tools of economics to analyze the climate crisis. In particular, an integrated assessment model (IAM) combines economic and scientific aspects of the problem of climate change into a single framework. In response to the climate crisis, economists, natural scientists, and policy makers have focused on three potential strategies: geoengineering, carbon removal, and abatement. The paper finds that, by using the IAM framework, policies that focus on abatement serve as the most cost-effective options.

: Q54, Q58, Q40, Q48

The Hot Hand Fallacy in Chess

Nodir Adilov, Purdue University Fort Wayne

Heather Tierney, Purdue University Fort Wayne

Tao Yu, Nagasaki Institute of Applied Science

Jayme Gerring, Purdue University Fort Wayne

The paper studies the effect of winning performance streaks (the hot hand) and losing performance streaks (the cold hand) on future performance using data from competitive blitz chess tournaments. Contrary to some studies in competitive sports, the analysis supports neither the hot hand nor the cold hand hypothesis. Instead, a new effect is discovered, which this paper terms as the bounce back effect, i.e. an increase in performance following a loss.

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John Robert Stinespring, University of Tampa

a worldwide impact. It has changed the thinking of both decision scientists and general audiences about how choices are made. The book details

Kanza Shamim, University of Evansville

This paper offers a distinct perspective into the dispute between vaccinators and anti-vaccinators, (anti-vaxxers as they will be referred to throughout this paper) by exploring vaccinations through an evidence-based public health approach. Specifically, the analysis of the current health problem, etiology, recommendations for combating this issue, implementation, and evaluation of the effectiveness of the intervention will be addressed in this paper. In the recent decade, there has been a striking renewal of controversy surrounding the issue of parents deciding whether or not to vaccinate their infants. Before this new surge in anti-vaccination, several diseases such as smallpox, rinderpest, and measles were completely eradicated in the United States (Greenwood, 2014). This crisis has entailed infants and young children dying due to parents choosing not to vaccinate their children. 6.6 million children die each year, half of which could have been prevented if the child was vaccinated (World Health Organization, 2018). Throughout this paper, the measles disease will be illuminated due to its recent resurgence in society as newborns are not being vaccinated. Anti-vaxxers' beliefs are rooted in misinformation of side effects and

will recommend mandatory vaccinations for children to attend public schools funded by the government, education on vaccinations for new parents, and for more widespread educational advertisements to the general population. These recommendations hope to curb the recent outbreak of preventable diseases, such as measles, by issuing laws to protect children in public schools against children that are not vaccinated. Due to an overwhelming number of perspectives, government intervention is required to combat this issue.

Keywords: vaccinations, measles, newborns, anti-vaccination (anti-vaxx)

BUSINESS ECONOMICS

3:00   O   k   rd Floor

Theme: Re-Thinking the Teaching of Principles of Economics Courses

Mapping Foundations of Logical Analysis to Principles of Microeconomics Courses

Donald Hackney, Gonzaga University

Dan Friesner, North Dakota State University

Tim Schibik, University of Southern Indiana

The economic education literature espouses   , evidence suggests that students continue to display gaps in critical thinking. Moreover, few widespread changes have been made to teaching undergraduate economics courses to address this gap. This manuscript illustrates how to create a curriculum map linking foundational logical reasoning skills to a principles of micro-economics course. In doing so, the map identifies potential gaps in logical reasoning, and gives general direction to address those gaps. We find that principles of microeconomics courses require essential foundational logical reasoning skills that represent approximately half of a semester-long course on logical reasoning.

About one-fourth of the logical reasoning course content was not directly applicable to principles of microeconomic content, and the final 25 percent, would be helpful, but is not essential, in understanding microeconomic content at the principles level.

Panel: If You Could Change Anything about Principles of Economics, What Would It Be?

Moderator: Dan Friesner, North Dakota State University

Panelists:

Nodir Adilov, Purdue University Fort Wayne

Dan Friesner, North Dakota State University

Donald Hackney, Gonzaga University

Inflation, Money, Economic growth, causality, VEC.
E12, E13, E31, E40, E41

Divided: The Two Americas-Examining Club Convergence in the U.S.

María Candelaria Barrios González, Universidad de La Laguna

Heather L.R. Tierney, Purdue University, Fort Wayne

Zafar Nazarov, Purdue University, Fort Wayne

Myeong Hwan Kim, Purdue University, Fort Wayne

This paper finds club convergence within the 50 U.S. states using Phillips and Sul (2007, 2009) regression-based convergence test using per capita real state domestic product from 1997 to 2017. Two clubs with diverging transition paths are found. Clubs 1 and 2 mimics the divide that is seen in the flow of funds from the federal government to the states (DiNapoli 2017, 2018). Hence, the log t test of Phillips and Sul (2007) is telling the tale of there being two Americas if all factors remain the same, but this need not be the case with the proper policy prescription.

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Criterion (IRSC) Method

Heather L.R. Tierney, Purdue University, Fort Wayne

Michael Slaubaugh, Purdue University, Fort Wayne

Myeong Kim, Purdue University, Fort Wayne

In nonparametric econometrics, the estimated coefficients are dependent on the window width, i.e. the band width. If there is only one window width, this leads us to OLS. Alternatively, if the window width is too small, this reduces the bias but increases the variance and vice versa.

When using data-driven approaches to select the window width such as the integrated residual squares criterion (IRSC) method of Fan and Gijbels (1995), asymptotic theory suggests not including the conditioning observation in determining the weights assigned to the any given observation since too much weight will be assigned to the conditioning observation. Proper weighting is important because observations closest to the conditioning observations are given a higher weight low weight to observations farther away.

Given the slow rate of asymptotic convergence, this paper examines the role that the conditioning observation plays in obtaining the window width through the use of simulated data and the modeling of inflation. In addition, this paper also examines the nonparametric window width provided by pre-packaged software such as EViews, which uses Andrews (1991) and Newey-West Methods of selecting the window width and compares them to other data driven approaches such as the IRSC method.

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