



The Opportunist



Dr. Hamermesh on his book 'Beauty Pays'

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On Tuesday February 26th, renowned economist, Dr. Daniel Hamermesh spoke at the Mandeville Teleitorium® about a branch of economics that is not discussed at Saint Joseph's, Pulchronomics, that is the economics of beauty.

Dr. Hamermesh is known to devote his knowledge of labor economics to unusual applications such as sleep and suicide. His most recent publication and the reason he came to talk was to provide Saint Joe's students with insight as to whether or not beauty really does pay and why it would seem that attractive people are more successful.

This idea has always been speculative, but the concept does not surprise anyone. Dr. Hamermesh shows that beauty does pay. Over a lifetime men and women who are deemed below average looking earn two-hundred fifty thousand dollars less than those deemed attractive.

This is not very surprising to learn. More enlightening, was the number of men perceived as 'Not hot', as opposed to 'hot', were far greater and more impactful figures within the spectrum of their careers. The difference of about 5% over lifetime earnings is potentially impacted by the idea that men believe they need to be in the working force, earning money for the family, whereas women may stay home and raise children forgoing the pursuit of a career.

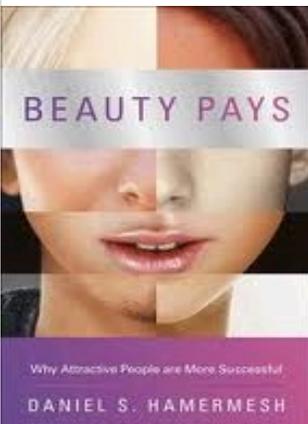
Dr. Hamermesh also explained, both in his book and the lecture, that whether society deems the individual as hot or not will inadvertently mold their career path. Similar to the example he provided about stay at home mothers, Hamermesh showed how lawyers who are deemed 'not hot' by society slowly shift from the private to the public sector, to seek higher wages and those who are 'hot' will move from the public to private sectors.

Although there are certainly many people who disagree with his methodology or the numbers he obtains, the topic is interesting and thought provoking. If you missed the lecture but are interested in the topic, watch his personal segment on *The Daily Show* with Jon Stewart here:

<http://www.thedailyshow.com/watch/mon-november-14-2011/ugly-people>



Dr. Hamermesh received his A.B from the University of Chicago and his Ph.D from Yale. He teaches at The University of Texas at Austin and has held visiting professorships in Europe, Australia and Asia.



Dr. Hamermesh's book discusses individual appearance and its financial benefits.



Steve Ferrigno '13

Fiscal Cliff: Highlighting Budget Cuts

As David Fahrenthold of the Washington Post wrote, "Agencies got credited for killing what was, in reality, already dead."

2011 Budget Cut: The Truth Revealed

President Obama announced in his 2011 televised speech that Washington had undergone "the largest annual spending cut in history." The \$37.8 billion spending cut was said to prevent a government shutdown. However, the results of these budget cuts have not met our expectations. Was this the biggest spending cuts in history, or an illusive manipulation of paperwork?

As we look closer into specific expenditures that were cut, we find many short comings. We can begin with the Transportation Department's claim such as a \$280 million tunnel project that had already been cancelled six months prior, and a \$375,000 road project for State Road 31, a road that does not exist. The Census Bureau also took credit for a \$6 billion budget cut. The \$6 billion was needed in 2010 for a census drawing and was obviously not necessary the following year because the census is only taken once a decade.

The Washington post focused in on the 16 biggest budget cuts (accounting for \$26.1 billion) to see what they actually consisted of. In most of these cases the real world impact proved difficult to meas-

ure. The office of Homeland Security declined to shed light onto their \$557 million cuts; as did the Department of Agriculture, Federal Emergency Management Agency and Department of State. As David Fahrenthold of the Washington Post wrote, "Agencies got credited for killing what was, in reality, already dead."

The list of hollow cuts is lengthy, but let's examine some things that did take a real world hit. The military cut funding for a base in Qatar, however only accounting for 0.4% of the total cut. Other examples consist of cuts to the EPA for water restoration projects, and community development funds to make homes habitable in 1,200 cities around the world.

Next up for congress is the "sequester" which is proposed to cut \$85 billion starting March 1st. The question remains: is it possible? Gordon of the office of Management and Budget says: "Reductions that were possible in 2011 are not possible in 2013. The resources that have been cut have been cut."

Stay posted as the future of the "sequester" unravels. Is Gordon right? Is "The low-hanging fruit gone?" Or will this budget cut turn out to be another exaggerated paperwork cleanup? Stay tuned to *The Opportunist* as we continue to provide updates.

Blair Bonner '15

Source: http://articles.washingtonpost.com/2013-02-09/politics/37008192_1_budget-cuts-federal-budget-federal-agencies



Philadelphia Economics Internship Programs

In an effort to increase the number of economic majors who have pre-graduation internship experience, the Economics Department at SJU is expanding the academic internship program for its majors. This revamped program, which will begin in the Fall 2013, will help remove the confusion that comes with making career choices along with increasing the number of employment possibilities. It will also allow students to take what they learned in the classroom and to apply it to real life.

Unpaid internships in the Philadelphia area are the focal point for this internship program. The internships will begin in the Fall or Spring semesters. In order to apply for these internships, students should register for ECN 493 Directed Readings: Philadelphia Economics Internship. The internships will involve working for 10 hours each week for 13 weeks with their chosen employers along with receiving course credit for completing their selected internship. The students will also study their job area under the supervision of a professor.

By working with members of the Economics Department and the staff at Career Services, Dr. Bookman is hoping to find respected employers in the private and public sectors and in non-governmental and non-profit organizations. More information about these internships will be announced before the Fall 2013 semester!

Please contact Dr. Milica Bookman at mbookman@sju.edu or come to Barbelin 107C if you are considering an academic internship opportunity in the Fall or simply want to learn more about it.

According to the National Association of Colleges and Employers (NACE), college graduates who had participated in internships did far better in the job market than their classmates who had not had that experience.

Tim Ennis '14

The Big Mac Index

In 1986, *The Economist* created the Big Mac index as a “digestible” guide to compare international currencies based on the average price of a McDonald’s Big Mac. Based off the theory of purchasing-power parity, the Big Mac index compares the valuations against the US dollar. The idea behind “burgernomics” is that the long run exchange rates should be moving towards an equilibrium rate for an identical good, i.e. the Big Mac, in two countries. *The Economist* takes the data of 48 countries and the euro area once every six months and based off of the exchange rate, and dollar price calculations, values the national currencies.

There are two data results of this index based off of the dollar, both a raw index and an adjusted index. It is adjusted to take burger prices into account for poorer countries with cheaper labor costs. In the raw index, Venezuela is overvalued at almost 108%, while India is undervalued by 61.8%. When comparing both the raw and adjusted indexes, China goes from being undervalued 41% in the raw index to being undervalued by 2.5% in the adjusted index.

While the Big Mac index may not say much about today’s equilibrium rate, the purchasing-power parity signals do show where these rates should be heading. More information can be



The Big Mac Index acts as an interesting way to compare the Purchasing Power Parity between countries using the United States Dollar as its base. The idea of using McDonald’s to determine PPP stems from its recognition and accessibility throughout the world.

found by going to: <http://www.economist.com/content/big-mac-index>

Pete Ingrasci '13

The Big Mac Index is an informal way of measuring the purchasing power parity (PPP) between two currencies.

“at the Treasury Secretary’s discretion, they may mint platinum coins with the, design and denomination, from time to time”

Since the 2009 financial crisis, a hot topic of discussion has been the US government’s debt issues and the possibility of the US going over the “fiscal cliff.” To clarify exactly what the fiscal cliff is, it can best be described as a combination of expiring tax breaks and automatic budget cuts across government expenditures. The primary issue of concern is that this combination of events could disrupt the recovering markets and potentially push it back into recession.

Both, Republicans and Democrats have debated and dis-

Avoiding the Fiscal Cliff: The Platinum Coin

cussed potential strategies for resolving this critical issue; most recently has been the potential of the Treasury minting of a trillion dollar platinum coin.

You may be wondering how could this happen? It has always been the case that the Fed held the power of the printing press while the Treasury issues the debt. As you know, this method helps to keep inflation from spiraling out of control and prevents the government from monetizing the debt, by simply printing money to pay off the bills.

While looking for ways to avoid the fiscal cliff, a 220 year old federal law surfaced

into view, in the United States Code under Section K, Title 31 which says that at the Treasury may mint platinum coins with the denomination, design, specifications, and quantities from time to time at the Treasury Secretary’s discretion.

The principle behind the minting of the coin is to allow the US to circumvent the amount of debt we our country can accumulate by minting these very high valued coins and depositing them into the Federal Reserve. While the idea was ultimately rejected by congress, this concept grants us an interesting view into our current economic situation and



the methods being considering to avoid it

Eric Blanchet '13



Professor Highlight: Dr. Cristian Pardo



Dr. Cristian Pardo is the newest tenured professor at Saint Joseph's University. The excitement shared by the department and students alike speaks volumes about him. Prior to spring break, I was able to stop in during his office hours and discuss his career leading up to this point, and his future goals. Dr. Pardo completed his undergraduate career and obtained a Masters degree in Economics from the University of Chile. In his pursuit of a Ph.D, he went through another masters program at the University of Maryland, where he wrote his dissertation on the manic depressive nature of entrepreneurs in booming and recessive economies. Prior to coming to Saint Joe's, Dr. Pardo was Visiting Assistant Professor at Trinity University. His publications and research specialize in Macroeconomics and International Finance.

At Saint Joe's, Dr. Pardo leads courses in Introductory Macroeconomics, Macroeconomic Theory, and Monetary Economics. If anyone has yet to take Dr. Pardo, I highly recommend him. It was his Introductory Macroeconomic course that got me interested in becoming an Economics Major. His methodology of breaking down all of the information allows for a clear understanding of a complicated subject matter. It is this straightforward teaching method coupled with the relaxed and open atmosphere of his classroom that drew my friends and self to pursue the major.

Like Dr. Crispin, who was highlighted in the last newsletter, Dr. Pardo also has plans for future courses. It is his goal to teach and advise a capstone course. He feels it is something the students are missing in their current curriculum. The idea is to create the capstone as a two semester course, the first will have students formulate a proposal and the next would be to perform their own research and write a paper based on the prior semester's proposal. Once a week the class would come together to discuss ideas, share challenges and present their progress. Although this is currently only an idea, it seems likely that it is one that will come to fruition. A capstone is something that the department and the students need as the major continues to grow.

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Steve Ferrigno '13



Econ Event 4/2



This semester, the Intelligence Squared Debate Series (organized by the Economics Department) will feature a discussion on: "AMERICA DOES NOT NEED A STRONG DOLLAR POLICY"

Arguing for the motion are Fredrick Mishkin (Columbia U), John Taylor (FX Concepts), while arguing against are Steve Forbes (Forbes Media) and James Grant (Grant's Interest Rate Observer).

Description From their Website: "It is often taken for granted that America needs a strong dollar. When the value of the U.S. dollar is strong relative to other currencies, it becomes attractive to investors and allows Americans to buy foreign goods and services cheaply. But in times of recession, are we better off with a weak dollar that stimulates U.S. manufacturing by making our goods cheaper and more competitive? Or will the loss of purchasing power and currency manipulation abroad offset the potential gains?"

The Debate will take place in New York March 13, and will be shown on video in Barbelin 265 on April 2, 2013 at 11:30 during free period. All are welcome to attend. For more information of Intelligence Squared Debates, contact Dr. Bookman at mbookman@sju.edu

Critical Thinking Questions:

1. What starts with an E, ends with an E and usually contains only one letter?
2. Forward I am heavy backward, I am not? What am I?
3. What are the four words in the English language the begin with "dw"?

1. An Envelope
2. A "ton"
3. Dwell, dweb, dwindle, dwarf