

FORWARD

The eleventh edition of *Issues in Political Economy* includes five papers in undergraduate research. Each of the papers uses econometric techniques to empirically examine their respective topics. In addition, the research also observes the theoretical basis for the empirical work. It is our hope that the publication of these five diverse papers will provide a fresh perspective on both contemporary, as well as traditional questions in the field.

The first paper in this year's edition, written by Jim Ahearn of Elon University, addresses the Asian Monetary Crisis. In this paper, Ahearn seeks to examine Jeffrey Sach's claim that Southeast Asia should devalue their currencies in order to recover from the economic turmoil plaguing the region in the late 1990s. By analyzing the respective J-curves for a number of Asian nations, he is able to determine whether or not each country would benefit from a floating exchange rate regime. Ahearn also uses the Marshall-Lerner Condition to develop a regression model, which includes the real exchange rate, a nation's GDP, and real foreign income. The International Monetary Fund provided time-series data for this study. The results from Ahearn's study were interesting because he did not find devaluation to be the most promising solution for each country. In fact, only the Philippines and Malaysia would benefit from devaluation, while the results for Singapore and Korea were more sensitive to short term and long-term policy decisions.

The second article in the eleventh issue is a joint effort by two Furman University students, M. Todd Carroll and J. Grady Powell. Through the University's Summer Scholars Program, the two were able to conduct detailed research concerning the returns to early career mobility. The goal of the research was to explore the impact of career changes on the wage growth in young workers. By calculating the percentage difference in immediate wage gains between a career change and a within-career job change they were able to evaluate and compare the consequences of those decisions. The National Longitudinal Survey of Youth provided data for this research and interestingly, the aggregate data does not significantly differentiate between a career change and a within-career job change. Despite this, the Carroll-Powell research does demonstrate that for a select group of workers changing a career may result in immediate gains. The two determined that this has been the driving force behind long-term wage growth. Their regression model considers the influence of education, race, potential experience, job tenure, and previous mobility on the likelihood that a worker can expect wage growth within careers.

The third paper in this issue examines the relationship between inflation and unemployment in three Latin American countries. Matt Hughart examines the usefulness of the Rational Expectations Hypothesis (REH) in understanding this relationship in the three Latin American countries of Argentina, Brazil, and Chile. By joining the theory behind the Phillips Curve with useful information from related studies, Hughart was able to develop a model to test REH as it applied to these specific countries. The results indicate that inflation changes with expectations of inflation. Further, there is no significant relationship between inflation and unemployment, indicating that these countries were able to reduce inflation without seeing an increase in unemployment.

In the spirit of diversity, this year's publication has included an environmental research paper written by Elaine F. Frey of Salisbury University. It is an economic analysis of Tropical Deforestation in the Amazon, specifically focusing on Rondonia, Brazil. The Brazilian Amazon is home to the largest portion of the world's tropical forests, boasting at least fifty percent of the world's animal species and almost seventy-five percent of plant species. Frey attempts to examine what factors drive farmers in the area to deforest land. Her research uses empirical data to estimate different household land use alternatives for Rondonia, chosen for its accelerated rate of deforestation. Frey's conclusions stress the need for governments to take offensive action to prevent unnecessary deforestation through the targeting of specific groups of people. Frey suggests that government provisions of agro-forestry policies, such as providing seedlings, building nurseries, and subsidizing local farmers will help decelerate the damage to this vital planetary ecosystem.

Michelle Pautz of Elon University tackles a contemporary issue in her research. As a longtime film fan, Pautz sought to explain the factors causing the seven-decade decline in US movie attendance. The research could prove to be especially useful to cinema executives as they continue to brainstorm for creative ways to draw audiences to the theatres. In addition to the econometric work, this paper also provides a bit of historical perspective by outlining a century of development in the motion picture industry, from the birth of cinema to the multiplex era. Pautz's strong empirical work indicated that there are a number of variables contributing to the decline in cinema attendance: admissions prices, total viewing screens available, the number of feature films released, and the number of households with a television. Interestingly, the results also indicate price inelasticity for admission to the cinema. This inelasticity leaves no incentive for theatre chains to keep admission prices stable and this has been one of the single largest factors leading to the decline in attendance.

The final piece of research in this year's journal is an industry paper written by Courtney Zinter of Concordia College. Zinter seeks to explain the decreased levels of employment in Minnesota's Iron and Steel industry by analyzing the industry claims that low-priced imports are to blame for the unemployment levels. To ensure the accuracy of her research, Zinter limited her sample period from 1974 to 1990. The hypothesis was that the industry claims were overstated. While low-priced steel imports may be a factor causing lower employment, other factors, such as the decreased domestic consumption and increased worker productivity were actually the primary factors behind the decreased employment in the steel industry. The real implication of her research is directed at steel company executives and policymakers demanding the imposition of anti-dumping duties. Zinter stresses the idea that the government should refrain from imposing counteractive measures against foreign steel exporters; instead they should focus on assisting unskilled labor to adapt to alternative industries.

The diversity in subject area, as well as the policy breadth of the issues examined in this year's publication is evidence of successful undergraduate research. In promoting economic research by undergraduates, *Issues in Political Economy* hopes to raise awareness of significant undergraduate contributions to all areas of the field. It is my hope that this year's publication will enlighten readers, as well as encourage continued research and debate.

Helena Tenenholtz, May 21, 2002