A spotlight on Duke undergraduate economics

By the Economics Student Union

Volume 1, Fall 2007
The Invisible Hand

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Duke Students,

We, as a student union, were established in 2001 in order to address the needs and concerns of Economics majors at Duke. The Economics major has developed over the years and has become the most popular major at Duke. Therefore, it is our desire that the union is a platform by which all Economics majors or potential majors can benefit. We were created by students who hoped to provide a structure by which to interact with faculty, share advice regarding classes and careers, bring engaging speakers to campus, organize discussions concerning important/current policy issues, and facilitate communication between Economics majors and the Economics Department.

The Economics Student Union’s has three main objectives:

- Provide networking opportunities for Duke Economics students. We hope to encourage students to socialize with each other, with graduate students, and with faculty. This is the reason for our annual barbeques and other informal activities throughout the year.
- To provide a forum for students to voice concerns and enact changes in our community, especially to bridge the gap between the Economics Department and the student body. We strongly believe that as a unified voice, we will wield more influence and thus be more effective.
- To supplement the academic experience of Economics Majors by sponsoring and organizing events such as lectures, debates, faculty-student lunches, and social functions.

The possibilities and opportunities at Duke University are limitless and we hope to enable all Economics Majors to receive the most out of their undergraduate experience.

In accordance with our goals and objectives, we are excited this year to give Economics majors the “Invisible Hand” which will be published every semester. It is our goal to provide a publication which highlights recent Duke Economics alumni and professors, contributes advice on classes and the major in general, and provides a snapshot of current economic news. We hope to use the journal as a medium to directly address and empower Duke Economics Students.

As the Economics Student Union, we trust that you will find the journal interesting and relevant – a publication which both enriches your academic experience at Duke University and prepares you for your life after.

Regards,

David Kelly T’09 & Harry Jones T’08
Presidents
Duke Economics Student Union

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It’s all in the Game

By Harry Jones T’09

This semester, students have several exciting ways to apply the knowledge and skills they have developed in finance classes. The Director of Undergraduate Studies in Economics, Emma Rasiel, with the help of several investment banks, is currently sponsoring four competitions, which allow students to gain hands-on experience in finance and consulting.

The first competition, The Trading Game, sponsored by Morgan Stanley, places students in the role of a portfolio manager. At the start of the game, each participant is given one million dollars with which to purchase a variety of securities including oil, gold, yen, euros, shares of the S&P 500, NASDAQ, and Dow Jones equity indices, and two and ten year treasury bonds. From there, students must buy and sell these securities throughout the semester to optimize the return of their portfolio.

The second contest, the Merrill Lynch Equity Research and Comparables Analysis Competition, offers students the opportunity to create a Research and Comparable Companies Analysis Report on one of five pre-specified publicly traded corporations. Students assume the role of a “buy side” equity analyst and will chose between Colgate-Palmolive, Broadcom Corp, XTO Energy Inc, Abercrombie & Fitch Co, and Campbell Soup. They must then collect “sell-side” research from investment banks and other information providers and eventually make a decision on whether to buy, sell or hold the stock. The authors of the fifteen best reports are invited to present their findings to a panel of executives from Merrill Lynch, along with Professor Rasiel. Each participant is invited to a reception where they can ask questions and interact with the guests from Merrill Lynch. A presentation of the top three reports will also be made at this time.

Lehman Brothers is sponsoring a Corporate Finance Case Study Competition where students will compete in teams of three and will act as the advisor to a major corporation, and create a presentation that evaluates a potential acquisition from both a quantitative and strategic perspective. Specifically, the goal of this year’s competition is to advise the management of Radio One on their bid for 21 targeted national and international radio stations. Standout teams will be given the opportunity to give their presentation on what price Radio One should bid in front of several analysts for Lehman.

Lastly, Barclay’s Capital is sponsoring a Wall Street Journal quiz competition. Participants have to read the journal closely for over a month in preparation for the quiz. Although it will cover major events, students should have a very good understanding of the progression of these stories. Also, participants must be familiar with the movements of the S&P 500, Dow Jones Industrial Average, NASDAQ and significant securities (i.e. gold, oil, and treasury bonds). The people who earn the highest scores will receive prizes from Barclay’s, while all participants who get a passing grade on the quiz will be invited to a reception sponsored by the bank.

Each game gives students the opportunity to utilize their knowledge of finance and economics in a different way. From investing in securities, deciding whether to buy or sell a company, tackling case studies, or retaining information from the Wall Street Journal, participants truly have the opportunity to immerse themselves in several important aspects of finance.
The First Impression

By Lisa Lam T’09

Whether at a career fair or an interview, meeting a potential employer for the first time can be extremely nerve-racking. Unlike your resume, you cannot re-edit the first meeting over and over until it is perfected. There are a few essential points to remember, however, that can help make the process smoother.

First off, presentation is key. Your appearance and attitude in the first thirty seconds can and will speak volumes to an employer. Dressing appropriately for the event will score high marks even before any words are exchanged. This includes having good hygiene and being well groomed. On the same note, presentation also includes your attitude; be positive and maintain eye contact with the employer. Your attitude will set the tone of the interaction; by projecting an approachable image, you will be met by a positive reception. The presentation is the representation of you; take the time to make it good.

Secondly, be prepared. Although the first meeting may only last a couple of minutes, that is definitely not the amount of time you should have spent preparing for it. Before the meeting, take the time to research the company. Go beyond the basic information posted on the company’s website and make an effort to understand the workings of the company. This will help you gain a realistic picture of the position and will show your dedication to the employer.

Likewise, be prepared to talk about yourself. Before the meeting, write and practice a thirty second “commercial” about yourself that highlights what you want the employer to know about you. This is especially useful for answering the ubiquitous question of, “Tell me about yourself.” Practice your answers beforehand to ensure that your responses are well articulated. Likewise, it will help avoid those long-winded responses that never get around to answering the question.

Lastly, establish your interest. In the end, a job is a relationship between you and the employer. Employers aim to hire the person who can provide meaningful value to their company. First show your passion for the job; have specific reasons why you want to work there. Next, be able to explain why you would be a good fit into the company. Go beyond just stating what your previous experiences were; be able to explain how those specific experiences can directly contribute to the company.

Although there is a lot that goes into a first meeting, these key points are the first steps to success.

Contributing to the article:
Yin Lu
Jennifer Philips
Cameo Voltz

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Alumni Spotlight: Bayard Friedman T’07
By David Kelly T’09

How are you enjoying Bain so far? When did you start work? What did you do with your last summer of “freedom?”

Bain has been a stellar place to start work. I started in mid-September (we had a few start date choices), and I spent my last summer of freedom playing with kids at a sports camp in Missouri.

What were the major reasons for your final decision to choose consulting? Did you consider any other job opportunities? What types of jobs did you apply for and where?

I worked the summer beforehand for an investment bank in New York City. If I chose to do investment banking I would have just gone back and worked for the same firm, but near the end of my summer, I began to realize that consulting offered the more appealing work-life balance and would prepare me better for my long-term interests.

Is consulting something you always felt compelled to do or is it a temporary thing while you figure your career path out?

The truth: I don’t know. I view it for now as a temporary stepping-stone on the path to professional development, but I may find it to be long-term calling.

Where are you based and did you choose the location? If so, why?

I am based in Atlanta, and I chose to be here. If I had stuck with investment banking, I would have had to move to New York, but I fell in love with the southeast while at Duke and decided to stay in the region.

How are you enjoying Atlanta as a city?

It is awesome. It has a relatively low cost of living, and the southern weather/culture are meaningful perks to a beach bum like myself.

What made you choose Bain over other consulting companies?

After a series of conversations with professionals, I decided that if I was going to enter consulting it made the most sense to go to McKinsey, Bain, or BCG. After the interview process, I had two choices, and then I had to follow my gut and go with the firm that I felt had the most sociable people and the more enjoyable working environment.

What did you do during your summers at Duke?

I spent all three summers working for financial institutions. I worked for JP Morgan, Bank of America, and the Stanford Group in various capacities.

How do you think those experiences prepared you for consulting?

It is good to have at least one opportunity to be in a professional working environment prior to taking your first time job, but the experiences and tool-kits required are substantially different.
What classes at Duke prepared you most for consulting?

Advanced economics classes! As a result of having a liberal arts philosophy, Duke is not really equipped to prepare you for an exact industry or job. The best thing you can for consulting is train your mind to work in an economics orientation around solving difficult problems.

Why did you choose Economics? Did you have any other majors or certificates?

I just had a good experience with my first class in economics and found the skills needed for the major to be robust enough to encompass any future profession. I came near getting a public policy double major but opted not to due to the internship requirement.

What were your favorite classes and why?

Econ 209s with Allen Kelley is amazing. In general, if you can get in a small class with a top-notch professor, studying something that is complicated, multi-faceted, and interesting—do it! Those are the things I would consider.

What was your hardest or least favorite class?

I took Math 32 with a professor who could not speak English. It was a waste of time and money for me.

Which professors would you recommend to Economics majors?

Allen Kelley and Michelle Connelly are great in the Economics department.

What extra curricular activities were you involved in while at Duke?

I was involved heavily with Campus Crusade for Christ, Sigma Phi Epsilon Fraternity, and Mock Trial. They were measurably beneficial experiences that prepared me better for life.

Were there any classes outside of the Economic requirements that you really enjoyed?

I took some great classes outside of the Economics major. I strongly recommend Dominic Sachsenmaier as a former consultant (BCG) and history professor. I also thought Sarah Johnson in religion and Peter Feaver in political science were great professors. All three of them highlighted great problem solving skills adjacent to standard frameworks for understanding problems.

How much, if any, did you utilize the Career Development Center?

Moderately. Don’t ignore the services and information sessions they have, but at the end of the day, you have to make the decisions for yourself.

Do you have any regrets from your academic experience at Duke? If so, what are they, and why?

Sure. I had a bunch of classes that I was forced into and did not enjoy. I wish the curriculum encouraged a diversity of classes without the matrix. Just focus on the good classes and invest more time into them. They leave a larger impact than the grade.

What is your fondest memory while at Duke?

The spring break of my senior year I helped organize a big trip with Campus Crusade for
Christ. We went to the beach, lived together, cooked our food, met people, worked on service projects, and celebrated God’s kindness to us. Unforgettable.

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Alumni Spotlight: Ying Chiat Ho T’07

By David Kelly T’09

What are you up to these days?

I am currently attending a Masters program in Finance at Princeton University.

How are you enjoying school so far? How long is the program?

School has been great. Courses are challenging and contain a good mix of the theoretical as well as the practical. For example, one of my courses on regression analysis teaches how to deal with the presence of heavy tail distributions, a well-documented empirical observation in financial markets that we usually ignore. The usual length of the program is two years.

What did you do with your last summer of “freedom?”

I did an 8-week internship at an investment bank as well as a 6-week attachment at an overseas financial regulatory body.

What were the major reasons for your final decision to choose graduate school and your degree in particular? Did you consider going straight into the corporate world? Do you hope to eventually teach one day? Do research? Do banking or consulting? If so, why?

My primary motivation for attending graduate school was linked closely to the type of program I have chosen to attend. I was interested in learning more about the newly emerging field of quantitative finance, where mathematical and programming techniques are applied to problems in finance to produce the various new and often exotic instruments we observe out there in the market today. The program gave me a chance to explore the economic theory and logic behind such instruments as well as build up the necessary mathematical and programming skills in an academic setting, two things which I felt I wouldn’t have been able to do had I gone straight into a work environment dealing with quantitative finance. I definitely hope to teach one day, but not before gaining sufficient experience in the corporate world and the completion of advanced academic studies.

What made you choose Princeton?

I chose Princeton for a variety of reasons. Firstly, unlike other similar programs, the Master in Finance program covers financial economics, corporate finance in addition to financial engineering and mathematics. I felt that this diversity of knowledge was important in the fast-changing world of quantitative finance. Secondly, just like Duke, Princeton emphasizes strongly on the quality of teaching and I felt that I would be able to learn well in such an environment.

How are you enjoying living at Princeton?

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Living at Princeton has been great. The campus is somewhat like Duke in terms of locality and design. Maybe because I am in the graduate school, I have been able to meet a more diverse crowd of students in terms of background and experience.

**What did you do during your summers at Duke and how did they eventually guide you to making your decision?**

During my first summer at Duke, I attended a study abroad program in Geneva. During my second summer at Duke, I worked at a software startup in New York. Both experiences have had an impact on my decision to attend graduate school. The study abroad program was centered on the theme of Globalization and showed me how various economic forces were shaping the global business landscape. If anything, it taught me the value of a good education and the competitive advantage one could have as a result of that. My internship at the software startup introduced me to the world of commodity options and the different ways in which they were traded. I came to realize that there was huge potential for different financial instruments in the market, but that significant knowledge had to be gained to truly understand how they worked and were created.

**Did Duke prepare you well for a masters program at a prestigious university like Princeton?**

Definitely. I still refer to the notes and homeworks I have done while studying back at Duke. I think Duke has given me a strong foundation in economics and mathematics that have definitely helped me to understand the material I am currently covering better.

More importantly, my classes at Duke have taught me the value of discussing and learning from others, which is a process I carry out over and over again everyday in the program.

**Why did you choose economics? Did you have any other majors or certificates?**

I chose economics because I was interested in the subject matter. I had a minor in mathematics and almost completed a certificate in markets and management.

**What were your favorite classes and why?**

I have a huge number of favorite classes. I really enjoyed classes such as my two-semester thesis class, corporate finance, financial markets and investments (I think now renamed risk management), decision making in business, advanced calculus, probability and mathematical finance. I liked the classes because they were challenging and their respective instructors taught the subject matter with a passion that was infectious.

**What was your hardest or least favorite class?**

None.

**Which professors would you recommend to Economics majors?**

I think it depends on what your interest in economics is. All the professors in the department have a great deal of knowledge and learning from any of them would definitely beneficial to one’s personal development.
Were there any classes outside of the Economic requirements that you really enjoyed?

Yes. I have mentioned a few above, but one of the classes I want to highlight is a first-year physics seminar I attended as a freshman. The course explored the subject matter of chaos and complexity theory across a variety of disciplines and taught me the value of interdisciplinary study from my very first semester at Duke.

What extracurricular activities were you involved in while at Duke?

I was involved in the Economics Student Union, the Singapore Students Association as well as the Career Advising Team while at Duke.

How much, if any, did you utilize the Career Development Center?

I had a unique experience with the career center primarily because I was part of the career advising team (CAT). As a CAT, I had huge opportunities to interact with the career center staff as well as put what I learnt into practice when critiquing resumes and cover letters.

Do you have any regrets from your academic experience at Duke? If so, what are they, and why?

I graduated in three years instead of four, so there were many courses I wished I had taken but never had the chance to. Being an undergraduate is one of the few times when you get to explore any discipline or issue from a hypothetical standpoint without significant consequence. I have found that this gets hard to do when in the working world or in graduate school.

What is your fondest memory while at Duke?

Walking to the library on a Saturday morning through the Sarah P. Duke Gardens, on a path carpeted with red, yellow and orange leaves.

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Senior Spotlight: Lilly Chen T’08

By Harry Jones T’08

Upon entering Duke, Lilly Chen faced a decision that is quite common among freshmen: “Do I want to go into medicine or something related to economics or business?” Initially, she thought it would be advantageous to pursue both paths. In her first semester she enrolled in General Chemistry as well Intermediate Microeconomics I (Econ 55). By Christmas of that year, her decision became quite clear. Lilly realized that she not only enjoyed Economics more, but that its applications are much broader, “Economics offers a different perspective into how the world works. You can explore everything from human behaviors to politics to business through the field.”

Lilly also appreciates the wealth of courses offered through the economics department, as students have the opportunity to learn about a diversity of topics with the
discipline. On campus, Lilly is very active in Alpha Kappa Psi, the business fraternity at Duke. She is one of the chapter’s founding members and served as vice president for two semesters. Lilly really enjoys the camaraderie AKPsi brings. “Even though our goal is to prepare people to become business leaders, we still have a lot of fun and share in many unique experiences”, she says.

During the summer of her sophomore year, Lilly worked in the import/export department for the second largest automobile manufacturer in China. One of the primary goals of the company at the time was to make their trucks more environmentally sound. She conversed with companies throughout the world (in both English and Mandarin) to inquire about prices and the availability of parts that would accomplish this task. While abroad, Lilly gained an understating of the importance of China in the world’s economy and how the economies of different countries are interconnected. This past summer, Lilly interned at Bank of America, in New York. She worked in sales and trading at the global commodities and strategies desk. At Bank of America, she enjoyed being on the trading floor and seeing the work of buyers and sellers first hand. During her internship, Lilly was able to use several of the concepts that she learned from previous economics classes including the substitution effect, effects of different monetary policies and elasticity. For instance, she looked at how drastically a natural disaster may cause families to alter their consumption of gas as oppose to oil.

Although many of the classes she has too were useful, Lilly found Professor Rasiel’s Asset Pricing and Risk Management (formerly Financial Investments) particularly important on Wall Street, “Having a knowledge of a variety of financial terms and concepts was wonderful. Her class helped me to adjust to the type of work I was doing and gave me a deeper appreciation.”

Lilly encourages underclassmen to take electives that are not only practical, but interesting as well.

“It is unlikely that you will have the opportunity to delve into many of the fascinating areas of economics after graduation. Take a course in Behavioral Economics or International Macro Policy even if you do not want to go into it, the information you acquire may grow into an interests that last far beyond your days at Duke.”

An Interesting Way to Build Your Credit

By Breck Yunits T’07

Arbitrage is the practice of making money when there is a difference in prices. In order to attract customers to use their cards, many credit cards offer a 0% interest rate for the first year. This means you can borrow cash from the cards at no interest for a year. Additionally, many banks offer CD and savings accounts that will give you a high-yield interest (somewhere around 5% annually) when you deposit money in their accounts. The System takes advantage of this arbitrage opportunity by borrowing money from credit cards at 0% interest and depositing that money in high-yield accounts.
Note that there are many ways to invest your money, but investing in a CD or savings account is the only way to get a high interest rate with absolute assurance of not losing any money (these accounts are FDIC insured). After a year you pocket the interest your accounts have earned and use the remainder to pay back the credit card companies you have borrowed from. This is essentially how the system works, but there is a specific procedure we will provide you with so that you are not tripped up by complications:

- Making the minimum monthly payment on credit cards
- Picking the right credit cards and interest-yielding accounts
- Avoiding traps in the fine print of credit card agreements
- Planning out your schedule: timing is everything!
- Borrowing the maximum amount of money

The trick to get the money from the 0% card without doing a cash advance is to have 2 credit cards. One card should have a 0% balance transfer offer; the other card should have a zero dollar balance. Then you balance transfer money from the 0% card to the $0 balance card, and what will happen is the $0 balance card company will tell you that you have overpaid and they will mail you a refund check. Deposit this check in something like an ING Direct savings account and you can pocket the interest. Make sure you take enough money out of the savings account each month to make slightly more than the minimum payment on the 0% card. I say slightly more than the minimum, because that will improve your credit score better in the long run.

As far as the specifics, I would use CreditCards.com to find good 0% cards. Also check out AnnualCreditReport.com to get your free credit report (a law entitles all US consumers to 1 free report every 12 months). Your Credit Report and score are very important. The higher score you have, and the longer your credit history, the more likely you are to get approved for a credit card and get higher credit limits. When I started doing this I had a $3k limit, now I'm over $50k. That means that instead of making $150/year doing this, I can bring in close to $3000 for a couple hours of work. I know one guy who has $150k in 0% loans sitting in the bank--enough to pay off his mortgage every month.

I want to warn you though that this can be very dangerous. For instance, one time I spent $100 on one of my cards on impulse that had the 0% offer. Luckily I didn't go over my limit, but then suddenly I had $100 that was getting billed at an 18% APR. My monthly payments pay off the 0% balance first. It only cost me $18, but if I had gone over my limit, it could have cost me a few hundred.

So you have to be very careful about locking these cards up, paying the payments on time, and not spending the cash that you get (which can be tempting, I've also done a bit of that). But it is an interesting way to make some money and build some credit.
The Subprime Mortgage Crisis

By: Samson Mesele T'09

The subprime mortgage crisis can be traced back to 1997, “when the value of housing in the US began to jump.”¹ Over a nine-year period, a speculative bubble led housing prices to be out of line with fundamentals, which have now started to drop out of the stratosphere (to sow the seeds of the market’s own recovery).² But back in ’97, foreign, as well as domestic, investors wanted a piece of the fastest-growing part of the American economy. What made that possible were new techniques in financial engineering: “securitizing” debt into purchasable assets³, which were sold, in large part, to high-risk subprime borrowers: home buyers with low income and poor credit scores⁴. Furthermore, collateralized debt instruments, combinations of high-risk loans made to subprime borrowers and “supposedly” safer loans, were used to attract “risk-averse” investors, such as banks.⁵

Banks (and other financial institutions) invested too heavily in subprime mortgages to Americans with poor credit. These Americans were drawn in by attractive introductory interest rates, but were deceived by adjustable-rate loans; originations rose to “$600 billion in both 2005 and 2006 from $160 billion in 2001.”⁶ Moreover, in 2006, subprime borrowers began to default en masse (they faced low standards for proving they could even pay off their loans). The multiple defaults led to heavy losses in the US subprime mortgage market, punishing the 25 subprime mortgage originators.⁷ This has led to an acute credit crunch, which threatens to spill into the real economy. Easy credit, lax oversight, and over-valued property have contributed to the current financial crisis. Robert Manning, author of Credit Card Nation, identified “deregulation of the lending industry” as another significant contributor to the current crisis.⁸

An August 7th Wall Street Journal article, “How Credit Got So Easy and Why It’s Tightening”, reviews Fed decisions that set the stage for the subprime mortgage debacle. In addition to “changes in the banking system provoked by the collapse of the savings-and-loan industry…[and] the reaction of governments to the Asian financial crisis,” the Fed’s reaction to the rupture of the tech-stock bubble (2001-2002) contributed to the housing boom (and decline). The Fed cut interest rates to 1% in 2003, the lowest level in a generation, to avoid a severe downturn toward deflation. Alan Greenspan said at the time, “I don’t know what it is, but we’re doing some

² Krupp, Cory. Lecture. 9/13/07.
³ Ibid.
damage because this is not the way credit markets should operate.” The low interest rates, combined with overseas savings, “fueled home prices and leveraged buyouts. Pension funds and endowments, unhappy with skimpy returns, shove cash at hedge funds and private-equity firms, which borrowed heavily to make big bets. The investments of choice were opaque financial instruments that shifted default risk from lenders to global investors.”

While Fed officials generally stand by the 2003 decision, their actions may have “planted the seeds of excess in the housing and subprime-loan markets.” Edward Gramlich, a former Fed governor, acknowledged that the Fed “could have prevented some of the resulting pain with more rigorous supervision of mortgage lenders besides banks.”

But criticism of the Fed is most vociferously offered by Senate Banking Committee Chairman Chris Dodd, who alleges a “chronology of neglect by federal regulators.” Senator Dodd has charged that “Federal Reserve analysts first noticed eroding lending standards from late 2003 through early 2004” and failed to protect “hard-working Americans from unscrupulous financial actors.” He also claimed that “the Federal Reserve Board was encouraging lenders to come up with more adjustable plans.” But because the Fed pushed up interest rates from 1 percent to 5.25 percent, numerous adjustable rate mortgages grew beyond the means of borrowers. Fed “Spectators” did nothing to prevent the “perfect storm” that “sweeping over millions of American homeowners today”, charges Dodd.

The Fed decided on August 17th to lower the discount rate half a point from 6.25% to 5.75% to help calm markets and ensure adequate liquidity.

As discussed on NPR by Jim Zarroli that morning, because of widespread uncertainty in the financial markets, the “Fed [had] no choice but to act.” With the move, the Fed made markets all over the world very happy. While the federal funds rate, the interest rate banks charge each other for overnight borrowing, is more directly connected to the credit experiences of ordinary American citizens, the reduction in the discount rate was intended as psychological reassurance. It was a sign that the Federal Reserve understood the current troubles and wanted to encourage lending behavior in banks.

To continue, because subprime failures led to liquidity shortages, the United States central bank (and the central banks of Europe, Japan, Australia, and Canada as well) has injected $43 billion into the system as of August 10th. With similar ends, the discount rate, also part of the Fed’s arsenal, has been lowered to avoid a systemic liquidity crisis and to support the money markets. This is done by lowering the primary credit rate (“the rate at which it lends

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10 Ibid.
15 Krupp, Cory. Lecture. 9/11/07.
to banks if they need emergency cash”\(^ {17} \) and thus encouraging lending behavior, i.e., the movement of money to customers.\(^ {18} \)

The Fed’s decision had an immediate impact on the stock market (the Dow Jones shot up 300 points that day). The change in the discount rate alone, though, mostly affects banks and markets. “There is not a direct consumer impact,” reported the Post, but rather, the “Fed rate cut lets the belt out a notch for banks.”\(^ {19} \) Moreover, the discount rate cut likely was (yes, as we know now) a precursor to a drop in the federal funds rate, which touches many more aspects of daily economic life in the United States.

In the short run, if the discount rate leads to a drop in the federal funds rate, then the dollar will depreciate, exports will become cheaper, and the current account will increase. In the long run, the dollar will appreciate because the above changes will work their way through the markets, and make no real long-term economic changes, as explained by money neutrality.

In the long run, a significant moral hazard may be encouraged as well. On NPR, the morning the discount rate was cut: “The whole crisis right now is caused by the fact that Alan Greenspan back in 1998, when there was a very similar financial crisis, lowered interest rates and created this feeling among investors that, ‘Hey, no matter how bad things get, the Fed’s always going to come in and bail us out. They’ll always save the day.’ And that created an environment that encouraged banks and others to lend these subprime mortgages, to lend to people that they probably shouldn’t have been lending to. There’s a fear that if the Fed does that again now, which frankly they probably will, it’ll short-term be a benefit, but long-term could reinforce some really bad behavior.”\(^ {20} \)

A better balance should be struck between allowing investors to pursue risky activities and maintaining the solvency of the money markets.

\(^ {19} \) Ibid.
\(^ {20} \) Davidson, Adam. “Fed Cuts Key Interest rate.” NPR. 8/17/07
Club Spotlight
By: John Kunemund T’10

At Duke, there are plenty of opportunities for economics majors to get involved on campus. Besides the Economics Student Union, there are clubs focused on everything from Consulting to Business. With all of this variety, there is a good chance you can find a group you are interested in.

Here we have highlighted four clubs on campus that you should learn about. Each provides great opportunities and allows students to build on their interests in the field of economics.

Not only are these clubs a great way to meet fellow students who have the same interests as you, but they also provide a great networking tool that can help launch your future career.

**Duke Real Estate Club**

Duke Real Estate Club is a recognized student group with over 100 members who are interested in learning about real estate. By assembling as a group, we make it easier for alumni, parents and local leaders in the industry to share their wisdom and resources.

www.duke.edu/web/realestate
www.dukerealestateclub.org

Pres, Rick Bagel: rick.bagel@duke.edu
Exec VP, Jonathan Urgell: jonathan.urgell@duke.edu
VP of Professional Outreach, Jay Larson, jay.larson@duke.edu
VP of Alumni, Eileene Braxton, eileene.braxton@duke.edu

**Duke Consulting Club**

Duke Consulting Club attempts to empower Duke Students with knowledge, skills and vision to succeed in careers in consulting. We will update students with opportunities available in the consulting industry and current affairs and hot topics related to consulting, business and finance. We will provide students with resources, support and coaching in their career development process, such as opportunity to interact with experts in the industry, leadership experience in the club, access to club databases, mock interviews, case study workshops, club magazines and the like.

For more information, contact: sophia.xia@duke.edu or join their listserv, consulting@duke.edu

**Alpha Kappa Psi**

Alpha Kappa Psi is a co-ed professional business fraternity. We are nationally recognized as the premier developer of principled business leaders. We have rush/pledging every semester and welcome all who are interested in business to join us.

Website: www.dukeakpsi.com
President: Alicia Huang
Vice-President: Caleb Barker
E-mail: alphakappapsi@duke.edu

**Duke Investment Club**

The Duke Investment Club is an equity mutual fund entirely owned and managed by students. Since the best way to learn about the financial markets
is to actually participate in them, the Duke Investment Club is a great opportunity for students to gain real-world investing experience and become familiar with the financial industry. Currently the Investment Club has more than 250 student shareholders with approximately $30,000 invested in the equity markets. Our alumni network includes employees at many prominent investment banks and management consulting firms. If you would like to learn more about finance and investing, join the Duke Investment Club – no previous experience is necessary.

More information is available on our website at www.dukeiclub.com.

Calendar of Events for the Month of November
### Site Visits:

<table>
<thead>
<tr>
<th>Date</th>
<th>Company</th>
<th>Topic</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>11/16</td>
<td>JPMorgan</td>
<td>JPMorgan’s Women Who Live the Banking Life</td>
<td>New York, New York – JP Morgan Offices</td>
</tr>
</tbody>
</table>

### Application Deadlines:
*For an extensive list of Application Deadlines for December, visit Duke’s eRecruiting website, at duke.erecruiting.com*

<table>
<thead>
<tr>
<th>Date</th>
<th>Company</th>
<th>Job Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>11/15</td>
<td>MicroStrategy, Inc.</td>
<td>Program Manager</td>
</tr>
<tr>
<td>11/15</td>
<td>Purepay</td>
<td>Private Equity Associate</td>
</tr>
<tr>
<td>11/16</td>
<td>Morgan Stanley</td>
<td>Sales and Trading Summer Analyst- STUDY ABROAD</td>
</tr>
<tr>
<td>11/30</td>
<td>JPMorgan</td>
<td>Summer Internships- Study Abroad Students Only</td>
</tr>
</tbody>
</table>

### Interviews:
*All interviews held in the Duke Career Center, 03 Page Building*

<table>
<thead>
<tr>
<th>Date</th>
<th>Time</th>
<th>Company</th>
<th>Job Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>11/14</td>
<td>8:30 AM - 4:45 PM</td>
<td>Ernst &amp; Young LLP</td>
<td>Staff Consultant</td>
</tr>
<tr>
<td>11/15</td>
<td>8:30 AM - 5:00 PM</td>
<td>Freightliner LLC</td>
<td>CAReer - The Talent Program - Operations, Sales, Marketing &amp; Aftersales, CAReer - The Talent Program - Mechatronics Engineering</td>
</tr>
<tr>
<td>11/16</td>
<td>8:30 AM - 1:00 PM</td>
<td>Freightliner LLC</td>
<td>CAReer - The Talent Program - Operations, Sales, Marketing &amp; Aftersales, CAReer - The Talent Program - Mechatronics Engineering</td>
</tr>
</tbody>
</table>