ECONOMICS
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2020 MSU FED CHALLENGE
By: Dr. Tony Doblas-Madrid
The MSU Spartans have won another trophy! This one is not for basketball, football, or any other sport. It is for monetary policy, specifically the 2020 College Fed Challenge. On November 20th, in an exciting awards ceremony with Fed Chair Jay Powell, MSU was declared winner of District 7 – Chicago and one of just 6 national finalists. This was a fabulous ending for a storied year.

My official duties as faculty advisor started in SS20. But in the Fall of ’19 Greg Marchal had already tracked me down to plan how to stay involved during the Spring since he would be on internship in DC. This Fed Challenge team member talked Taylor rules, federal funds, repos with impressive fluency. And he was passionate. Having just returned from Chicago with the MSU team from last year’s Challenge, he had observed the district winners’ performance (U of Chicago), and concluded that—excellent as it was—MSU could do just as well if well prepared. The competition was on!

Preparations for the Fed Challenge begin in the Spring with the one credit EC 332 class and continue in the Fall with the two credit class. This year’s five competition speakers were Brandon Imirowicz, Harold Lobbins III, Gregory Marchal, Gabriel Reyes, and Providence Weatherwax and the alternate speakers and researchers were Nick Andolino, Aidan Claffey, Marcos Martinez, Jack Metty, Grayson Miller, and Kylie Schram. The 2020 team’s success is also the fruit of the ideas and work of students who over the course of the year contributed to the project: Matthew Battle, Jared Beyrer, Lilian Fannon, Maura Glynn, Noah Grant, Adam Hansen, Matthew Higgins, Xinfan Liang, Colin Motherway, Nick Noonan, Josh Schwimmer, Zihao Tang, Perry Truscon, Isaac Updike, and Juliano Xhamxhi. The students’ curiosity and interest was tremendous. I enjoyed great presentations and conversations about the economy, not just from a financial standpoint, but from a holistic, social perspective. In the Spring, students work on foundational topics about the state of the economy, the Fed, monetary policy, international ramifications, and finally start putting together a policy proposal. They do so in a collaborative way. In fact, the Fed Challenge is ideally suited for experiential learning—it cannot be run any other way—and requires from students a great deal of self-motivation, teamwork, and public speaking.
2020 MSU Fed Challenge Continued

The MSU policy proposal brought creative solutions to overcome key problems in the current monetary environment, the zero lower bound on interest rates, and the uneven K-shaped recovery from the pandemic recession. For the first time, the MSU team proposed a dual interest rate lending facility, similar to the European Central Bank’s. To address the second problem, the Fed would provide additional funding incentives for bank loans to minority-owned businesses in order to channel credit to sectors and communities hardest hit by the COVID-19 crisis.

The proposal video was uploaded on October 9th. In a few days, the first round of good news arrived. MSU was in the semifinal/district final with University of Wisconsin-Madison, and University of Wisconsin-Whitewater. This was already a success, given the list of 12 great teams competing this year in the 7th district, which in addition to the three finalists included Ball State University, Carthage University, Central Michigan University, Indiana University, Marquette University, Northeastern Illinois University, Northwestern University, University of Chicago, and University of Notre Dame. Over the next month, the team practiced Q&A trying to anticipate any possible questions from Federal Reserve economists at the upcoming November 10th semifinal. Four professors, Qingqing Cao, Naveen Khanna, Andrei Shevchenko and Hanzhe Zhang generously helped the team with their time and ideas in practice sessions. The semifinal came, went, and ten days later we found ourselves at the Awards Ceremony with Chair Jay Powell, where it was announced that MSU had won the 7th District and was one of just six national finalists! (Not all Federal Reserve districts participate.) MSU had tied for 4th place with University of Miami and Virginia Commonwealth, while Dartmouth College, St. Lawrence University, and Princeton University came in first, second, and third place, respectively. As far as anyone remembers, this is the best result MSU has ever gotten in the Fed challenge.

I am immensely proud of the team. What an honor it has been to have this experience with them! While we wait for the Trophy to be engraved and delivered, the Fed Challenge Spartans are enjoying a well-deserved break. And, like Greg last Fall, they are waiting for Fed to post the videos in order to analyze, strategize, and come back even stronger next year.

Faculty Spotlight: Tony Doblas-Madrid

My main research area is asset price bubbles. I am fascinated by periods where markets euphorically boom only to abruptly reverse, leading to market crashes and often severe recessions. The notion of bubbles has recurrently appeared in financial chronicles for centuries, but it has been hard to fit into formal academic models. This led many economists to dismiss bubbles as rare curiosities, or even myths, and to view episodes like 1929 and Japan in 1990 as too distant to be relevant for current US policy. The 2008 crash and Great Recession changed that, bringing bubbles from the periphery to the center of the policy debate. After decades of neglect, however, there is lots of research to be done. My work aims to fill some of the gaps in the literature and shed light on open questions like how monetary policy should react to booms. To this end, I develop equilibrium models of speculation, where rational investors willingly fuel bubbles in hopes to time the market and sell to a greater fool before the crash.
**NEW ADVISING APPOINTMENT SYSTEM**

Here are some detailed instructions on scheduling an advising appointment in the new appointment system.


**EC HELP ROOMS:**
[https://socialscience.msu.edu/und/graduate/current-students/student-success/help-rooms.html](https://socialscience.msu.edu/und/graduate/current-students/student-success/help-rooms.html)

**DE-STRESS FOR SUCCESS**

**Monday, Dec 7 from 7-8pm**

"Unwind Your Mind"

Join us for a night of games, trivia, crafts, and self-care activities (four rooms to choose from).

**Tuesday, Dec 8 from 7-8:30pm**

"Zoom, Zoom, Zumba!"

7 pm: Benefits of working out, stress relief, self-care time during finals; 7:15-7:30ish: stretches and relaxation; 7:30-8:15; Zumba; 8:15-8:30ish: final stretches and closing.

**Wednesday, Dec 9 from 6-8pm**

"Pictionary Night" 

Take a study break and enjoy a night of drawing, laughs, and getting to know other Spartans.

**Thursday, Dec 10 7-8pm**

"PowerPoint Night"

Put together a powerpoint on something you're passionate about. Be it Himbos, the optimal noodle shape, or the worst types of frogs-- put together a presentation and tell us how you feel! The phrase “don’t even get me started!” is not relevant here!

**Join Zoom Meeting**

[https://msu.zoom.us/j/99619792726](https://msu.zoom.us/j/99619792726)

Meeting ID: 996 1979 2726

Passcode: Circles2

One tap mobile
+16468769923,,99619792726# US (New York)

+13017158592,,99619792726# US (Washington D.C)

Find your local number: [https://msu.zoom.us/u/aewSc8OPJN](https://msu.zoom.us/u/aewSc8OPJN)

In this strand of models, interest rates are a key determinant of funding costs, and thus monetary tightening slows down bubble growth, lowering the size and duration of bubbles. This supports the view that policy should 'lean against the wind'. Moreover, the same argument applies in principle to any speculative asset, including stocks, housing, or even cryptocurrencies.

Learned during Covid: Like so many areas of life, teaching and research have been transformed by COVID-19. The switch to remote delivery had to be done quickly, along with other adjustments, as my wife and I also have been figuring out remote schooling of our children. I miss the face-to-face interaction with my students and colleagues, and my children cannot wait to return to school with their friends. Despite the challenges, I am also aware of how fortunate we remote workers are to be able to keep doing our jobs from the safety of our homes. We owe a great debt of gratitude to health care workers and all on the front lines of the fight against this virus.

**FACULTY SPOTLIGHT: TIM VOGELSANG**

EC421 is an advanced econometrics course that naturally follows EC420. The mathematical level is higher than EC420 and calculus is used throughout the course. The course focuses on econometric methods as applied to economic data. Topics include a review of regression models, robust standard errors, instrumental variables estimation, panel models, discrete choice models, models of count variables, maximum likelihood, and some basic time series. The focus of the course is a mix of theory/methodology and empirical practice. The software Stata is used throughout the course. Empirical examples include models of pollution and house prices, the relationship between wages and education, the tradeoff between sleep and work, impact of drunk driving laws on traffic deaths, and a model of labor force participation among others.

Lectures will be delivered live via Zoom using a whiteboard in my office. Lectures will be recorded and posted to D2L. I will do my best to make the course lively and interesting with plenty of interactions with students (students need to do their part on that!).

Interesting Research Fact: While most of my research focuses on developing new/improved econometric methods for analyzing economic time series data, several of the methods I have developed can be used to analyze climate data - especially temperature data. I have published several papers in the climate literature. These papers provide statistical evidence of positive trends in temperatures over the past 100 to 150 years however, the increase in observed temperatures is not well matched to the increases in temperatures exhibited by theoretical climate models. In particular, there is statistical evidence that the models "run hot" over the troposphere and the models have too much warming in the lower troposphere relative to warming at the surface of the earth.

Learned during Covid: 1. Having a long standing interest in food, cooking and wine comes in very handy during a time when restaurants are either closed or have limited offerings. 2. Having my two college-age daughters home for five months was a treat that would not have happened without a pandemic. Eating dinner as a family every night was highly satisfying. Adult children can be interesting. 3. Two-dimensional teaching and meetings is better than nothing, but in-person three-dimensional interactions are vastly superior.