

ECONOMICS

Erie Update

The Economic Research Institute of Erie (ERIE) is a busy place this spring. Several major projects that began last year are now gaining steam. There are currently three undergraduates and one graduate assistant that work at ERIE with Dr. Ken Louie, director, and Dr. Jim Kurre, former director, aiding in the development of these projects. One such project is the institute's collaboration with the Erie Community Foundation, which has resulted in the formation of a database brimming with statistics on the Erie region, the state of Pennsylvania, and many other subnational areas across the United States. The objective of this collaboration is to update the Erie Vital Signs website and provide a series of presentations to help local organizations in the region make well-informed choices. We'll keep you updated on this new coalition.

Another exciting venture at ERIE is a new print publication. *ERIE Insights* will be a focus piece highlighting local economic issues. Articles will address regional topics that impact establishments, traffic patterns, employment, tourism, and much more. This project is in the development stage and the first issue is expected to publish this semester. If you have thoughts on a specific topic, contact ERIE at www.riedata.org.

The end of this semester will mark the departure of three-quarters of the ERIE staff. Mathew Migdal and Theodore Wisinski will be graduating with their bachelor's degrees and Brittany Martinnelli, who has worked for the ERIE for the past several years and is graduating with her M.B.A. in May. While it's tough to lose experienced student staffers, the good news is that the void creates opportunity for more students to cut their economic teeth on practical research. ERIE has openings for research assistantships, including one graduate student. If you're interested, contact Dr. Louie at obr@psu.edu.



Greg Filbeck,
 Department Chair



Kerry Adzima,,
 Disciplinary Leader in
 Economics



Message from the Economics Program

We hope you will enjoy the latest edition of Economics newsletter! Contained within this edition you will find interviews with alumni highlighting their thoughts about the program and their successes after graduation—along with an interview with Dr. John Fizel! Take note of the upcoming events for our program taking place this month. A big thanks to Mandy Myers for all her work developing content for the newsletter!

PENNSTATE



Erie The Behrend
 College

OUR GRADS GO PLACES

The Economics department at the Black School of Business has the versatility to prepare students in whatever career path they choose to follow. Our graduates have the opportunity to seek further education, find jobs in the corporate world, or even become involved with government research. Two students who have used their Business Economics degrees in vastly different ways are Shawn McClay and Dan Sementilli. These accomplished alumni demonstrate the opportunities available to current Economics majors at Penn State Behrend.

DAN SEMENTILLI '14

Graduate Student



Another path open to Behrend Economic alumni is the graduate school route. Dan Sementilli was accepted into a prestigious master's program at Michigan State University.

While attending Behrend, Dan studied topics covering business, psychology, criminology, and economics. He finished his degree in Business Economics in May 2014.

Dan was member of the Society of Undergraduate Economists and attended two of the spring business trips. Dan says both of the trips were great exposure to what it would be like working in a major city such as Boston or New York. He remembers the highlights of the trip being the opportunity to tour major companies like Bloomberg and Liberty Mutual.

Dan is currently enrolled in the Master of Business Analytics program at MSU. This

semester his courses include a statistical inference class, a data mining class, a project management class, and a communication strategies class.

Within the project management class, he is working on a co-curricular project with Diageo PLC and IBM aimed at maximizing average order value and customer lifetime value by identifying and acting on key performance indicators of the two. Even though Diageo is the world's largest alcohol producer, the program is only working with the wine division. Since some of the data they were given consists of email campaigns, learning how to work with unstructured data been a fascinating part of Dan's experience. He looks forward to applying techniques of natural language processing, like sentiment analysis, in the hopes of revealing some interesting insights about Diageo's customers.

The data mining class teaches students the essential skills needed to perform large-scale data analysis. Besides learning more about time-tested relational database systems that utilize structured query language (SQL), the class also introduces NoSQL databases like MongoDB. Dan is learning about cluster analysis directly within a group project in this class. Dan says that he and his group are interested in optimizing police patrols within major cities.

"The plan is to predict the time and place within a city most likely for serious crimes like homicide to occur," Dan said. "This information would then be able to be used to send law enforcement officers to likely crime sites before any crime actually occurs. There are an enormous amount of different useful applications for the data mining and predictive analytical skills taught within this field."

The two things that set Michigan State apart for Dan was the spring semester starting date and the hands-on learning style. Both semesters consist of a co-curricular project with a major company, where the information students learn in the classroom is applied directly towards a real world project. Some past corporate project sponsors are Amway, Accident Fund Insurance, Auto Owners Insurance, Carhartt, Consumers Energy, Dow, Farm Bureau Insurance, GM, Michigan Lottery, MSU Advancement,

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MSU Federal Credit Union, OnStar, Owens Corning, State of Michigan, Steelcase and many more.

Looking back on his time at Behrend, Dan found group work to be particularly helpful. "Group projects taught me the importance of time management, organization, and communication," he said. He also said the core 300 level business courses prepared him with strong business acumen. The two classes that really brought the big picture together for him were the Strategic Management (MGMGT 471W) and Regional Economics (ECON 430). The capstone group simulation project presented challenges and job functions associated with top-level management. As someone aspiring to be a data scientist, one of Dan's main job functions would be to use analytics to drive corporate decision-making. In a similar light, regional economics blended important aspects of microeconomics into a more macro level for Dan. Learning about different concepts within agglomeration, like urbanization and economies of scale, has allowed a unique perspective going into his program.

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SHAWN MCCLAY '14

Business Economics and Finance major



Shawn McClay graduated in May of 2014 with a dual degrees in Business Economics and Finance and a minor in Psychology. During his time at Behrend, Shawn worked part time at FedEx and played with the club hockey team.

Shawn quit his part-time job at FedEx on the day he graduated and headed out on a road trip across the country that would eventually lead him to his current job. He applied for a couple consulting jobs, but none of them stood out as a good fit. He had heard through social media circles about an energy start-up company called SheerWind, which focused on sustainability efforts. He called SheerWind and asked if he could stop by and check out their company while he was traveling. He went to the SheerWind headquarters in Chaska, Minnesota, and landed an interview. Shawn is now a Business Analyst for the wind power start-up company.

Shawn joined SheerWind, which was founded in 2010, as their ninth employee. Since then, the company has doubled the number of employees and continues working toward a better way to harness energy. Unlike most wind-energy companies who focus on bigger blades, SheerWind technology aims to speed up the blades to capture more energy. After seven months with the company, Shawn is still happy with his decision to work with a start-up.

As a Business Analyst, Shawn is involved with operations and project management. He describes his job as "almost like an MBA program," gaining experience and working directly with the executive level management. Executive mentorship is not an opportunity many entry-level workers are able to experience. Through his job, he gets a high level view of the company and his work has a direct influence on company performance. Shawn's job is more autonomous at a start-up than it would be at a large corporation. There is not enough time or resources, for a start-up, to make sure all the work is getting done. So, it is up to each employee to make sure the work being produced with quality and efficiency.

As a Business Economics student, Shawn says the most valuable skill he gained was the strong foundational understanding of basic economic principles that aid him in his everyday decision-making. He cites Intermediate Microeconomics (ECON 302) as a particularly influential class, where he learned about finding economies of scale. He also remembered his Econometrics class (ECON 485), taught by Dr. John Fizel. Econometrics gave Shawn the tools to perform a root-cause analysis of regular problems he faces, rather than looking to treat the symptoms. He stresses the importance of looking both at the short-term impact along with the long-term impact when it comes to solutions. When building a company, the main objective is to have it sustain itself.

In his day-to-day work, Shawn is always working on something different. Part of his week is dedicated to operations and sourcing, working directly with the end products. Another part of the week, he focuses on marketing, which is a field he did not see himself in while at Behrend. Shawn likes the creativity and the thinking involved in figuring out innovative ways to reach an audience. His most important duties include cost analysis and calculating the best way to

reach economies of scale to make more efficient energy.

Shawn says he is grateful for the self-motivation and the skills he gained at Behrend, which he created for stimulating his ability to pursue additional avenues of learning. Pursuing two majors and a minor at Behrend prepared Shawn for his career by enabling him to enlist in a diverse range of classes. Shawn is constantly learning new things at SheerWind, and he says that thirst for knowledge is important to be successful in any job that demands enthusiastic learners.

While pursuing his minor in Psychology at Behrend, Shawn learned about motivation in the workplace – a factor he contributes to his unique understanding of the people he interacts with on the job.

For current students who are searching for jobs, Shawn advises them not to limit job research to those that have openings. If students have an interest in a particular area or company, they should be proactive in their search and act on those interests, rather than wait for the job to come to them. For students looking to work in a start-up company, Shawn has seen first-hand the reward of working at a business in its infancy, but still advises students pick carefully. Shawn also recommends face-to-face or personal conversation as opposed to sending emails. The personal connection and emotion that you hear when listening to someone's voice or seeing his or her facial expression is worth the effort put into developing those communication skills. "If you do go for a job interview, I recommend requesting an in-person presence," Shawn says. "It speaks a lot louder than any piece of paper will ever speak."

ALEXANDER KAZMIERCZAK '07

B.S in Business Economics



Alex graduated from Penn State Behrend in May 2007 with a degree in Business Economics, BS. At General Electric he spent five years focusing on various supply chain responsibilities within their Transportation and Healthcare businesses. He is currently employed (since 2012) at Ingersoll Rand, which owns the brands Trane, Thermoking, & Ingersoll Rand. Responsible for strategy, commercial negotiations, value generation, and business unit alignment for the bearing, forging, and gears commodities that are used in final products manufactured and serviced by Ingersoll Rand.

Alex is coming to speak with student at Behrend on March 20. He will be speaking in Econ 471 and Econ 302 classes. He is also going to speak to SUE and a few other people on campus.

DR. JOHN FIZEL

Professor of Economics



The Journey in Sports Economics

How did you first become involved with sports economics?

Several years ago I became interested in a Supreme Court decision involving the National Collegiate Athletic Association's (NCAA) control over college football telecasts. At the time, the NCAA limited the number of college football telecasts, mandating that as many different teams as possible participate in the limited games, and compensated all teams equally regardless of whether the game involved Penn State, Alabama, Appalachian State, or the Citadel. The NCAA's motive was to balance the power in college football. The Supreme Court held that the NCAA inappropriately limited competition for these telecasts and granted individual colleges the right to sell their own football telecasts without NCAA intervention.

I focused on the results of this legal decision. Immediately and frenetically, colleges pursued local, regional, national, and cable outlets to televise their

games. This outcome resulted in football telecasts now flooding the airways and bringing substantial revenue to individual colleges. Contrary to the NCAA position in the case, competitive balance on the field was enhanced. The NCAA control over television was not necessary to generate more equality of playing strength among Division I football teams. This decision creates an important precedent indicating that the implementation of NCAA rules does not always improve the game. And, this recognition has become the focus of several legal cases confronting the NCAA today.

How important was sports economics at that time?

The academic interest in sports economics was very limited. For example, during this time I was at a professional conference with hundreds of economists who were presenting approximately 100 sessions and I was the only one presenting a paper on sports economics. At our session, we had four paper presenters and an audience of about ten. It was a small, but dedicated group. When the session ended, a discussion ensued and the group decided to do everything possible to get more interest and participation in sports economics. The hard work paid off. Within five years, economists from around the world were participating in nine sessions at this same conference with the sessions including thirty-six papers and an average audience of thirty at each session. In addition, multi-

"The basis of economic analysis is individual decision-making motivated by self-interest, which is a perfect fit with the sports industry."

ple sessions on sports economics were held in five other major economics conferences. The founding of the North American Association of Sports Economists soon followed.

When did you begin teaching sports economics?

I began teaching sports economics in 2011.

Why teach sports economics?

The basis of economic analysis is individual decision-making motivated by self-interest, which is a perfect fit with the sports industry. In sports, we can easily collect detailed measures of player and team productivity, identify individual decisions (e.g. player, manager/coach, general manager, arbitrator, or legal decisions), and determine how judgments and performance change as incentive structures change. Also the economics analysis of sports employee productivity, labor relations, marketing, pricing, and profitability often parallel the analysis of business in general. The wealth of data about sports makes the industry a laboratory to observe economic and business theory as well as behavior not possible in industries without public information. As one sports economist has said, "My justification for doing this is that it's the one really high-stakes business where you get to watch all of the decisions. If Bill Gates invited me to watch all of his decisions, I'd talk more about that." And what is better than having fun while we learn?

How do you run your sports economics course?

Approximately 75-80 percent of class time is devoted to student team presen-

tations. The fundamental components of the course are as follows. First, student teams select presentation topics within the defined subject parameters of the course. Granting permission to create the subject matter for their presentations typically ensures that student will choose a topic that they find interesting and important. Next, a one-page problem statement is provided for each presentation to guide the content by introducing the topic, suggesting preparation procedures and resources, and listing questions that must be addressed. Student teams do at least two presentations. All presentations must integrate published research in their presentation content and use data and analytics as needed. A question and answer period follows the student presentations. The student audience uses a journal to identify five important content elements of each presentation, explaining how this content is important in the context of economic links to sports or the relevancy to sports operations or policy.

What topics have you covered so far this spring?

Here is a subset of topics:

- We have assessed the profitability of pro sports teams trying to address the question why many sports teams proclaim losses, yet when the team is for sale, multiple savvy investors are willing to pay hundreds of mil-

lions of dollars for the franchise.

- We have examined ticket pricing by pro teams and found that once there were a few different ticket types and prices but now pricing is becoming more like airline ticket pricing where everyone may pay a different price.
- We have studied merchandising practices, judging the pros and cons of control by the league rather than the teams.
- We have investigated the impact of fantasy sports on demand for pro sports, broadcasting strategies, and in-stadium activities.
- We have developed data analytics to address competitive balance in pro sports leagues.
- We have tested the effectiveness of a variety of strategies in enhancing competitive balance.

Do you have any final comments?

In an evaluation of the course, a student stated what I hope all students feel about the course:

"Before this class I considered myself a very knowledgeable sports fan. Then I found out that information in the press and economic knowledge of the sports business are different. I had fun learning the difference. Now I better understand the arguments over money and business decisions made by professional and college sports teams."

MARK YOUR CALENDARS...

Lectures in Liberty Seminar Series

Dr. Todd Nesbit

Topic of Presentation: "Tax Avoidance Behavior"

March 30, 2015

Burke 180

4:30-5:30 p.m.

Dr. Todd Nesbit is a senior lecturer in Free Enterprise Economics and Competitive Markets at The Ohio State University. He also holds a position on the Board of Scholars for the Mackinac Center for Public Policy and is an affiliated scholar with the Mercatus Center at George Mason University. Dr. Nesbit previously held positions as an assistant professor of Economics at the College of Charleston and at Penn State Behrend, the latter of which he held from 2006-2010.

Dr. Nesbit earned dual B.S. degrees in Economics and Mathematics from Capital University in 2001 and completed his Ph.D. in Economics at West Virginia University in 2005.

Dr. Nesbit's primary research areas have focused on the economics of sports and public economics, where he has placed emphasis on the secondary and unintended effects of taxation. His research has lead to peer-reviewed professional publications appearing in the *Journal of Economic Behavior and Organization*, the *Southern Economic Journal*, *Public Budgeting and Finance*, *Growth and Change*, and the *Journal of Sports Economics*, among others.

The topic of his talk is based on a chapter Dr. Nesbit is contributing for a new book on commodity taxation that he is co-editing.



Todd Nesbit, senior lecturer at the Ohio State University

GET INVOLVED

Students: Attending just one (or 10) club event(s) per semester can change your course and perceptions for a lifetime. Previous event attendees have used the knowledge they gained from one conversation to earn their first interview, get their first job, change their concept of a specific job, or open their eyes to a world of possibilities. Take a deep breath, and walk through the door. You are welcome here.

Alumni and Friends: Your time, experiences, insights, and perspectives are valuable—perhaps more valuable than you know. We want to know what impacted your career, your perspectives, and your life. Tell us through the Black School of Business Facebook page, the newly-created (and growing) Black School of Business LinkedIn group, or by emailing Dr. Greg Filbeck, Department Chair for Finance & Economics, at mgf11@psu.edu or Ariana Gloeckner, newsletter coordinator, at azg5486@psu.edu

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