The Economics Department has joined the world of social media!! In addition to this monthly newsletter, you can now keep up-to-date on news in the department via Facebook and Twitter. Follow us!

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Inside

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• Professor Justin Wolfers spoke to the New York Times about the Fed and to the LA Times on the nation’s economic recovery
  o “As U.S. Growth Lags, Some Press the Fed to Do Still More”  
  o “Economy’s slight shrinkage late last year surprises experts”  
    LA Times, Jan. 30, 2013

• Professor Wolfers also joined Ford School professor Betsey Stevenson in writing a piece on the economics of love
  o “Valentines Day and the Economics of Love”  
    Bloomberg, Feb. 13, 2013

• Professor Frank Stafford and doctoral student Thomas Bridges were featured in the media for work on retirement funds
  o “Trouble ahead: Fewer have retirement funds, more raid them”  
    UM News Service, Feb. 5, 2013
From the Grameen Bank to kiva.org, microfinance has become a widely used vehicle for bringing financial services to the rural poor. However, a big challenge for microfinance institutions is the inability to consistently identify borrowers. In the absence of a formal identification system, high-risk borrowers may avoid penalty for past default by applying for loans under a different identities or from different institutions. This can increase the cost to lenders by allowing for unreliable borrowers. In response, lenders increase their prices and limit their supply of credit, leaving many creditworthy patrons unable to finance their endeavors.

Professor Dean Yang, former doctoral student Jessica Goldberg, and World Bank economist Xavier Gine examined whether fingerprinting could help alleviate these problems.

To test their hypothesis, Prof. Yang and his team randomly assigned farmers in rural Malawi to be fingerprinted as part of their loan application. They found that, when compared to their non-fingerprinted counterparts, fingerprinted farmers took out smaller loans and were much more likely to repay their loans; 85% of fingerprinted high-risk borrowers paid back their loans in full, as compared to just 44% of high-risk borrowers in the control group. Finally, the researchers estimated a return of $2.34 to the lender for every dollar invested in fingerprinting technology. The results of this study could inform policy beyond Malawi. In a conversation with Global Michigan, Prof. Yang said, “What we’ve learned in Malawi can most certainly be applied in a wide range of other places. That’s one thing that excites us about this project” (“Fingerprints for finance: Improving micro lending in Africa”).

Prof. Yang continues his study of financial behavior in Malawi with an on-going project that aims to apply insights from behavioral economics in order to find innovative ways to increase formal savings. Current doctoral student Lasse Brune summarizes the research: “A sample of about 2000 rural households in Mulanje, Malawi will be selected to receive subsidized accounts with a bank that has a (continued on next page)
Economics of Same-Sex Marriage

Recent research published by Adam Stevenson shows that gay and lesbian partners cooperate, in terms of the provision of labor market effort, in ways that are different from heterosexual couples. While heterosexual men and women typically specialize upon marriage - the male partner tends to work more hours and the woman fewer - this is not true for same-sex couples. Homosexual households tend to provide labor market services in an assortative manner, with both partners working more once they face the tax incentives of a married couple.

This finding is important because it reverses the predicted changes in federal tax revenue that would follow a legalization of same-sex marriage. Via the "marriage penalty", the income tax liability of most couples changes upon marriage. Past studies lead us to conclude that same-sex marriage legalization would reduce government tax revenue. These new results suggest that government revenue would rise (albeit only slightly) if the US were to legalize same-sex marriage at the federal level.

The paper, titled "The Labor Supply and Tax Revenue Consequences of Federal Same-Sex Marriage Legalization", was published in the December 2012 issue of the National Tax Journal.
T-Shirts have arrived!!

Special thanks to Rabia Mahmood for designing the winning Economics T-Shirt! If you haven’t already, you can pick yours up from Olga in 243 Lorch Hall.

Changes in Advising

Due to the upcoming retirement of two of our beloved advisors, we have made some changes to the advising system to help serve as many students as possible. Please visit our website for more details.

If you take a photo of yourself wearing your shirt over Spring Break, send it to us and we might just post it on Facebook! Let’s find out all the locations our shirt ends up!
CLASS OF 2007
Kevin Szawala is now a motivational speaker, youth minister, and hip-hop artist. Since graduating, he founded Being Who I Want 2 Be, a forum designed to help at-risk youth. He speaks on topics ranging from cyber-bullying to diversity to substance abuse. He continues to be devoted to celebrating and promoting diversity across college campuses.

CLASS OF 2011
Derek Kauserud is currently one of two Americans participating in the current ZF International Management Trainee Program.

Have exciting news to share? Let us know what you’re up to! Send an update to Olga Mustata at omustata@umich.edu. If you are interested in contacting any of our alumni, you can email Olga for contact information. We look forward to hearing from you!