



KELLEY SCHOOL OF BUSINESS
Indiana University

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Department of Business Economics & Public Policy





Department Chair Letter

Dear BEPP Community,

I am thrilled to write to you again as a kick-off to our seventh annual department newsletter!

The BEPP department consists of high-caliber economists working within a top business school. As such, our primary purpose is to bring the rigor and critical thinking inherent in economic modeling and econometric analysis to important business and policy questions and challenges. Recognizing our role, the purpose of this newsletter is to highlight how BEPP faculty, students and alumni have served this purpose over the past year.

In what follows, you'll find: an in-depth look at select faculty and staff, a detailed discussion of course on Non-market Risk Consulting, summaries of key BEPP activities both domestically and internationally, PhD student placement, BEPP program highlights, and a BEPP alum spotlight.

Of course, there is much more to BEPP than what we can summarize in a newsletter. So, if you haven't already, please join the hundreds of BEPP friends who now follow us on Facebook (<https://www.facebook.com/KelleyBEPP/>), and if you're a BEPP alum, please join our LinkedIn group (<https://www.linkedin.com/groups/4347267>) to not only learn about the department but also stay connected with fellow BEPP grads.

I like to conclude these newsletters with a thought that highlights general BEPP skills within a current context. Recently, the Federal Trade Commission (FTC) made headlines stating its intent to effectively ban noncompete clauses, which are clauses in employment contracts placing restrictions on the employee's ability to compete with their current employer, e.g., by leaving to work for a competitor or start a competing business. Evaluating such a policy proposal requires a sound understanding of some fundamental economics. BEPP faculty, in their research and teaching, ask questions like: What are employer investment incentives when an employee can leave and freely compete? What are the consequences for competition and ultimately consumers when noncompete clauses are the norm? Can the consequences of noncompete clauses differ across industries; if so, how? Answers to these and related questions can have profound impacts on prevailing policy, and ultimately the variety, quality, and price of products and services in U.S. marketplaces.

Please enjoy this seventh installment of our newsletter, and as friends of BEPP, please don't hesitate to stay in touch and stop by any time you're back in B-town – we'd love to see you!

Sincerely,

Jeff Prince, Harold A. Poling Chair in Strategic Management



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Recent investments in facility expansion and renovation, including the new Prebys Career Services Center, as well as the Undergraduate Program's emphasis on talent management, global business strategy, quantitative analysis, and critical thinking are factors that will contribute to its continued success in producing world-class business professionals.

Within the top-ranked Undergraduate Program, BEPP majors are among the most sought after Kelley graduates. In 2022, BEPP majors had among the highest average starting salaries coming out of Kelley at \$83,000. In 2022, 73% of BEPP majors found employment in the consulting industry.

The strong market valuation of BEPP skills has made our majors (Economic Consulting and Public Policy Analysis) as well as our co-majors (Business Analytics and Sustainable Business) grow in popularity within the Kelley Undergraduate Program. The fastest growth has been generated from our Business Analytics co-major which currently has over 570 declared majors as of Spring 2022.



Online MBA
Bloomberg Businessweek



Online MBA
Financial Times



Online MBA
U.S. News & World Report

Faculty Spotlight: Boyoung Seo - Assistant Professor of Business Economics and Public Policy

A lot of important life events happened in Bloomington, Indiana, for Professor Boyoung Seo. In chronological order, from the time she joined the BEPP faculty in 2016, Seo adopted a cat named Noelle, started dating a man named Eric (a lecturer in the BEPP Department), bought a house, married Eric, and gave birth to their daughter, Yoonseul (a Korean name meaning, “sparkle in the reflection of sunlight or moonlight as undulating waves”).

“This is where I’ve had the most personal growth!” she says. Which is not to say she didn’t stretch herself prior to becoming an Assistant Professor at IU. In

Vietnam, Cambodia, and Japan.

“I was pretty cool,” Seo says with a chuckle. “I’m proud of young Bo who explored and challenged herself whenever there was a chance.”

In 2022, Seo went on a ten-day meditation retreat where she rose at 4:30 a.m., then meditated for 10+ hours.

“It was physically and mentally challenging, but I didn’t give up!” she says.

In college she pushed herself academically when she took a real analysis class in the math department. Initially, she was completely lost. After the first exam, she placed in the bottom of the class. She studied like crazy and pestered the TA with questions every week. In the second exam, she was right in the middle of the class. In the final, she had the highest score in the class!



**PROFESSOR BOYOUNG SEO (RIGHT)
WITH HUSBAND ERIC MCDERMOTT
(LEFT) AND DAUGHTER, EMMA (CENTER)**

“Most of the time I don’t know what I’ll find before diving into a research topic,” she says. “It’s fun to discover the answers from data and convert it to a paper so that others can know about it.”

the past, she used to backpack around a number of isolated, exotic places such as the John Muir Trail on the high mountains of the Sierra Nevada wilderness, the Amazon jungle, and Lençois Maranhenses in Brazil, the southernmost trail called Dientes de Navarinos. She also rode night buses and trains and hitchhiked in Egypt, Turkey, Serbia, Montenegro, Argentina,

“I ended up getting A+,” says Seo. “It was a great sense of achievement.”

Seo, whose research interests include industrial organization, applied microeconomics, and econometrics, says that it’s exciting to see her research idea turn into a legitimate article with interesting results.

“Most of the time I don’t know what I’ll find before diving into a research topic,” she says. “It’s fun to discover the answers from data and convert it to a paper so that others can know about it.”

Her favorite part about working in the BEPP Department are the brownbags.

“I get to present a rudimentary research idea and get feedback early in

“I’m proud of young Bo who explored and challenged herself whenever there was a chance.”

the stage, which is a tremendous help,” she says.

She also loves the Bloomington campus and all it has to offer, including meditation classes, seminars at the Kinsey institute, and great shows/musicals/operas.

In her free time, Seo likes golfing with her parents and friends, creating cross-stitching projects to give as gifts, and watching well-made movies.

“My favorites are German movies like The Lives of the Others and Good Bye Lenin, but I also love Thelma and Louise.”

Although she may have evolved from “young Bo,” she still has plenty of plans for the future. For instance, she would like to learn to play an instrument, like piano or Cello. She also would like to try hiking the Pacific Crest Trail someday. This is not to say she’s a fitness nut. In fact, she’s not a huge fan of exercise at all.

“People think I love working out, but sadly I don’t,” says Seo. “I think a workout is homework given from 80-year-old Bo to current Bo. I’d like to stay fit and healthy enough to be able to climb up stairs by myself when I’m old!”

Faculty Spotlight: Marilyn Pease - Assistant Professor of Business Economics and Public Policy

If you can plan a wedding in the midst of a global pandemic, you can do anything. That's precisely what Marilyn Pease did in 2020 when the rest of the world was busy making sourdough bread starters and learning to knit.

"I married Larry Stropes in July of 2021, and while it was a stressful event to plan, the wedding day was amazing," says Pease, who has been an Assistant Professor in the BEPP department since 2017. Her research interests include

"Having good colleagues who are interested in similar research topics gives me opportunities to grow intellectually, and having students who are excited and engaged makes teaching rewarding and fun," she says.

Although Pease enjoys collaboration, she also likes to occasionally tackle some projects on her own. Last year she published a solo-authored paper in The Journal of Industrial Economics.

"In my field, most people work together on research projects, primarily because it's more efficient and allows us to rely on each other for ideas and help," says Pease. "It's often easy to prioritize work with others because there are other people counting on you and giving you external accountability. I'm proud that I had a solo-authored paper accepted for publication. It's a testament of my commitment to myself and my research."

Another great thing that Pease did last year was attend the men's basketball game against our rival school.

"It was the first time since I have been here that we beat Purdue," says Pease. "The energy at that game was amazing!"

Pease's two biggest passions outside of work are fitness and traveling. She can often be found at the gym after a day of work as it is her favorite way to unwind. Plus, she's always looking to try new fitness challenges.

Travelling is her other favorite thing. "After mostly being stuck at home for the last few years, I have plans to go to Mexico, Spain, the Netherlands, France, and New Zealand in 2023!" she says.

Eventually, she would like to travel to

all seven continents. Last winter, she crossed #6 off the list with a trip to beautiful French Polynesia in Australia/Oceania.

"That means all I have left is Antarctica!" she says.

The two best pieces of advice she's ever been given are as follows:

- 1) "You didn't come this far just to get this far. You came this far to finish." In other words, "never give up."
- 2) "Never hold one negative

interaction against people because you don't know what they were going through that day."

Fun facts: Pease has a cat named Minerva, named for Minerva McGonagall, the Harry Potter character who can turn into a cat at will. Pease also used to be a competitive Irish dancer and competed at national and world championships!

"Having good colleagues who are interested in similar research topics gives me opportunities to grow intellectually, and having students who are excited and engaged makes teaching rewarding and fun."

industrial organization, search theory, labor economics, and dynamic games.

"It excites me to work on economic problems that no one has solved before," says Pease. "The work that economists do could and does inform real world policy."

For the past six years, Pease has appreciated the exceptional quality of her colleagues and the engagement of the students.

PROFESSOR MARILYN PEASE (RIGHT) WITH HUSBAND LARRY STROPES (LEFT)





**PROFESSOR ANDREW BUTTERS
(CENTER) WITH HIS SON, ALDEN (LEFT)
AND DAUGHTER, AVA (RIGHT)**

Faculty Promotion: Andrew Butters - Assistant Professor

Andrew Butters, who joined the Kelley School of Business in July 2015, was recently promoted to Associate Professor with tenure.

“I’m always impressed and inspired by the breadth of thought leaders and leading research that’s being passed down across the various departments and schools within IU,” says Butters. “I’ve been lucky to receive great news on collaborative research projects with those collaborators when we were all in the office together.”

Through the years, he’s had a number of mentors, including Michael Mazzeo, Meghan Busse, Daniel Spulber, and Thomas Hubbard, all of whom provided wonderful examples of what it meant to be productive and leading faculty members in a top-tier business school. He also admired how Jeff Campbell, the late Alejandro Justiniano, and Scott Brave all continually produced high-quality research and public policy advice amidst taking an acute interest in the success of

the junior people in the department.

As far as what excites him in the field of economics, he notes, “We’re still finding out that there are many things about how households, firms, and the broader economy function that we don’t understand. And the data we’re gaining access to address that continues getting better.”

Butters is certainly enjoying his time at IU, both inside and outside of the classroom. He was thrilled to attend the Hoosiers vs. UNC basketball game earlier this year.

“As a UNC alumni, it could have been difficult to decide who to pull for,” he says. “As some of my colleagues who also went to the game can attest, however, I was wearing the right colors.”

Butters and his wife have two children: Alden (5) and Ava (2). Earlier this year, he had the chance to go downhill skiing for the first time—an activity he shared with his dad and son.

“I’m always impressed and inspired by the breadth of thought leaders and leading research that’s being passed down across the various departments and schools within IU.”

Faculty Promotion: Aaron Kolb - Assistant Professor

Aaron Kolb, who joined the Kelley School of Business in the summer of 2016, was recently promoted to Associate Professor with tenure. In the past seven years, he has enjoyed engaging in research, teaching, and service, including publishing a collection of papers and serving on committees in search of new hires and Ph.D. candidates.

“My terrific colleagues, who are intellectually curious and well read, make life at Indiana so gratifying,” says Kolb. “Conversations with colleagues, both within my own field and outside of it, provide a foundation for research ideas to develop.”

Kolb, an avid fan of indoor cycling through the Zwift app, also enjoys hiking and in 2021, he and his wife climbed Angel’s Landing at Zion National Park in 105-degree (dry) heat. Kolb, a proud father to three energetic and clever

daughters, likes a challenge, which is why he says one of his favorite things is “cracking a difficult problem.”

“My high school math teacher fostered my interest in math outside of the classroom, which later evolved into an interest in economic theory,” says Kolb, who credits his family for encouraging him to attend graduate school to earn a Ph.D. in economics. He’s grateful that his career path has helped set others up for success as well.

In February 2020, just prior to the COVID pandemic in the United States, Kolb was on vacation with his wife in Orlando when he was approached by two of his former game theory students from Kelley.

“They saw me and said hello,” says Kolb. “They seemed to be doing great in their careers, which is unsurprising for BEPP majors!”



PROFESSOR AARON KOLB WITH HIS WIFE
AND THREE DAUGHTERS



Alumni Spotlight: Maanvi Rathi

After graduating from IU in May 2022, Maanvi Rathi landed a job in Chicago at Charles River Associates working as an intellectual property analyst.

"If two companies are in a lawsuit, one company may ask us to prepare a report on the damages that they can claim on some infringement," says Rathi. "My job as an analyst is to do the number crunching and build a model based on the data we have to quantify the losses."

Rathi, who usually works simultaneously across several projects, also works on technology and aviation security cases.

"It's nice having that sort of breadth," she says. "I also like collaborating with different teams on different projects."

When Rathi, who majored in economic consulting and minored in business analytics & tech management, first interviewed for this position, she wondered if it might hurt her that she didn't have a lot of background knowledge in the field, but what she's found is that her colleagues come from a variety of fields, including economics, engineering, and science, and that serves them well.

"It's not so much about what you know in terms of industry knowledge as it is your ability to learn things quickly," she says.

Her studies at IU helped prepare her for this position in more ways than one. First, the classes she took for her major caused her to think of things that haven't yet

happened but could. Second, her business analytics and tech management courses made her comfortable working with data.

"My research experience was also helpful because it's not just about the data analysis but also about figuring out what it all means," says Rathi, who realized rather quickly that intellectual property is everywhere.

"It sounds very technical, but everyday items like your phone have patents or trademarks. Even the food we eat or soft drinks we consume," says Rathi. "It's interesting to see that IP is all around us."

In her free time, Rathi likes to paint. She appreciates art and is having fun this year exploring different activities within the Windy City.

"I try to find a new activity every weekend," says Rathi, who misses strolling around Bloomington's beautiful campus.

"I loved being able to hang out with friends and take nighttime walks on campus," she says. "One of my favorite memories from college is when my business fraternity took a boat out on Lake Monroe."

When Rathi first came to Indiana University from India, it was her first experience being so far away from home. She's pleased that she listened to her family's advice about stepping outside of her comfort zone.

"Trying to be comfortable in the uncomfortable is not easy at first," she says. "But at IU, I tried things I wouldn't have before. I was more open. I did things I didn't think I would like, and it has worked out well. Every time I'm uncomfortable, I learn something I wouldn't have otherwise."

She even went skydiving with her aunt after graduating!

She's once again following this sage advice as she heads to London in the fall to pursue a master's degree in analytics. Rathi has always been interested in data analytics, which she doesn't do a lot of in her current role.

"My long-term goal is to get into a specific industry where I can use my analytic skills and be in a role that's more data-centric," she says.

MAANVI RATHI CELEBRATES HER GRADUATION AT THE SAMPLE GATES



MAANVI RATHI,
BEPP ALUMNI

Ph.D. Placement: Yaying Zhou

Yaying Zhou grew up in China and earned her Bachelor's degree in Economics from Tongji University and her Master's degree in Economics from Shanghai Jiao Tong University. Before joining BEPP, she visited Copenhagen Business School as an exchange student. After receiving her Ph.D. at Kelley, she joined the University of Queensland as a Lecturer (Assistant Professor) of Economics.

"I'm passionate about empirical research because I enjoy uncovering hidden truths from the data," says Zhou, who chose to study the healthcare market for its potential to improve the well-being of individuals and communities. One of the reasons Zhou is excited about her new role as a professor at the University of Queensland is the wealth of health data available in Australia. With access to this data, she hopes to conduct research that can generate insights into healthcare systems and policies that can be applied globally.

"I'm excited to transition from a student to a professor, sharing my knowledge and experiences with my future students and inspiring them to pursue their own passions in the field of economics," she says. "Of course, I'll never let go of any opportunity to hug a koala!"

Zhou appreciates her six years of

rigorous training at BEPP where she received great attention, guidance, and feedback, which nourished her interests in health economics and helped her quickly grow as a researcher. Sparked by the cool and elegant professors in her field, Zhou wishes to keep working on projects that help improve the accessibility and affordability of healthcare. By shedding light on these important topics, Zhou hopes to contribute to developing evidence-based healthcare policies that can improve the quality of life.

Zhou is also grateful for her parents' constant support.

"Being honest and diligent themselves, they have always encouraged me to follow my heart and try my best," she says. "This attitude has helped me derive more utility from accomplishing goals and being in the moment rather than just finishing tasks."

Having someone who shares her passion for research has also been a source of great motivation. Zhou is thankful to have her partner, a fellow Ph.D. student in Finance at Kelley, by her side throughout her Ph.D. studies. They have been able to provide each other with invaluable emotional and academic support throughout their time at IU.

When not working, Zhou enjoys indulging in her hobbies. Dancing is one of her favorite

pastimes as it provides her with a creative outlet that's separate from her academic work. She also loves watching movies, particularly those that take her on a journey through different cultures and perspectives.

"I've also spent a lot of time building a virtual house," says Zhou. "It's my dream to decorate a real house of my own, have a dog, and travel around the world with my family."

As a matter of fact, Zhou received her Ph.D. offer from BEPP the night after she saw aurora in Sweden. She will probably visit the Great Barrier Reef as a starting point and Africa someday in the future.

"The pandemic was a challenging time for everyone, but I'm grateful for the sense of community that I've felt within the BEPP program," she says. "I enjoyed participating in the BEPP trivia game, which brought the students and faculty together for some friendly competition. I also enjoyed playing soccer with my peers. It was a fun way to stay active and social."

"I'm excited to transition from a student to a professor, sharing my knowledge and experiences with my future students and inspiring them to pursue their own passions in the field of economics."



“I’m an expert liar,
although I only use that
superpower for good.”



A Farewell: Roxie Glaze Retires

When Roxie Glaze became the Administrative Assistant to the Chair of BEPP in August 1992, little did she know that she would gain a new family.

“I’ve worked in many offices over the past 47 years, and people don’t always get along this well,” says Glaze. “Once you’ve worked in a place that doesn’t have that type of camaraderie, you truly appreciate it when you find it.”

Through the years, she has enjoyed interacting with the students. One time a young lady showed up in Glaze’s office and plopped down in the chair opposite her desk. Glaze didn’t recognize her, nor did she know her name.

“I’m not sure she even majored in our department,” says Glaze. But she sat down and started talking about life, campus, her roommate, and whatever came to mind.

“She didn’t ask for help or need anything,” says Glaze. After an hour, she got up and thanked Glaze for listening. It’s something that all students—heck, all humans—sorely need: an attentive ear. The student came back several times throughout the year just to shoot the breeze. At the end of the year, she came back one last time to let Glaze know how much she appreciated their talks.

“She said she would not have made it through the year without our chats,” says Glaze. “Our chats had nothing to do with her studies. They were just a way for her to deal with the stress and decompress a bit. I’ll always remember that young lady.”

Glaze, who calls herself “delightfully single,” has two children and two grandchildren. Although she adores cats, she currently has no pet, aside from the birds she feeds.

“The mourning doves are my favorite because they remind me of my grandmother,” says Glaze. “And there’s a squirrel that lives

across the street from me who comes to visit my birdfeeders every day. I’ve named him Buddy.”

Here’s a fun little-known fact about Glaze: she was once voted least likely person to tell a lie.

“I’m an expert liar, although I only use that superpower for good,” she says. The same goes for her snarky nature.

“I’m much snarkier outside of the office, which can make me a lot of fun if my companion is snarky, too,” says Glaze, who was the hula-hoop and pogo stick champion of her neighborhood as a kid. “I can’t even jump on my feet now. I’m not sure at what age I lost the ability to jump, but it was a surprise to me.”

Once Glaze retires at the end of March 2024, she has two dream trips she’d like to execute. One is to take a scenic rail through the northern states (Chicago to Seattle), take a cruise to Alaska (including a train ride to the interior), and finish it off with a few days in San Francisco. The other is a genealogy trip tracing her family heritage.

“There is a Glaze Cemetery in Ohio I’d like to see,” she says. “And my mother’s side of the family arrived in this country in 1621 on the ship Fortune, which arrived right after the Mayflower. That ancestor is named on some of the monuments in Plymouth so I’d like to see those.”

Aside from that, post-retirement, Glaze hopes to dive into doing things she doesn’t have much time for now.

“I like to quilt and work on my genealogy files and collect stories about my family,” she says. She may join a quilting bee. Plus, several years ago she wrote a cookbook for her children so she would like to update that.

Of course, given Glaze’s confession about truth-telling, this could all just be a lie.

ROXIE GLAZE, ADMIN EXTRAORDINAIRE

Learning About Luxury: Students Enjoy Unique & Popular Course About Luxury Brands in France



G272 STUDENTS SHOWING OFF THEIR BEST CAN-CAN MOVES OUTSIDE OF THE MOULIN ROUGE IN PARIS, FRANCE. STUDENTS WERE ABLE TO LEARN ABOUT THE ECONOMY OF HANDCRAFTED LUXURY ITEMS AS WELL AS VISIT CULTURALLY SIGNIFICANT LOCALES.

In a global business environment, it's important that students have some understanding of different cultures. Therefore, the Kelley School wants to send the maximum number of their students abroad. Of course, not all students can spend a semester or year overseas due to financial or curriculum constraints.

Thus, for more than a decade the Kelley School has been offering an 8-week course that takes place in Bloomington but culminates in spending ten days abroad. When Professor Ellie Mafi-Kreft was asked to teach a course that would take students to France, she was told she could pick the topic of the course. She knew

that in G202, they discuss a case on the diamond industry and another on the garment industry.

"There's always a lot of interest in those two cases so I thought, 'A lot of people outside the U.S. associate France with the luxury industry. I'll bet students would like a class about that,'" says Mafi-Kreft. Hence, G272: Luxury Brands in France was born.

Every semester students show an overwhelming interest in the case-based discussion class. According to the International Office, it's the most competitive international program in the Kelley School. With room for just 24 students, the international office reviews

"The fact that I have such curious and passionate students makes it possible to count on them"

applications and makes their selections.

"I have the privilege of teaching 24 students who either have a passion for the luxury industry or are very curious about it," says Mafi-Kreft. "It's rare to have such a captive audience."

During the eight weeks in Bloomington, they discuss both the challenges and the opportunities the fashion industry faces. Each case has a topic. One day of the week the class debriefs the case. Another day students choose a current article that pertains to the topic that's being discussed. Discussions are all student-lead.

"The fact that I have such curious and passionate students makes it possible to count

on them," says Mafi-Kreft. "They're there to learn."

Their ten days in France is a whirlwind as they hit the ground running with workshops on Paris fashion shows and the fragrance industry. They also meet with a jewelry craftsman and an expert who has his own consulting group that has helped luxury brands expand overseas. In addition, they talk to an art historian who discusses the art of jewelry as well as an oenologist, which supplements a case they do in Bloomington about the champagne industry.

The Kelley School partners with IÉSEG School of Management in Paris that helps facilitate the learning.

"It's incredible what the students are

PROFESSOR ELLIE MAFIE-KREFT IS SEATED CENTER IN A GROUP PHOTO WITH STUDENTS OUTSIDE OF THE POMMERY CHAMPAGNE HOUSE WHERE STUDENTS LEARNED HOW THE ICONIC SPARKLING WINE IS MADE.



G272 STUDENTS WATCH AN ARTISAN CRAFTSMAN DURING THEIR STUDY ABROAD TRIP TO FRANCE



exposed to in such a short amount of time," says Mafi-Kreft.

They squeeze in cultural trips to Versailles so students can take in the opulence. They also travel to the Paris opera and take a French cooking class. In their free time, students visit the Eiffel Tower and the Moulin Rouge.

"Paris, by itself, is a museum," says Mafi-Kreft.

One of the biggest surprises Mafi-Kreft saw following this trip was a shift in how students viewed their career paths. After hearing people enthusiastically share details about their careers, the resounding response from students was, "I must do something I'm passionate about!"

"That's not the sentiment that prevails in the business world," says Mafi-Kreft. "Usually it's, 'Tell me how I can make money,' but at the end of that week in Paris, after meeting a craftsman, a fashion show manager, a consultant, and all of these people who absolutely love their careers, the students

want to replicate that."

Visannya Saluja says that G272 was one of her favorite classes because it was so engaging and intellectually stimulating.

"The course readings and discussions were fascinating, and Professor Ellie, having grown up in France, was so passionate about the subject matter," says Saluja. "The trip was so well organized and was my most memorable and cherished experience at the Kelley School of Business."

Her favorite part was traveling to Reims, France, to visit the Pommery Champagne House where they got to see firsthand how the bubbly is made.

"It was fascinating to see the contrast between the fast-paced life in Paris and laid-back countryside life in Reims," she says. "As an international student, studying abroad has always been an exciting prospect for me. I wish we had more opportunities in Kelley for short-term study abroad programs like G272!"

G272 STUDENTS VISIT THE IÉSEG SCHOOL OF MANAGEMENT IN LILLE, FRANCE.



Course Spotlight: Non-Market Risk Consulting



GEORGE W. PINNELL PROFESSOR OF ECONOMICS JOHN W. MAXWELL

BEPP's Non-Market Risk Consulting course evolved out of a traditional business and government course that a lot of schools teach. Rather than simply requiring students to memorize branches of government and how regulation might work, the BEPP department takes a more strategic perspective by asking, "How do you navigate in this broader societal context of business?"

"We all understand the market and the firms that make up the market and suppliers and consumers," says Professor John Maxwell, who teaches the course. "You can broaden that out. Your

consumer might also be a business, and those are all market actors and market players."

They study strategies and how to maximize profits. They also look at different aspects of market characteristics that determine profitability. Students in the business school study functional areas of business like accounting and marketing, but economists know that the market will determine profitability.

"You could be an excellent manager in a business that produces wheat in the Midwest, but then you take that same

ability manager and put him into coastal Florida, and it may be more profitable because the land area or ocean front is more scarce than midwestern land," says Maxwell. "There are attributes beyond these functional areas that determine profitability. Economics helps you understand that."

Then there are the non-market factors—political, economic, social, and technological pressures outside the market—that affect profitability.

"Let's say you and I compete, and you source your inputs to your product from Mexico and I source mine from China and then overnight the Peso drops in value by a half," Maxwell tells his students. "That's a macroeconomic factor that's outside our two markets, but it means that the inputs you're buying from Mexico are now half price so that's going to lower your costs relative to my costs, giving you a competitive advantage. It's outside of our immediate market, but it can affect us."

Social pressure on firms to hit diversity targets or reduce their pollution, for example, can affect profitability

should they choose to boycott.

"We study the nonmarket environment for the same reason we study the market," says Maxwell. "Because ultimately it can affect our profits."

Similarly, in technology you have to adapt, but you cannot have a lot of influence generally, whereas in legislation and regulations, businesses are part of the process.

Maxwell asks his students to consider a company or an industry that's faced with a social movement pressure that may involve boycotts and protests. They then look at how they want to model the behavior of both the firm and the social movement.

"There are two ways to get the company to make the change that the social movement wants: to make it concrete or to call on politicians to do it," says Maxwell. "We look at those two pathways. When the society is more polarized, it takes longer to come to a consensus."

It pushes off the political decision

"Students tell me that this class really opened their eyes to what can be learned from economics. That's gratifying to hear."



further into the future. The model shows that will naturally lead to more protests earlier on because people feel they can't rely on the government to help solve the problem. If protests are effective enough, the businesses are going to adopt fairly quickly. But if it's early on, that means they haven't arrived at consensus. The company might do it anyway for purely profit maximizing reasons because they want to avoid boycotts.

"Businesses seemingly adopting this before society comes to a consensus—an entrepreneurial politician will look at that situation and say, 'Oh, these businesses are doing things that people don't want because we haven't arrived there yet, and they call these businesses 'woke,'" says Maxwell. "Students tell me that this class really opened their eyes to what can be learned from economics. That's gratifying to hear."

Bonser Lecture: Cartels & Collusions



PROFESSOR OF ECONOMICS OF DUKE UNIVERSITY LESLIE MARX

The Bonser lecture series is offered annually by the Indiana Kelley School of Business and the School of Public & Environmental Affairs (SPEA). The two schools alternate each year to select a speaker to deliver a public lecture that's open to faculty as well as undergraduates that's on a topic at the intersection of economics and public policy.

This year it was the BEPP Department's turn to choose the speaker for the April 27 event, so Professor Marilyn Pease put together a list of possible names, keeping in mind that the goal is to find someone who can talk about something that is of interest to different departments and at different levels. Pease thought that Leslie Marx, a professor of economics at Duke University, would be a wonderful choice. An expert on cartels and collusion, Marx has consulted on a number of cases and co-authored a book on the subject called *The Economics of Collusion: Cartels and Bidding Rings*. A cartel is a group of independent companies that join together to fix prices, limit production, and/or share markets or customers between them. Oftentimes it's firms working together to reduce quantities in order to raise prices or directly price fix.

"Leslie's presentation included a lot of really interesting

firsthand examples of how these cartels operate," says Pease. "For example, she talked about a group of three European firms that price-fixed for most of the 1990s and significantly increased the price of vitamins. She shared how they coordinated their efforts, the consequences on the prices in the market, consequences on other people entering the market, and eventually how they got caught."

Marx also spent a lot of time discussing signs that policymakers look for in markets to try and detect collusion in cartels.

Student Varun Gopal, who attended the lecture, enjoyed hearing the story that Dr. Marx presented about companies colluding in the market.

"Some of the slides she highlighted displayed graphs and 'but-for models' that were created through analytical assessments that could forecast the market price without collusion from a cartel," says Gopal. "Dr. Marx hit on some key concepts that tied up my lessons from Managerial Economics, Game Theory, and Econometrics."

Through classes at IU, students learn about some of the antitrust laws. It's illegal to form cartels and manipulate price through collusion.

"However, what I found interesting is that there are repeat offenders of these issues that find that paying the price of collusion, such as fines, is less than not engaging in illegal behavior," says Gopal. "Dr. Marx took us through the works of creating a successful cartel. This could be redistribution of collusive profits, enforcement of strict punishments and audits, as well as pricing structures."

Gopal and other students appreciate having the opportunity to attend these lectures to supplement the material they learn inside the classroom.

"These [lectures] have provided the opportunity to help me explore a diverse array of topics and helped me dive deeper into the topics I am interested in," says Gopal.



BEPP Faculty in the News & Publications

Professors Andrew Butters, Rick Harbaugh, and Andreas Hauskrecht all found in the headlines

We know our faculty are amongst the best in the world, and it is unsurprising when our faculty are given a chance to shine in media outlets. This year, the big topics of conversation were on concerns of an economic downturn and the student loan forgiveness program.

In August 2022, BEPP Professor Andrew Butters was interviewed by WRTV Indianapolis for his perspective of how student loan forgiveness could impact inflation. He commented "It's very much possible and likely to be the case that the families that are going to receive this assistance are exactly the ones that are feeling the pinch almost disproportionately as a consequence of inflation." You can read the complete article here:

<https://tinyurl.com/57ynbyxr>

September 2022 had Andrew Butters interviewed by the South Bend Tribune on the labor market and how long the labor shortage would be impacting the U.S. economy. He discussed his assessment that the tight labor market has granted employees and potential hires more influences in their workplaces that has been seen in several decades. To read more about this piece, read it here:

<https://tinyurl.com/3sufcbfy>

BEPP Professor Andreas Hauskrecht was also interviewed in September of 2022, but he discussed his insights with VNExpress International. Professor Hauskrecht shared that the potential increases in the Federal Reserve rates in Vietnam in this year or next did pose higher risks of an economic depression. For more details on his insights on the Vietnamese economy, read more here:

<https://tinyurl.com/2xzapijc>

Professor Hauskrecht also received a mention in the Vietnamese periodical *Daututaichinh* on the discussion as to whether the State Bank of Vietnam should raise interest rates in the future and what that could mean in foreign currency reserves. For more details, read here:

<https://tinyurl.com/y97mr8vx>

Professor Rick Harbaugh had his research featured in KelloggInsight in November of 2022. In particular, his research into how scrutiny can affect decision-making and his use of a game theory based mathematical formula. The focus of his research was to analyze how the public's opinion can shift their behavior. To read more, access the material here:

<https://tinyurl.com/5x6avn4y>

Andrew Butters was interviewed in November of 2022 as well, but this time was with Indiana Public Media. He shared his analysis on the economics of Indiana and what the state could be facing that may be unique to the rest of

the United States. "The economic landscape that we're dealing with right now is quite unprecedented." For more information on this article, read more here:

<https://tinyurl.com/3zbmru87>

Andrew Butters was interviewed by the Associated Press in February of 2023 on the impacts of low unemployment rates. He said "one indicator that I'm paying particular attention to is the labor force participation rate. That's a indicator of how many workers are just out there in the economy looking for a job, and this has really actually remained stubbornly low since the onset of the pandemic." To read more of this interview, read more here:

<https://tinyurl.com/mr42unsk>

And we close our year in the media with Andrew Butters being interviewed with the Herald-Times in May of 2023 on the layouts by medical device manufacturer, Cook Medical. "All the plans we had before the pandemic are out the window," said Professor Butters. For more information, read more here:

<https://tinyurl.com/yj93fm6j>



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About Us

We have our roots in the first business course offered at Indiana College in Bloomington in 1830. Indiana College grew to be Indiana University, and the School of Commerce and Finance, established in 1920, grew to be the Kelley School of Business. We've offered business courses on our Indianapolis campus since 1916, implemented executive education in 1952 and advance business education on a global scale. Our timeline showcases more than 100 years of business excellence.

Our faculty members demand, and get, the best out of our students. Kelley students learn how to drive results. This quality is reflected in our exceptional student job-offer rates, the reputation of our career services and our global position as a top business school.

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