

Research shaping policy: Re-investing in America's Supply Chain Innovation

As chief economist of the U.S. Department of Commerce, **Professor Sue Helper** spearheaded a recently released report *Supply Chain Innovation: Strengthening American's Small Manufacturers*. According to the report, small firms now account for almost half of America's manufacturing, but their innovation capacities are limited by lack of access to funding and difficulty testing their research. "The good news," Helper says, "is that ample opportunities exist for government to partner with the private sector to promote supply chain innovation and foster a continued manufacturing renaissance."

Following these recommendations, President Obama's 2016 Budget plan devotes nearly \$500 million to public-private investments to strengthen American manufacturing. These investments were announced by Obama here in Cleveland on March 18, and were elaborated by Professor Helper in a public lecture at CWRU the following week.

After three years on leave for government service (at the Council of Economic Advisors prior to the Commerce Department), Helper will be returning to the Case Economics department this fall.

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Professor Susan Helper speaks at the Tinkam Veale University Center on March 23.

Recent Faculty Publications

- "Banking the Poor via Savings Accounts: Evidence from a Field Experiment", **Silvia Prina**, *Journal of Development Economics*, 2015, 115: 16-31.
- "Principal-Agent Settings with Random Shocks", **Roman Sheremeta** with Jared Rubin, *Management Science*, forthcoming.
- "Quality Disclosure Programs and Internal Organizational Practices: Evidence from Flight Delays", **Silke Forbes** with Mara Lederman and Trevor Tombe, *American Economic Journal: Microeconomics*, forthcoming.
- "Are the World's Languages Consolidating? The Dynamics and Distribution of Language Populations", **David Clingingsmith**, *The Economic Journal*, forthcoming.

Catching Up With Our Graduates: Two young alums discuss their

I am working in Chicago as a Fellow in the field with **Kiva.org**, the world's first and largest online micro lending platform. Kiva is developing a market in Chicago for a new platform, Kiva Zip. It is a peer-to-peer lending platform where 0% interest micro loans are crowdfunded among individuals and directly lent to underserved small business owners. Instead of using credit scores, we rely on entrepreneur's' social networks to vouch for their creditworthiness.

As a Fellow in the field, my day-to-day tasks vary tremendously. Some days, you might find me talking with City of Chicago government officials about Kiva Zip's potential to spur small business development in underserved communities. After that, I might run to catch the bus to get to my next meeting, with a borrower. I work with borrowers who are inventors, brewers, urban farmers, and other small business owners. I meet with candidate borrowers to explain the Kiva Zip process, try to understand the challenges of their business, and eventually make an assessment about their character, passion, and the likelihood that they will be able to repay the loan that they seek.

I am learning about poverty as well as the behavioral and social interactions that guide financial decisions. I am realizing that many people are altruistic; they are willing to lend their money for 0% interest for the purpose of social good. However, they depend on the due diligence that we do at Kiva Zip to make sure their money is lent to worthy and dependable borrowers.

Since this is such a novel form of lending, we also need to get the word out. I maintain Kiva Zip's social media outlets and work with community development organizations, small business development centers, and chambers of commerce to host workshops and information sessions to recruit more borrowers.

This fall, I will be starting a Masters at the **University of Chicago's Harris School of Public Policy**.

Trista Li, Class of 2013



Trista poses at "Windy City Patty Wagon," a Chicago food truck financed by Kiva Zip.

Other graduate school news:

Natalia Cabrera '12 is graduating this May from Boston College Law School. Congrats, Natalia!

Ethan Ruhe '10 will be starting an MBA at the University of Pennsylvania's Wharton School this fall.

Will Smythe '14 will be starting a Masters in Finance at MIT's Sloan School this fall.

Alumni: We love to hear from you! Send your updates to economics-department@case.edu

work in the non-profit sector before starting Masters Programs

Abhi Kaushik, Class of 2012



Following graduation, I joined **Indicorps**, an organization that provided me an opportunity to serve in India through an intense development-oriented fellowship. During my two-year fellowship, I lived in an impoverished rural village in Karnataka State, where I worked with the village community to craft and implement a holistic economic development plan. Living with a host family gave me a grassroots understanding of the community, while my training in Economics allowed me to think analytically and distinguish root causes of poverty from its symptoms.

One problem in the village was weak public sector accountability: resources that were supposed to support healthcare, education, and infrastructure—all important for income advancement—were not being used effectively.

Another problem was that the village economy was overly dependent on agriculture. I realized that vocational skills training could enable people to seek work in other sectors like manufacturing and construction. But to access these jobs, better roads were needed.

My goal was to create a structure for the village's economic development that

“I encourage Case students to look for innovative ways to apply their skills through leadership, in the pursuit of global well-being.” *-Abhijit Kaushik, '12*

would last well beyond my tenure. I rounded up motivated youth and formed a Village Development Committee. With the help of a local partner NGO, the Committee and I connected the community with underutilized government programs. By the end of my fellowship, several positive changes had been made: an asphalt road into the village was constructed and the village square was rebuilt, women received vocational training and microfinance loans to start tailoring businesses, farmers received horticulture training, and school dropouts rejoined school. Hopefully, the Village Development Committee will continue to motivate others in the community and strive towards consistent improvement in village living standards.

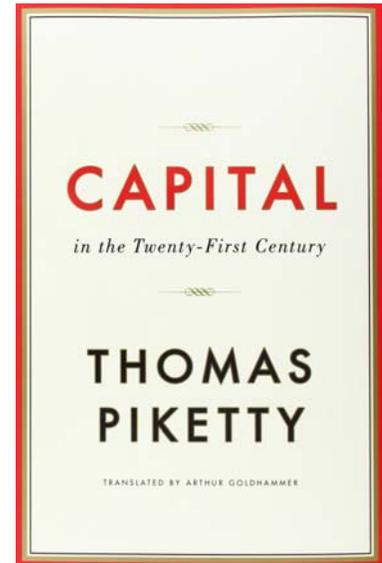
Overall, I learned that economic development requires a multifaceted approach. Organizations in the public, private, and social sectors need to incorporate community perspectives in development plans, and encourage community members to take an active role. To further explore the convergence of the public, private and social sectors, I will be pursuing a Masters in Public Administration (MPA) at the **London School of Economics**, starting this fall.

What does the rise of “the 1%” mean for the rest of society?

Econ 391 students spend a semester discussing inequality while reading “Capital in the Twenty-First Century.”

Professor **David Clingingsmith**, who studied philosophy and anthropology before making his academic home in Economics, has fond memories of a course in graduate school that was built around an in-depth reading of Karl Marx’s *Capital*. This semester, he sought to create a similar experience for his Econ 391 students with an in-depth reading of *Capital in the Twenty-First Century*, the New York Times bestseller and magnum opus of French economist Thomas Piketty:

“Having good debate is crucial for this class. And this topic (Inequality) is great for debate because there is now both a wealth of empirical evidence and a connection to issues of justice for which there is no objectively correct answer.”



Clingingsmith gives us Piketty’s argument in a nutshell:

“...when the rate of return on capital exceeds the rate of economic growth, as it did in the 19th century and seems quite likely to do again in the 21st, capitalism automatically generates arbitrary and unsustainable inequalities that radically undermine the meritocratic values on which democratic societies are based.”

“The goal of the book is to provide the empirical evidence about the size and distribution of the capital stock and of income over time to support this thesis. It is clear that inequality of wealth and income are increasing in most industrial countries. Piketty’s argument is that there is no opposing, equilibrating force that will necessarily bring this process to a halt. The idea that these inequalities are unsustainable is a political rather than an economic judgment. He believes that history has shown an intolerance for very high levels of inequality because people judge it as unfair.”

So, what does Piketty suggest society should do?

“He suggests policies like a global wealth tax. However, they are more thought experiments at present than proposals that can be implemented.”

Finally, what did students think about the 600+ page book they read? **Daniel Eck ’15** said,

“I thought Piketty’s book took a difficult to define topic and boiled it down into basic mathematical formulas that changed the way I looked at the concept, which was pretty neat.”