Introduction

Ken McCormick  
*University of Northern Iowa, kenneth.mccormick@uni.edu*

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Introduction

Welcome to Volume 21 of Major Themes in Economics. All papers in Major Themes are written by senior economics majors at the University of Northern Iowa.

When a country devalues its currency, its exports become cheaper and its imports become more expensive. Because demand tends to be inelastic in the short run, the initial effect is for the trade balance to worsen. But as people have more time to adjust to the price changes, the trade balance should improve. In other words, a graph of the trade balance should look like the letter J. Alex Hunter tests to see if the pattern holds for China and her main trading partners.

Valuation multiples are ratios created from various measures of a company’s financial health. Professional stock pickers often use valuation multiples to identify what they hope are undervalued stocks. Luke Muller evaluates the performance of six such multiples from 1987 to 2017. In so doing he takes on one of the biggest names in finance.

The maternal mortality ratio in the U.S. is the highest in the developed world. Worse yet, the ratio has been rising over the past few decades. Christine Shipley investigates why. She discovers that methods for reporting the data are flawed. In addition, our excessively high rate of cesarean deliveries may play a role, as does poverty. She argues that more research is needed.

To what extent do wage differentials drive illegal migration from Mexico to the U.S.? What is the marginal effect of additional resources devoted to U.S. border enforcement on the apprehension of illegal immigrants? Aaron Iehl updates a study from 1999 to try to answer these questions. He finds that the wage differential is less important than it used to be and the marginal product of enforcement is higher.

What makes a movie a success at the box office? Griffin Scott replicates an earlier study to see if the same factors that mattered in the late 90’s and early 00’s still matter today. Using data from 2014 to 2018, he finds that, ex ante, the size of the production budget, critical reviews, and genre (horror and comedy) were all statistically significant factors at the one percent level. Ex post, the same variables plus number of screens, time of release (summer and holiday), star power, and word-of-mouth were significant at the one percent level.

Ken McCormick
Professor of Economics