

OTEFA Newsletter

Newsletter of the
Overseas Thai Economic and Finance Association

December 2009, Volume 1 Issue 2

Published two times annually

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From the Economics Editor

From Wall Street to the Campus: Crisis and Inflation

- Kanda Naknoi

What happens on Wall Street is contagious. Universities are not sheltered from shocks on Wall Street either. The 2007 subprime mortgage crisis immediately brought renewed interests and enthusiasm about economics. The academic economists were sought after, to answer questions related to causes, consequences and remedies of the crisis. Then professors got busy with phone calls, media interviews, panel discussions, workshops and conferences.

Unfortunately, the honeymoon phase did not last long, perhaps because the shock was large and persistent. Moreover, differences in viewpoints further divided economists from various schools of thought. The crisis has eventually produced a crisis in the economics profession to the point where renowned economists publicly attacked each other at the personal level.¹ Besides the intellectual effects, the crisis has serious financial consequences on the academic community.

The budget of wide ranges of universities and colleges has deteriorated. For public institutions, the fiscal contraction immediately followed the state budget deficit. For private institutions, the plunges in equity markets generated huge losses in the value of endowment funds.² Universities responded to the fiscal crisis by various measures such as hiring freezes, layoffs and pay cuts. The most controversial measure is raising tuitions and fees. The University of California took a lead in November by approving a 32 percent increase in fees.³ Sure enough, the fee hike caused student strikes, similar to the protests against the tax hike imposed by the International Monetary Fund (IMF) in post-crisis countries.

In fact, taxation has been the most common policy following fiscal deficits for centuries. Specifically, the chartered banks printed new money to buy new government bonds. Such monetization of public debts is called inflation tax. It transfers resources from the public to the government by raising prices of goods and services with a risk of future crises. If the public expect high and persistent inflation, an inflation tax will evolve to runaway inflation and a currency crisis.

In 2007 the Fed and major central banks around the world responded to the financial crisis by cutting the interest rate and broadening the scope of securities accepted as collaterals for loans to commercial banks. On top of that, major investment banks converted themselves to commercial banks in order to gain an access to low-cost credits from the central bank. The expansion of money supply has continued for over two years

and raised a concern that inflation expectations may rise. At the same time, the excess supply of goods, services and labor has exerted downward pressure on inflation. In the end, economists continue to argue for or against the prospect of inflation and a dollar crisis.

In case of universities, raising tuitions and fees is similar to an inflation tax. However, universities do not monopolize supply of education, unlike the central bank that monopolizes supply of money. In theory, students can move across universities or across states (or even across countries) to arbitrage the price differentials. But, in practice transaction costs of that option are quite high. For this reason, a large-scale increase in tuitions and fees should be applied to only new students rather than current ones.

The debate about costs of crisis comes down to two following questions. One is how much? The other is who should pay? Since the crisis originated in the financial sector, some economists revived a proposal for taxing risky financial transactions.⁴ Given an ultra large volume of transactions, a miniscule tax rate can generate a large sum of revenues. But which segments of the financial sector should be taxed? How could taxation of cross-border transactions be administered? Is this job for the IMF? Should we invent a new supra-national organization?

The debate will continue.

Notes:

1. See “Economists Debate: Krugman vs. Cochrane,” by Larry Swedroe (2009) and references therein: <http://moneywatch.bnet.com/investing/blog/wise-investing/economists-debate-krugman-vs-cochrane/851/>
2. For instance, in 2009 Stanford University reported a loss over a quarter of value of its endowment funds: <http://news.stanford.edu/news/2009/september21/endowment-numbers-092409.html>
3. See “Students Protest Tuition Increases” by Malia Wollan and Tarmar Lewin (2009): <http://www.nytimes.com/2009/11/21/us/21tuition.html>
4. See “Tobin Tax Advocates Pile Pressure on US” by Andrew Clark (2009): <http://www.guardian.co.uk/business/2009/nov/23/tobin-tax-supporters-pressure-united-states>

From the Reporters

So, Everything Just Boils Down to Sex Then?

- Nattavudh Powdthavee

And now that I have your attention.

I have been given quite a big task this year by my HoD here in York: to teach ECON I (or, as known as economics 101 elsewhere) to approximately 300 fresh-faced undergraduate students, many of whom have no background in economics before. Now, speaking as a complete novice on how to deliver lectures to big classes, I'd be lying if I say that I'm not at all nervous. Actually, nervous is still a major understatement; scared excrement-less would be more of an on-par description of the feelings I am currently anticipating to feel once the term starts.

But one of the good things about this challenging task is that – it is completely up to me what I want to teach them. Now, that itself can be a very frightening thought for some who know me personally (being a happiness economist does not exactly bode well to a few traditional economists I know out there). But to heck with it. I'm going to devote 2 hours (from the allocated 24) telling these impressionable young minds about evolutionary theory.

Yes, you heard me right.

Evolutionary theory.

Now I know what you're thinking – he must have had quite a bit to drink last night. And you'd be right. But that's not the issue I'm willing to discuss here (I'm saving it for the next AA meeting). What I'm preparing to discuss, however, is that the subject of evolution has hardly ever been discussed or touched upon in economic lectures, despite the fact that there is overwhelming evidence which suggest that most (if not all) of our behaviours – rational and irrational – are shaped by natural selection.

Whilst traditional economic models are good at explaining rational behaviours (i.e. assuming that people are rational, self-interest agents), they are not exactly brilliant at elucidating behaviours that seem, to many of us, downright irrational. For example, why do people sacrifice a lot of their time, physical health and mental well-being working long, sometimes crazy hours (e.g. 8am-midnight every day for some investment bankers) which seem to be beyond optimal for them? Why do people often feel bad after having discovered that somebody like them in their company earn more money than they do when,

absolutely-speaking, they are earning much more than enough already to look after themselves and their loved ones?

One explanation for this is that people care deeply about their relative position within the society. Just to give you a stylized example first thought of by Professor Robert H. Frank of Cornell University (see Frank, 1985). Imagine two miners, A and B. Each has an option to work in either a clean mine which pays \$200 a week, or a dusty mine which pays \$250 a week but to the cost of 10 years of their life expectancy for each year that they work in it. In other words, working in the dusty mine will pay the person working in it \$50 a week extra. But then that person will also die 10 years quicker, too.

An additional pay of \$50 a week (or \$2,600 a year) and a reduced life expectancy by 10 years hardly seems like a worthy trade-off, and anyone in their right mind would never in a million years opt to work in such conditions. Nash-equilibrium, as would be predicted by an average-Joe economist like us, would therefore for both to be working in the clean mine and earning \$200 a week.

But let's imagine what happens if people care deeply about relative status. Given that there is extra utility to be gained from being ranked higher in the income hierarchy than the other person, there is an additional incentive for each to choose the dusty mine over the clean mine. This is simply because neither is willing to sacrifice \$50 a week for longevity if in the process he loses ground in the income rank within the organization. The dominant strategy for both miners, in other words, is to choose the dusty mine (assuming that each has no control whatsoever over the other's mine choice). Yet, by doing so, an outcome results that each A and B finds distasteful in comparison with the feasible alternative of working in the clean mine.

In other words, if individuals care deeply about income rank, then it is easy to see why they might find it attractive to sacrifice longevity in return for an opportunity to move up the income hierarchy, to be above everyone else in the pecking order. Yet the number of favored positions in any rank ordering is fixed by the laws of simple arithmetic. And so the exchange that is so attractive from each individual's point of view has no similar allure when viewed from the perspective of the population as a whole.

	B: Clean mine	B: Dusty mine
A: Clean mine	2 nd best option for A 2 nd best option for B	Worst option for A Best option for B
A: Dusty mine	Best option for A Worst option for B	3 rd best option for A 3 rd best option for B

Note: Clean mine: \$200 a week. Dusty mine: \$250 a week, but also a reduced life expectancy of 10 years.

To me, that seems rather silly. Why can't A and B just be satisfied with \$200 a week (given that each earning \$250 a week and losing 10 years of their lives in the process seem

completely pointless). What is so special about status that makes us drive ourselves very hard to have it, and sometimes willing to sacrifice longevity to secure it, even when its value depends entirely on the things that we really have no control over: Other people's status?

Why is relative status important *per se*?

Well, evolutionary theory can be used to explain that pretty well.

It's perhaps now undisputable that the structure of our primal motivation, which was shaped long ago by the forces of natural selection, is a taste for reproduction and, once reproduced, seeing to it that our children are launched in life as successfully as possible. We are, in a sense, hard-wired with the belief of almost overriding importance that the highest-ranked individual will be rewarded with the most attractive mate, and that the children of the highest-ranked individual will be better endowed with resources and skills than the children of lower-ranked individuals. In other words, we are programmed to feel bad whenever we see other people having a better chance of finding a mate than we do, or whenever we see that our children are less well-provided for than are the children of our peers.

And because of this, our relentless pursuit of higher relative standing as a signal for one's ability to provide for loved ones, even when it may be collectively wasteful to do so, becomes relatively easier to understand.

This is, obviously, only one example. But evolutionary theory can also be used to explain seemingly irrational behaviours as seen from the point of view of a *Homoeconomicus*. Things like altruistic behaviors or fairness, for example, can be explained using evolutionary theories on brain developments and the passing on of genes. Such irrational behaviours as status quo bias can also be explained using the theory on evolutionary adaptation (see Bostrom & Ord, 2006).

And I don't even know what that is. Yet.

So perhaps don't bring on the 1st years just yet?

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From the Reporters

Foreign Acquisition of Thai Land

- Sapon Pornchokchai

It seems that some real estate developers and brokers, particularly those big ones from abroad, would love to see Thailand allow foreigners to be able to buy land in Thailand as well as to get loans from Thai banks. I have never agreed with this idea. However, I do not view properties on a “patriotic” basis. Let me share some facts with you.

Actually, Thailand allows foreigners to buy properties in many cases, such as land in an industrial estate, condominium units up to 49% of the total saleable area, and land of one *rai* (1,600 sq. metres) when they bring in some 40 million Baht from abroad. In addition, foreigners can lease properties for up to 30 years. In the case of agricultural and industrial purposes, the lease can be for 50 years {1}.

I remember that prior to the 1997 crisis, while foreigners were not allowed to buy any condominium units, a large number of condominium units were quasi-legally bought via foreigners’ nominees. However, after the crisis, the Thai government allowed foreigners to buy up to 100% of condominium units with the expectation of boosting the economy; but the demands were very few. This stimulus measure was then cancelled and foreigners were once again allowed to own up to only 49% {2}. Also prior to the crisis, even Thais who married foreigners could not buy land. Then they were allowed to do so; however, few bought during the crisis as well.

Why did they not buy during the bust period? The answer is simple: there was no capital gain or the return of investment. Only those that could buy far below the market prices were willing to buy at that time.

For industrialists, land is a very small portion of investment compared to machinery and construction. The break-even point is normally within 10 years. Thus they do not need to invest in land. They can even rent the land or the Thai government can just let them locate their factories for free in Thailand in order to create more jobs locally.

For investors, investing in the stock market is safer and more easily liquidated than investing in real estate. Therefore, knowledgeable investors should not consider investment in properties as the first priority. In addition, one must keep in mind that it is never required, even given the context of the international Free Trade Agreement, to allow foreigners to own properties {3}.

In the US, foreign land ownership is acceptable. However, owning a piece of properties there means paying property tax at some 1-2% of the market value {4}. This does not happen in Thailand. In developed countries, databases are transparent, but such records are not as developed here. In Thailand, where corruption prevails, a lot of illegal

or quasi-legal foreign occupation of properties can be witnessed on the hillside, by the beach, or even in the hub of the cities. If Thailand had a more efficient mechanism, a good tax system, and a more transparent bureaucracy, we could allow foreigners to freely buy properties in Thailand.

Some international brokers have proposed allowing foreigners to borrow money from local financial institutions simply because they do not want to bring in their own cash. If foreigners seriously want to buy properties in Thailand, why do they not borrow money from financial institutions in their own countries? If this proposal is approved by Thai authorities, our financial institutions might be at higher risk. Can we have guarantees or collateral located in foreign countries?

Some real estate developers and some international property consultants just want to ease the laws to foster their business without considering the negative effects. I would like to warn developers and international brokers to bear in mind that it is fine to pave the way for conducting business easily so long as it does not harm the society where you are doing business.

Notes:

- {1} Please see the regulation on the “Acquisition of Land by Alien”, “Acquisition of Condominium Unit by Alien”, “Application for Acquisition of Land or Condominium Units by Aliens And Persons Connected With Aliens”, “Hire of Immovable Property for Commerce and Industry by Alien” and “The Acquisition of Land for Residential Purpose by Aliens” in English version at :
http://www.dol.go.th/dol/index.php?option=com_content&task=view&id=33&Itemid=43
- {2} The cancellation of the measure on 100% buying of condominium units by foreigner was published at the Than Settakit Newspaper, July 8-10, 2004 (Thai Version). The reason behind was that during April 1999 – December 2004, only 3,472 cases of foreign condominium purchases were found with a total value of Baht 7.994 billion of which Baht 5,465 were in the case of Bangkok. These figures were published at Prachachart Turakij, December 5-8, 2002, p.39. According to the survey of the Agency for Real Estate Affairs (www.area.co.th), the total transaction value by foreigners in Bangkok at that time was only 1.2% of the total value of condominium stock in Bangkok at that time. This implies that this measure was ineffective. Please see the full discussion (in Thai) at:
<http://www.thaiappraisal.org/Thai/Market/Market106.htm>
- {3} Please see the Free Trade Agreement at:
http://en.wikipedia.org/wiki/Free_trade_area

{4} The range is around 0.1% - 3.0%; however, conventionally, a tax rate of 1-2% of the property value per annum is applicable. Please see detail at:
<http://www.taxfoundation.org/taxdata/show/24051.html>

From the Reporters

To Hedge or Not to Hedge: Does it Matter?

- Worawat Margsiri

With gold price reaching all-time high, gold mining companies are frantically announcing that they are abandoning their gold hedging program. Gold hedging is the practice which gold producers get into a contractual agreement with the buyers to lock in a gold price they will receive, thus protecting themselves from gold price declining. Gold producers sometimes hedge all of their production if they are confident that the price will fall substantially.

In September 2009, Barrick Gold Corporation, the biggest gold mining firm, announced that it was removing all of its gold hedge positions within the next twelve months. This is markedly different from its policies in the nineties when, at one point, Barrick hedged eighty five percent of its gold production. During that period, another large gold producer, Homestake Mining, didn't hedge their gold production at all.

From investors' point of view, is hedging a good or bad policy? Does it increase the value of the stock they hold? It is a truism to say that investors should buy stocks of firms that do not hedge when gold prices are going up, and buy those of firms that hedge when the price are going down. However, such a statement means nothing if investors are not sure which way gold price will be heading. So if there are investors who have no strong view on gold prices, should they invest in gold mining firms that hedge or do not hedge their production?

In a world with perfect capital market where investors can buy and sell any stocks with no transaction costs, and can borrow from or lend to a bank at the same risk-free rate, hedging adds no value and should not affect the stock price at all. In this world, any investors can create hedging for themselves as good as firms do.

Take for instance the investors who want to spend their \$100 in stocks of a gold miner, but are afraid of the uncertainty in gold prices and prefer the firm to hedge fifty percent of its production. However, the gold miner that they are interested in may decide not to hedge its production at all. In this case, the investors can split their money in half, use one half to buy shares of the firm, and put the other half in the bank. As a result, the investors will earn the same rate of return as if the gold producer hedged half of its production.

On the other hand, if the gold miner hedges half of their production, but risk-loving investors would like to have full exposure to gold price fluctuations, they can undo the

effect of hedging that the firm put on by borrowing \$100 dollar from the bank, put in their own \$100, and buy \$200 dollar worth of the shares of the gold miner. The borrowed money allows them to increase the exposure to the uncertainty in gold prices. After they pay back the bank, they will have exactly the same returns as if the firm didn't hedge. This type of homemade hedging or unhedging renders the corporate hedging policy irrelevance and valueless. So if hedging is to have any value, it must create benefits to the firms that investors cannot do by themselves.

Smith and Stulz (1985) argue that hedging locks in gold prices and, therefore, creates stable and predictable cash flows, which may help the firms in the following ways. First, firms facing the threat of bankruptcy may incur significant costs and hedging may help them reduce such costs some of these costs are direct like bankruptcy filing or consulting fees. Some are indirect which start to affect the firms even before they file for bankruptcy. For example, when firms start to face financial distress, the employees' morale starts to decline, and the customers are looking for new producers, making the weak financial position even worse. If financial distress is costly, hedging can increase firm value by reducing the probability of distress.

Second, because steady cash flows make firms less likely to face bankruptcy, they enable firms to take on more debt, which, according to the US tax laws, may help firms to reduce their tax payments.

Third, if firms rely on cash flows from its current business for new investment, uncertain cash flows mean that there is a chance that they may have to let some good projects go when cash flows are low. This situation is referred to as underinvestment. Because hedging creates stable cash flows for investment, it can help decrease the underinvestment problem.

The above arguments suggest that firms should hedge their risk. But as we have seen from the example of gold miners, hedging policies vary greatly from firm to firm and from period to period. So how can we explain these variations in hedging, and is there any benefit to not hedging?

Stulz (1996) argues that some firms may have comparative advantage in taking certain types of risk. This advantage may come from information they acquire in their day-to-day operation. For example, some gold miners might be better than others at forecasting changes in the demand for gold. Such an edge may allow these firms to choose to hedge strategically to take advantage of the information they have. However, firms with such information should pursue this strategy only when their financial position is strong enough to withstand possible losses. In other words, not hedging may add value to a firm only when it is financially healthy and has proprietary information that it can take advantage of.

Froot, Scharfstein, and Stein (1993) give another reason why hedging varies from firm to firm. They suggest that the degree of hedging should depend on the correlation between each firm's investment opportunity and its cash flows. The negative correlation implies higher need for hedging, and vice versa. For example, if a gold producer knows that

it needs to invest when the gold prices become low, it makes sense to hedge, and uses the profits from hedging to pay for the investment. However, if it knows that it needs to invest when gold prices are high, then it may not want to hedge as much, because high gold prices already generate high cash flows for the investment.

According to this argument, it makes sense for some gold producers not to hedge because their investment plans are positively correlated with gold prices.

Quite a few of the gold miners are now in a reasonably good financial health with gold prices hitting all time high. However, do those that choose to take off their hedge today do so because they have proprietary information that gives them an edge to speculate on gold prices? Or do they have good investment plans that will need money if gold prices get higher?

If the answer is yes, both risk-loving and risk-averse investors may want to invest in these unhedged firms, but the risk-averse investors will want to do their own homemade hedging to reduce the gold price risk to the level that they feel comfortable with. But if the answer is no, both groups may want to invest in the hedged firms, but the risk-loving investors may want to undo the effect of corporate hedging through their own homemade unhedging.

Finally, those investors who do not believe in any of the corporate hedging policies, but still want to have some exposure to gold prices, may want to consider investing in gold bars instead. At least gold bars can not go bankrupt like gold producers.

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From the Reporters

Finance Academics Job Hunting Tips in OZ

- Sirimon Treepongkaruna

Hello again, I have been thinking of a topic for my 2nd report for OTEFA for a while. Then, a junior academic in Finance inspires me to write something about job hunting experience. S/he asked me a lot of questions before and after job interview. So, I decide to dedicate this issue on some job hunting tips for Finance academic in Australia.

Here is a bit of background. I met this person once at some local conferences a few years ago when s/he was doing PhD in Finance. I will call him/her “Khun A” from now. Khun A decided to go to industry and work for a bank when s/he got PhD to see what it likes working in the real world. After a year or so of joining the bank, the global financial crisis occurred. Khun A then contacted me and started consulting me about her/his career. S/he told me about concern of job security in the banking industry and sounded like s/he has had enough with job in the industry. S/he wants to move back to academics. This starts a chain of questions/answers between us for several months. So, I basically act as her/his mentor in search of academic job in Finance ☺ Some Q&As between Khun A and myself that are worthwhile discussing are as follows.

Khun A: Hello, Pee Nong, I saw a few job ads recently. U of Sydney, U of Adelaide, ANU, Monash, Latrobe, Macquarie – they advertised for Level B & C¹. Do you think it’s too late for me to move back to academic. I only had 2-3 publications from my PhD in A rated journal forthcoming and hadn’t done any research since I started working with the bank.

Me: Well, if you are serious about moving back to academics, you have to act now. You and I know research is what matter most. Potential that you are a good researcher and can bring publication to the university will get you a job. Usually, publications from your PhD will be the best publications in your academic career. So, you have to utilize it to get into the best university before you past your prime time! Of course, this is not saying that you won’t be able to publish better than A rated journal² in the future. But, statistically, most people end up having best publications come from their PhD.

Khun A: Which university should I apply? I don’t want to get black-listed. So, I will apply only one or maximum two uni.

¹ Australian System is different from the US and similar to UK. Usually, academics start from level A (assistant lecturer), followed by B (lecturer), C (senior lecturer), D (associate professor), and E (professor). Within each level, there are at least 5-6 steps. Usually, level A is for person without PhD.

² A ranking system recently introduces among Australian universities: A* journals are those in top-tier list (i.e. JF, JFE, JFEQA, etc.) A journal are local top-tier list and some international 1st and 2nd tier list(i.e. Accounting and Finance, Global Finance Journal, etc.).

Me: Well, you should choose any Go8³ universities⁴. These universities have less teaching load and provide support for research and conference funds. This will be good for early researcher career like you.

Khun A: But if I apply for Go8, I would not be qualified for level C. I should easily get level C with non-Go8 universities.

Me: If you think of long-term prospect, you should consider level B at any Go8. You will not have a good support for research, conference funds or teaching in the non-Go8 universities. In the end, you won't be able to move up the ladder or even move to a better university. You will end up being just a teaching staff in those universities. But with level B at any Go8, you will have a good support and enhance your publications. Then you can move up the ladder within that university or other Go8 universities.

Khun A: I think you are right. I will focus on only Go8 ads then. Which one should I go for? I don't want to get black-listed later on! As you know, Australian academic world is very small and words get out easily. Those academics in Go8 are very well-connected. So, there is no real secret!!! Refusing a job offer from one of Go8 universities could make you a black-listed for that particular university. So, I am worried about being black-listed in the future.

Me: Well, if you are not serious about taking an offer, it is better not applying in the first place then. I can't answer this question for you but you have to think where you want to live and who you want to work with in terms of research. Browsing the website and finding out more about potential colleagues, bosses, environment and city!!

Khun A: I am not sure which city!! Adelaide, Brisbane, Canberra, Perth, Melbourne and Sydney – they all have pro and con.

Khun A: Adelaide is a nice city with lots of churches. I haven't been to this city myself but I heard from my friend that it's quite boring and out of nowhere and could be isolated.

Khun A: Brisbane has a mild weather, close to attractions on Gold coast. City is developing and quite vibrant – city size and facilities are quite similar to Perth but got a benefit of closer to other universities on eastern coast. Perth, on the other hand, is closet to Bangkok so I don't have to take long flight to visit home! It's a capital city of Western Australia so it has all facilities of big city but still not too crowded. But again, it is quite far from the universities on eastern coast and isolated.

Khun A: Canberra is a capital city of Australia. Its layout is similar to Washington DC but in much smaller scale. Parliament, Prime Minister and Governor's residences, and embassies

³ Pronounced as “G” “O” “Eight”.

⁴ Go8 (Group of Eight) universities are 8 top universities in Australia. These include the Australian National University (located in Canberra), University of Queensland (located in Brisbane), University of Melbourne (located in Melbourne), Monash University (located in Melbourne), University of Western Australia (located in Perth), University of Adelaide (located in Adelaide), University of Sydney (located in Sydney), and University of New South Wales (located in Sydney). There are total 38 universities in Australia.

are located in this city. It has the best facilities of all big cities have yet a feel of small town. No traffic at all. Good public schools and universities.

Khun A: Melbourne and Sydney are typical big city with all facilities available. Both cities are in the list of world's most liveable cities. Weather in Sydney is milder than that in Melbourne. Thai community in Sydney is also bigger. It's easy to find any Asian groceries or Thai restaurants, Thai temples. I am supposed you don't get to feel homesick much if you live in these two cities. Also, there is a custom at both airports so transferring to another domestic flight is not required every time you plan a visit home (i.e. Bangkok). From time to time, there will be special cheap direct flight to major cities in the world, including Bangkok.

Me: So, we can probably group these cities into 3 groups: Adelaide and Canberra are on one extreme; Sydney and Melbourne are on the other while Perth and Brisbane should be ranked in between. I guess, if you want peace and quiet, have family with children or about to retire, I would suggest you to consider either Adelaide or Canberra. You don't have to be worried about traffic jam and have lots of time spending with your family and work. On the other hand, if you want to live in a vibrant city, lots of culture, shopping, dining, and entertainment, I think you probably like to live in Sydney or Melbourne. A couple well-known Finance and Econometrics professors in Australia reside and work in all these cities. Examples are Tim Brailsford (University of Queensland), Philip Brown (University of Western Australia), Robert Faff (Monash), Stephen Gray (University of Queensland), Bruce Grundy (University of Melbourne), and Tom Smith (Australian National University), to name just a few. Once you figure out where you want to live then you had better check profile of these professors and universities to explore opportunities of collaborated work with them.

Khun A: Thanks, P Nong. I will think over where I want to live. I will get in touch with you next time for more questions, how to address selection criteria and prepare for interview. Some of Go8 universities try to recruit US graduates. So, I hope the above experience give you some overview of Finance academic job in Australia. Next issues, I will continue with Khun A's job hunting experience, covering how to write application, address selection criteria and prepare for interview.

Teaching Tips for the First-Time TA

- Onsurang P. Norrbín

In spite of gloomy economic conditions, one positive outcome I have experienced is that teaching economics has never been this much fun. In the past, economics has gained a reputation of being a dry and boring class. Now things have changed. Students have never before been as excited and eager to learn about what is going on. They constantly question the theories we present to them. They follow the current events, come to class with difficult questions, and count on us to explain the issues (when we are, in reality, trying to understand the same issue ourselves). Hopefully, growing interests in the subject will not intimidate our brand-new TAs (instructors) in teaching economics and finance.

In the previous newsletter, I discuss the first tip of teaching: **Know Your Audience**. In my experience, I found that my students have become less independent and required a lot more of a hand-holding, spoon-fed style of education. This trend makes it tougher for TAs to control and balance the class rigor without damaging their teaching evaluations. Unfortunately, teaching evaluations has gained more weight in assessing job candidates with limited research background. Hence, the TA should not overlook it. Here I propose a second teaching tactic that I use, which I found it works well in the class as far as for improving teaching evaluations and for students to gain some relevant knowledge.

Teaching Tip #2: Make Your Lecture Relevant

Young people are overwhelmed by tons of information from various channels. They have a difficult time screening and editing key points from the received information. Moreover, they do not have enough patience to contemplate tough issues – they need a punch line. After a long discussion about the economic impacts of a public policy, the only thing my students want to know “is it good or bad?” In the other words, “give me what I really need to know” or “how would it affect me?” Therefore, make sure that your lecture is “relevant” – translation to students’ words: (i) ‘is it going to be on the test?’, and (ii) ‘why do I need to learn this?’

Relevant to the Test

Students are very much concerned about their grades; therefore, they get anxious about how to study for tests. Make sure that your lecture is clear and organized. Always give them outlines of the flow at the beginning and try to conclude what they have learned at the end of each class. Do not expect all of them to be able to extend beyond what you have taught them, especially to find a missing link between two logical arguments on their own (even though you really think it is so obvious). It will not work! Homework is a great way to bridge your lecture to the test, which give students opportunities to see the relevance of in-class lecture and to apply the concepts. If you want to give them tricky, complicated analytical problems, you should do that in the homework rather than in the

exams. It has never been a good idea to surprise students in the exam with problems that they have never been prepared for. From their perspective, unfair exams imply the irrelevance of your teaching (there is no point to go to this class, if you cannot do the test anyway). Also, watch out for the reverse case of too-easy exams. The too-easy exam could also significantly depreciate the value-added of your teaching service (it is so easy to ace the test, why should I come to class?).

Relevant to Their Lives

Good examples help students stay connected to concepts quicker and longer. Thus, try to make your lecture relevant to real world as much as possible. For example, I use the top ten movie box office receipts to illustrate the nominal vs. inflation-corrected data and the Big Mac Index to explain the under/over-valued currencies. Also, bring in the current events to the class. This is something I have tried for the past three semesters and it seems to work very well. There are many ways to include the real world issues into the class lecture, such as economic blogs, video clips, and reading assignments. My approach is very simple: I set aside the first 5 minutes of the lecture to show the class a chart/graph about the real world data and then discuss about it. For example, I brought in the housing starts and consumer confidence charts to talk about aggregate demand (the Fed and some economists' blogs have a lot of great ready-to-use charts). Do not feel discouraged if it falls flat. After repeating this exercise for a few times, students will start to participate in the discussions and express their opinions. From student feedback, they felt like they learned something useful and relevant to their lives (I once got a phone call from the parents telling me how impressed they were that their son learned so much about the economy). This exercise comes with a warning: students may ask tough questions. You open up the opportunity for students to ask questions that you may not know the answer to. When that happens, there is no need to be intimidated. Just tell them: you think it is a good question, but it is outside your area, so you will look into it. Then, you come back in the next class with a prepared explanation. You will be surprised how much students enjoy your class and how much your score under 'the interaction with students' category in the teaching evaluation has improved.

For a new TA, the teaching tip #2 may sound like a lot of work and preparation. However, I do believe that the payoff makes it worth your opportunity cost. Not only that students see benefits of coming to your class, but they also retain the information you have given them longer. So, give this idea a try and let me know how it goes in your class.

Junior Member Report

- Onsurang P. Norrbin

Welcome to the second issue of the OTEFA's newsletter. I would like to keep you up to date with the exciting happenings of our junior members and the success they have experienced recently. I would like to welcome two new junior members **Saruta Benjanuvattra** (Econ, U of York) and **Attakrit Leckcivilize** (Econ, LSE), which bring us to a total of 20. Several of our PhD students are in the stage of writing dissertations. Popular areas of research are: labor economics, international finance, and developmental economics. Our junior members remain very active, and not only in their studies, as I have highlighted in their accomplishments below. I am extremely proud of these junior members and look forward to hearing more about the excellent work they will be doing in their fields.

We hope to see many of you in Atlanta during the ASSA Annual Conference in January 2-4, 2010. This will be a great chance to exchange research ideas and teaching experiences, and getting to know one another. If you are interested in becoming a member or sharing your recent awards, honors, publications, job placements, and dissertation defense, please contact us at onorrbin@fsu.edu.

Pinyarat Sirisomboonsuk (Ops. Management, Texas Tech U, 2012) has been appointed to teach 2 classes of 'Introduction to Production and Operations Management' this semester.

Chaowarit Chaowsangrat (Modern Latin American History, University College London, UK, 2009) will earn his doctoral degree in December this year. His dissertation topic is '*Violence and forced internal migrants in Bogotá, Colombia (1990-2002)*.' Chaowarit has his Bachelor's and Master's degrees in economics from Thammasat University and Hitotsubashi University, respectively. His recent research paper on '*Comparative Trends in Violent Crime: the Latin America Context*' has been published in the research paper series of Conflict Analysis Resource Center, Colombia. He accepted a job offer from Thammasat University. Congratulations!

Thuttai Keeratipongpaiboon (Econ, U of London, UK, 2012) continues working on his dissertation topic: '*Population Ageing: Changes in Household Composition and Economic Behavior in Thailand*.' He has been working with the NESDB. A quick announcement from

Thuttai: SOAS (School of Oriental and African Studies), University of London, will host a seminar for those who are working on Southeast Asia in the UK, on November 28th 2009, 10am-5pm.

La-Bhus Jirasavetakul (Econ, University of Oxford, UK, 2010) is working on her dissertation in the labor economics area. She will defend her dissertation in the Spring of 2010. During the past summer, she participated in an internship program at the Transport Division, UN ESCAP, and researched on the topic of '*New Economic Geography Impacts of Transport and the Case Study of the GMS East-West Economic Corridor.*'

Kraiyo Patrawart (Econ, U of London, UK, 2010) continues working on his dissertation on '*The Political Economy of Democratic Accountability and Violent Conflict.*' He has been appointed as a Teaching Fellow at the Department of Economics, Royal Holloway College, University of London. Moreover, Kraiyo has been awarded the *Anglo-Thai Society Education of Excellence Awards 2009* for the Humanity and Social Science Category. In the spring of 2010, he will visit the Department of Government at Harvard University to conduct a research project on political crisis in Thailand.

Regular Member Report

- Kanda Naknoi

The number of regular members of the OTEFA has increased from 43 to 56 in the past 6 months. Yet, the news coverage in this issue is short. As always, please feel free to share your news at: otefamail@gmail.com

Yupana Wiwattanakantang led a panel discussion about the effects of family structure on stock returns at the *Stock Exchange of Thailand* in the summer.

Nattavudh Powdthavee has two new publications: "I can't smile without you: spousal correlation in life satisfaction," *Journal of Economic Psychology*, 30(4), 675-689; and "What happens to people before and after disability? Focusing effects, lead effects, and anticipation in different areas of life," *Social Science & Medicine*, forthcoming.

Onsurang P. Norrbin changed her affiliation to Department of Economics at *Florida State University*.

Kanda Naknoi was a visiting scholar at the *Asian Development Bank Institute* in the summer, was appointed Research Associate by the *Centers for International Price Research* at Vanderbilt University and served as a grant reviewer for the *National Science Foundation*.

Yothin Jinjarak presented papers at the *SER conference* in August and gave a seminar at the research department at the *Dallas Fed* in October.

Pramuan Bunkanwanicha was a visiting scholar at the *Development Bank of Japan* in July.

OTEFA Annual Meeting 2010

You are invited to our 1st Annual Meeting!

Time: January 4, 2010, 7:30pm – 9:30pm

Venue: Spoon Atlanta, 768 Marietta Street, Atlanta, GA 30318. (404) 522-5655 (Map: <http://www.spoonatlanta.com/map.html>)

Agenda:

1. Reviewing the bylaws draft
2. Voting for the governance structure
3. Nominating candidates for President and Vice President
4. Electing President and Vice President
5. Proposing new activities

RSVP by December 28, 2009 at: otefamail@gmail.com

Member News

Bylaws Draft

THE OVERSEAS THAI ECONOMIC AND FINANCE ASSOCIATION

BYLAWS

December 1, 2009

APPROVED:

President **Date**

Vice President **Date**

Secretary **Date**

Treasurer **Date**

THE OVERSEAS THAI ECONOMIC AND FINANCE ASSOCIATION

BYLAWS

December 1, 2009

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THE OVERSEAS THAI ECONOMIC AND FINANCE ASSOCIATION

BYLAWS

December 1, 2009

ARTICLE I - NAME, PURPOSE, TERRITORY, AND GOVERNMENT

SEC. 1: This organization shall be known as the Overseas Thai Economic and Finance Association, hereinafter called OTEFA.

SEC. 2: It shall be the purpose of OTEFA to (a) promote collaboration and dissemination of research in the fields of economics and finance among its members, and (b) act as a medium for its members to exchange information.

SEC. 3: The character of OTEFA's scope is transnational and the territory in which its operations are to be conducted is the entire world.

SEC. 4: OTEFA is governed by the OTEFA Bylaws.

Review of OTEFA Planning and Operations for compliance with OTEFA Bylaws shall be performed by the OTEFA's Executive Committee at the beginning of each current administrative year.

ARTICLE II - MEMBERSHIP

- SEC. 1:** Every member of OTEFA is of an equal status.
- SEC. 2:** Members shall be entitled to all rights and privileges of OTEFA, including the use of "OTEFA Member" in their signature blocks, and on business cards, letterheads and such.
- SEC. 3:** Applications for admission to OTEFA membership shall be made on forms provided by OTEFA and shall embody a record of the applicant's education and career. The names of references shall be provided as specified in these Bylaws. References shall be requested to submit a statement on the qualifications of the applicant, as the case may be. References must be an OTEFA member. The admission decision will be determined by the OTEFA Executive Committee.
- SEC. 4:** A member of OTEFA may be expelled, suspended, or censured for cause. Cause shall mean conduct that is determined to be seriously prejudicial OTEFA. The OTEFA Executive Committee shall review complaints alleging conduct by an OTEFA member that constitutes cause. Complaints may be filed by any OTEFA member in good standing individually.
- SEC. 5:** Any member elected to join the OTEFA Executive Committee by the voting members of OTEFA may be removed, with or without cause, by vote of the voting members of OTEFA, as within thirty (30) days following the receipt by OTEFA Executive Committee of a petition signed by at least 20 percent of the total number of OTEFA voting members moving for the removal of such elected member. A ballot on such motion shall be submitted to the voting members. If a majority of the ballots cast for or against such motion are to remove such elected member, such elected member and all non-elected officers in the OTEFA Executive Committee appointed by such elected member shall be removed from such positions.

ARTICLE III - EXECUTIVE COMMITTEE

- SEC. 1:** OTEFA Executive Committee shall be composed of President, Vice President, Secretary and Treasurer. President and Vice President shall be elected annually for a term of one year. Secretary and Treasurer shall be appointed by the President. Executive Committee officers shall be restricted to those who are OTEFA members.
- SEC. 2:** Vacancies in Executive Committee posts occurring during the year shall be filled through appointment(s) by OTEFA Executive Committee for the remainder of the unexpired term.
- SEC. 3:** Removal from Office: If a member of the Executive Committee fails to perform his/her duties as stated in the OTEFA Bylaws, then that person may be removed from office. The removal may be initiated by either a petition containing signatures of 20 percent of the voting members of OTEFA.

In the case of removal by petition from the members, a special ballot shall be mailed to OTEFA voting members for the purpose of voting upon this removal. A one-half majority vote of voting members shall be required to remove a person from office.

If the office is declared vacant through removal, then the office shall be filled for the remainder of the unexpired term as specified in OTEFA Bylaws, Article III, Section 2.

ARTICLE IV - NOMINATIONS AND ELECTIONS

- SEC. 1:** Any OTEFA member may nominate a candidate for President and Vice President in the month of November.
- SEC. 2:** If there are more than two candidates for any position, a primary election by open mail ballot shall be held in December to select two candidates with the highest primary votes as the candidates for the annual Presidential Election held at the January OTEFA meeting. OTEFA Secretary shall be responsible for mailing mail ballots to OTEFA members.
- SEC. 3:** OTEFA Secretary shall advise the OTEFA members of the completed slate of candidates at the January OTEFA meetings.
- SEC. 4:** The election of the President and Vice President shall be held at the January OTEFA. Only OTEFA members who are present at such meeting can cast a vote. The Secretary shall be responsible for publishing the outcomes of the elections notification in the OTEFA February newsletter.
- SEC. 5:** President and Vice President (in case of contest) shall be elected by a simple majority of votes cast for that post.
- SEC. 6:** In case of a tie of the votes for any post, it shall be resolved in favor of one of the candidates using a coin toss. The coin toss shall be administered by OTEFA Secretary.
- SEC. 7:** Election results completed with names, member numbers, addresses, and telephone numbers of incoming OTEFA President and Vice President, shall be reported to the OTEFA Executive Committee within fifteen (15) days of the election.
- SEC. 8:** The President and Vice President, duly elected, shall assume their official duties on the first day of February succeeding their election and shall hold office for one year or until their successors take office.

ARTICLE V - FINANCING

- SEC. 1:** OTEFA fiscal year shall be the calendar year. A financial report to the OTEFA Executive Committee shall be made at the end of each year. It shall be the responsibility of OTEFA Treasurer to submit the financial report.
- SEC. 2:** OTEFA transfers the responsibility to the incoming Executive Committee in February, which does not coincide with the fiscal year. Therefore, the immediate past Treasurer shall be responsible for helping the Treasurer to prepare the report in Section 1 of Article V.
- SEC. 3:** All funds received by OTEFA shall be deposited in a bank approved by OTEFA Executive Committee. The signature of the Treasurer, President, Vice President, or the Secretary shall be required for all withdrawals from OTEFA accounts.

All funds of OTEFA shall be kept in one or more depositories, and for this the Treasurer shall seek the approval of the Executive Committee. All receipts shall be deposited therein within thirty (30) days of receipt.

All receipts, expenditures, and balances shall be recorded by the Treasurer. Each Treasurer shall pass the past and present records on to his/her successor. The record keeping method shall be reviewed and approved by the Executive Committee. Each payment shall be made by check, and full disclosure of amount, payee, and purpose of expenditure entered in the records. These records, bills, canceled checks, and monthly bank statements shall also become part of the Treasurer's records.

- SEC. 4:** During March, OTEFA books shall be reviewed by an auditing committee. This committee shall be appointed by the President in February, and shall consist of incoming President, incoming and outgoing Treasurers, and an independent financial auditor. The Committee shall complete the audit of the books by March 31st, and submit a written report to the President.

The services of a financial auditor may be hired with the approval of the Executive Committee.

- SEC. 5:** A special audit may be ordered at any time by the Executive Committee or on petition of at least 20 percent of the total number of OTEFA members. An Auditing Committee consisting of three members of OTEFA shall be appointed by the President. The Committee shall submit a report of the findings to the Executive Committee within thirty (30) days after the audit is ordered.

If the audit is requested by OTEFA members, one of the members from the petition signees shall be appointed to the Auditing Committee. Appointment of the members of the Auditing Committee shall be approved by the Executive Committee.

SEC. 6: The outgoing Treasurer shall submit a tentative budget for the coming year in November at the Executive Committee meeting. The budget shall be revised as deemed appropriate by the incoming Executive Committee after the Executive Committee assume its official duties.

SEC. 7: Without prior authorization of the Executive Committee, OTEFA funds can be used only for normal budgeted operations of OTEFA.

Proposal(s) seeking OTEFA funds shall be submitted to the Treasurer at least two weeks before an Executive Committee meeting. The Treasurer will distribute the proposal(s) to the other three members for their input at the biannual Executive Committee meeting. Each proposal shall be discussed under "New Business." The person who has submitted the proposal(s) may be asked to attend the meeting to answer questions.

Expenditures authorized by the proper motions, and approved by the Executive Committee, shall be paid by the Treasurer upon receipt of bills unless judged by the Treasurer to be in error. Such questionable bills and bills not previously authorized shall be approved by the Committee before the proper payment can be made. A report of expenditures, income, and balances shall be a part of the Executive Committee's regular biannual meeting agenda.

SEC. 8: OTEFA may raise funds by conducting appropriate activities. Typical activities include technical proceedings, seminars, short courses, conferences, or trade shows, which may satisfy either OTEFA and/or membership needs.

ARTICLE VI - MANAGEMENT

SEC. 1: Management of OTEFA shall be by the Executive Committee, which shall be composed of President, Vice President, Secretary, and Treasurer.

SEC. 2: Eligibility to hold office in OTEFA shall be restricted to those who are OTEFA members.

SEC. 3: OTEFA President shall be the Executive Officer of OTEFA. OTEFA President shall be the only representative for OTEFA business. He/she may delegate the authority to someone to conduct business on his/her behalf.

The Vice President shall be the alternate OTEFA representative.

The Secretary shall perform duties normally associated with that office and any other task assigned by the Executive Committee. The Secretary shall be responsible for administering President and Vice President elections.

The Treasurer shall perform duties and obligations in accordance with the OTEFA Bylaws.

SEC. 4: The Executive Committee shall meet, in person or via other means of communication, every six months in the months of May and November, or at such times as may be found necessary upon request of the President or of two OTEFA officers. A quorum of the Executive Committee members must be present to conduct OTEFA business. Three (3) members of OTEFA Executive Committee shall constitute a quorum.

OTEFA Executive Committee officers shall routinely attend OTEFA Executive Committee meetings and shall notify OTEFA President or Vice President if unable to attend for a legitimate reason. If any officer or President misses two meetings without informing OTEFA President or Vice President, his/her office may be vacated in accordance with Article III, Section 3 of these Bylaws.

SEC. 5: At the close of the fiscal year, OTEFA President shall prepare a consolidated report of OTEFA activities during the operating year, furnishing copies to the OTEFA Executive Committee for permanent retention.

The outgoing OTEFA Executive Committee officers shall transfer pertinent documents and records to the incoming officers.

ARTICLE VII - PUBLICATIONS

- SEC. 1:** OTEFA shall publish a newsletter to be released on or before the first of every six months in the months of June and December.
- SEC. 2:** OTEFA may publish a supplementary meeting flyer to be released as the need arises.
- SEC. 3:** OTEFA may publish and revise the membership directory if approved by the Executive Committee.
- SEC. 4:** OTEFA may issue special notices when warranted and approved by the Executive Committee.

ARTICLE VIII - BUSINESS MEETING

SEC. 1: In order to transact business at an OTEFA meeting, at least 20 percent of the total number of OTEFA members must be present to constitute a quorum.

ARTICLE IX - AMENDMENTS

- SEC. 1:** Amendments to these Bylaws shall be proposed by OTEFA Executive Committee acting upon their own recommendations, or through petition signed by at least 20 percent of the total number of OTEFA members.
- SEC. 2:** A recommendation on amendments to the Bylaws will be developed by OTEFA Executive Committee prior to submission to the membership. Proposed amendments, and the reasons therefore, shall be delivered or mailed to OTEFA Executive Committee members at least fifteen (15) days before the stipulated meeting of OTEFA Executive Committee at which a decision is to be made. Amendments proposed by petitions shall be submitted for the OTEFA Executive Committee consideration within thirty (30) days of the receipt of the petitions by the Secretary. Such Bylaws must be in a complete history of the amendment(s) together with a record of the count of votes and shall be certified by the Secretary for inclusion in the minutes of the said meeting. This record shall become a permanent record for OTEFA office consonant with the OTEFA Bylaws and published interpretations of policy.
- SEC. 3:** The recommendation of OTEFA Executive Committee on proposed Bylaws amendments shall be presented for action at the next regular membership meeting following Executive Committee action, or by mail if a mail ballot is preferable. A favorable vote of one-half of members present and voting at a regularly convened meeting, or a favorable vote of one-half of the ballots casted by mail is required to enact an amendment.