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OTEFA Newsletter

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From the Economics Editor

WWW with Thailand

- **Kanda Naknoi**

When I put together pages for this newsletter, I questioned whether I should discuss the political crisis in Thailand. The crisis is political and not directly related to the goals of the OTEFA. Yet, the conflict has claimed unprecedented humanitarian and economic casualties: 90 deaths, 2,000 wounded ^[1] and projected loss of 2.5% of GDP ^[2]. These quantitative impacts are so large that I decided to write about the crisis. To some extent, this article is my answer to the following question asked by many colleagues and friends.

What Went Wrong with Thailand?

In my view, Thailand has been a time bomb waiting to explode. The macroeconomic causes of the political crisis have persisted for years. These macro causes are worsening income distribution and structural changes brought by the baht crisis in 1997.

First, let me discuss the problem of income distribution. Income inequality in Thailand is not new, but the mass public had never protested against that. Why now? The problem is that the bad income distribution has gone worse, despite the fact that Thailand enjoyed strong economic growth in the past four decades. Based on Gini coefficients of household income, 40 years ago income in Thailand was more equal than that in Malaysia and the Philippines. Today the ranking is reversed, although the inequality was improved temporarily in early years of the Thaksin government. ^[3] When we look at the geographical distribution of inequality, the problem is more severe in the North and the Northeast than other regions. ^[4] Thus, it is not surprising that the North and the Northeast became the strongholds for former-PM Thaksin's political party.

Next, the baht crisis in 1997 has changed market structure of many industries. As old firms failed or got consolidated, new firms emerged. Former-PM Thaksin's and his associates' business groups became important players particularly in telecommunication and mass media. Competition in these industries brought not only wealth to the new entrepreneurs, but also low-cost access to new information to the consumers. Thanks to new information, voters in rural areas became aware of the problem of income inequality. Moreover, the reduction of cost of communication via cellular phones and the internet enabled dissatisfied voters to organize more effectively than before.

In addition, the baht crisis was seen as a result of mismanagement by the technocrats. For this reason, the bath crisis paved the way for subsequent reforms

and privatizations. As the Thaksin government put forward reforms and privatizations from 2000, discontent among senior officials grew. Eventually, a number of senior officials became instrumental in the campaign against the Thaksin government, together with a media tycoon whose business failed during the baht crisis. This continued conflict between anti-reform officials and pro-reform groups was recently manifested by the revolts against government officials in several provinces last month.

To summarize, the baht crisis has brought structural changes, which forced Thailand to confront the problem of income inequality. To address this problem, the current Abhisit government has proposed to reform tax system by introducing property tax and progressive land tax. However, it remains to be seen whether the Abhisit government is serious about such reforms.

Notes:

[1] See "Toll from Thai crisis rises to 88 since March," Press Trust of India May 24 (2010): [http://www.ptinews.com/news/665679 Toll-from-Thai-crisis-rises-to-88-since-March](http://www.ptinews.com/news/665679_Toll-from-Thai-crisis-rises-to-88-since-March)

[2] See "Thai Growth Positive, for Now," Wall Street Journal, May 24 (2010): http://online.wsj.com/article/SB10001424052748704226004575263520169821394.html?mod=googlenews_wsj

[3] See Figure 3.7 in Thailand Human Development Report (2009), United Nations Development Programme: http://hdr.undp.org/en/reports/nationalreports/asiathepacific/thailand/NHDR_2009_Thailand.pdf

[4] See Table A1.4 in Thailand Human Development Report (2009), United Nations Development Programme: http://hdr.undp.org/en/reports/nationalreports/asiathepacific/thailand/NHDR_2009_Thailand.pdf

From the Reporters

Yet Another Advice for the New Ph.D. Economists in the U.S. Academic Job Market

- Paan Jindapon

To young members of OTEFA:

Last year I had an opportunity to serve on a search committee for a tenure-track position. I was on the other side of the market 4 years ago and I learned a few things that I'd like to share with you. This is not a complete set of advice; I only want to talk about some issues that are important, yet often ignored.

First of all, many recruiters now use an online application system. Our system was set up before we posted our advertisement on the JOE website so that each search committee member could access a job candidate's application profile as soon as it was submitted. Our job advertisement was released in the October issue of JOE. While there were only a few applications that came in the first week of October, we received more than 50 applications in the last week of November. My first advice is to apply early. Don't wait until late November to apply. Some recruiters look forward to receiving an application and start viewing application packets early. Some recruiters begin finalizing list of strong candidates when they have enough applications, possibly weeks before application deadline. Moreover, when there are not too many new applications, each committee member can view these applications very carefully and thoroughly.

Second, in addition to apply early, make sure your letters of recommendation were sent early. If they need 3 letters, make sure all 3 people who agreed to write a letter for you sent the letter in time. Some people said all the letters are inflated and they are useless. That's wrong! In fact, if you can't find 3 persons who are willing to write nice things about you, then you're out. Good letters are necessary but not sufficient. We did not interview any job candidates who provided us with less than 3 letters of recommendation. We let some strong candidates know about missing letters and allow them to scan and email us recommendation letters. Some recommenders sent us all 3 letters in the same envelope. That's convenient and efficient.

Most interviews are boring. We talked to 8 job candidates a day at the ASSA meeting. So each day was tiring for us but we enjoyed talking to some of the candidates. You would want to be one of the people that your interviewers enjoy talking to. Try to be enthusiastic about your research (even though you're not) and

show that you're interested in working with them. They are searching for best colleagues; you should talk to them as if you're talking to your future colleagues, not your professors. Most interviewers are friendly because they also want to impress you. I guess most graduate students from Thailand are humble. Humbleness is good, but also show your confidence. I don't think that Thai students have a strong personality and will come across as disrespectful or arrogant.

Last but not least, email ALL interviewers to thank them for their time and show that you're really interested. Most people think that a thank you note does not make a difference. If you're the strongest candidate, then it doesn't matter. But if they are filling the last spot for campus visit and have to choose between 2 candidates that are equally strong, they will go with the one that wrote them a note. It works not because they appreciate your message, but no communication after interview can be interpreted as lack of interest. Campus visit is expensive; they will never invite a candidate that will eventually turn down their offer. Also, you should write back to all of them because they talk to each other. Imagine you interview this guy and he sent a thank you note to other committee members, but not to you. How does that make you feel?

I hope you find this information useful. Good luck with the job market this year!

From the Reporters

Why the Negotiation Didn't Work: A Psychological and Behaviourial Perspective

- Nattavudh Powdthavee

Have you ever gone to watch a football match with a friend who happens to be supporting the 'other' team? If so, then you would perhaps identify with me. A few years ago I happened to be attending a football match with a friend who indeed was supporting the opposite team (me: Gillingham, him: Bournemouth). And then half way through the second half, a blatant foul occurred in the penalty box by Bournemouth's central defender on Gillingham's forward. But no penalty was given. All of the Gillingham fans - me included - saw that it was a penalty, and we were enraged. By contrast, my friend saw that no harm was done ("it was never a penalty"), and we agreed to disagree to this day.

But how can the same event - seen by two people at the same perspective and time - leads to two entirely different conclusions? How can one person see a foul, while the other saw nothing wrong?

My experience, you might say, is not entirely different from what we are witnessing on the streets of Bangkok today (note that the article is written in April, 2010). How some of us who support the government can see the logics given by the Prime Minister on the live TV broadcast that last week of March, but the Red Shirt people can't? And how can some of us who support the dissolution of the parliament can see the logics given by the Red Shirt leaders, but the others who support the government can't? To anyone who supports neither side, this seems wholly irrational and strange.

There are two simple psychological and behavioural explanations to this. The first comes from the evidence in psychology that our decision to judge whether something - anything - is good or not is determined by feelings first and rationale later. We do not, as conventional wisdom would have it, always make judgments based on reasoning, which occurs when we engage in rationalisation before making judgement on whether or not something makes sense to us. Instead, we make snap judgements based on prior beliefs and gut feelings which may have been fostered internally or externally and then subsequently try to back them up with plausible reasoning. Sometimes we succeed at winning the argument. And sometimes we succumb to the fact that there are probably no rational justifications why we should be feeling the way we do, but we still do anyway. And this partly explains why, even

in the face of almost irrefutable evidence, many people still refuse to listen or cave in to what the other side has to say, even when it is obvious from the third-party's point of view who the winners are.

The second reason has to do with what psychologists called 'cognitive dissonance' or the uncomfortable feelings caused by holding two contradictory beliefs simultaneously. A simple example for this comes in the form of smokers. Smokers often hold two contradicting ideas in their heads (e.g. I know smoking is bad for our health and yet it is so addictive!). And since attitudes are much easier to change than behaviours, individuals will try to reduce dissonance by altering their attitudes to favour their original decisions (e.g. smoking may be bad for some, but it helps to reduce weight; so if I stop smoking, I'll gain weight, which is bad for me.) Cognitive dissonance can help explain some of the protestors' behaviours. By making a choice - whether to smoke or to protest, we tend to stick with that choice no matter what happens. This is because if we move away from our original position, it would have meant that we chose poorly, that we've made a wrong decision, thus creating an unwanted dissonance in our heads. And if I can see that many others are also not caving in - whether by seeing other smokers or other protestors - then the more reason for me not to change even when, outside looking in, it seems much more reasonable to do so.

The question now is: How do we solve this psychological and behavioural conundrum? One way, which has already been taken by the Prime Minister, is to try and reduce the feeling of losses involved with the possibility of people to change their stances. By giving the people he serves leeway by explicitly showing that he is willing to listen within reasons to their demands, and assuring that there would be no losses - whether psychologically or socially - for the Red Shirt people should they agree with him to find a middle ground solution for the Thai people as a whole, the PM and his government has taken a step forward in the right direction. What doesn't help the cause, however, is for the Red Shirt leaders to keep saying to their people how big of a loss it would be if they cave into the Prime Minister's offer, thus fanning the already burning feeling of hatred further, when, according to any third-party observers, the Prime Minister's offer of flexibility seems to be the most optimal solution for all.

Teaching Tips for the First-Time TA

- Onsurang P. Norrbín

In the past few years, I noticed that it has been harder to push students further in their learning of a subject matter. From the big public university experience, TAs and professors have become more like stumbling blocks toward graduation, rather than the providers of knowledge. So, it has crossed my mind that we may have to work harder in “selling our discipline” than before. It is a nontrivial task to convince students that what they are learning is seriously important.

In the last issue of the newsletter, I discussed the teaching tip # 2 of *making sure your lectures are relevant*. As I was researching on how to be masterful in teaching economics, I came across an interesting insight by Dr. Salvatore Schiavo-Campo. I would like to take this opportunity share his wisdom with you.

Students frequently express frustration when faced with analytical models based on obviously unrealistic assumptions--whether pure competition, no transport cost, perfect geographic mobility, or whatever. We have all been asked: “*What does this have to do with the real world?*” The following illustrations may help justify the way we build and teach economic analysis.

“Why am I assuming such clearly unrealistic conditions as pure competition, no risk, or whatever? Am I blind, foolish, or guilty of wishful thinking about what ought to be rather than what is? I think not. There are good reasons--and you deserve to know them--why we teach economics this way, why we start from a set of assumptions, some of which clearly are not valid in a real life economy and try to draw logical conclusions from those assumptions. There are at least two good reasons for doing it this way. Let me give you an illustration of the first and most important reason.

“What is the earth's shape? (Answers vary from puzzlement at the apparently silly question to round or spherical.) Then proceed: OK, let's say it is round. But how do we know? This building is not round, nor are the mountains, nor . . . you nor me. The first time that we had visual proof that the earth is round was when pictures of it were beamed back by the astronauts. Actually seeing earth's overall shape required putting ourselves at a great distance from it, in order to not be confused by the mass of non-round shapes that make up the planet--in other words, to move away from the trees in order to see the forest. Of course economics assumes a much simpler world than actually exists. Economic reality is so complex that it is hopeless to try and understand it in its totality. We must first ask: `What

would happen if, and if, and if?' Only after arriving at strong logical conclusions do we then have the chance to find out, step by step, how those conclusions are likely to be affected by progressively introducing into the picture, step by step, more and more 'real life' elements. At the end of the process, we hope to arrive at a much better understanding of the whole phenomenon precisely because we have first dissected it into its major parts.

"There is another reason for the way we teach economics. Some of you must have come across a jogger some early morning, bleary-eyed, slogging through slush, and not really looking too happy. Why do they do it? They are not necessarily accomplishing anything practical, like getting to work early or catching a bus. Why, of course, they do it because jogging is good physical exercise and make one better able to deal with various everyday demands on the body. Well, to a large extent, studying economics is like 'jogging for the mind.' It is not always pleasant because it stretches and strengthens certain 'muscles' that are rarely used. But we ask that you study it this way because it's good mental exercise and makes you better able to deal with the various everyday demands on reasoning ability. I am not saying that 'a medicine must taste bad to be good.' On the contrary, many students, like many joggers, eventually come to enjoy the exercise itself."

Salvatore Schiavo-Campo, Economic Research Services

(From UNC, Department of Economics website: General Classroom Techniques)

I believe that several of the first-time TAs have to deal with similar questions. Let me share with you my teaching tip # 3, which becomes one of the most frequent comments I received in students' evaluations – be enthusiastic! The first-time TA usually tends to be too focused on the content of the lecture, overly prepared, following the textbook step-by-step, and forgetting the student-teacher connection. Once in the class, the TA becomes a teaching robot.

Teaching Tip #3: Enthusiasm is Contagious

What all good teachers have in common is love of their subjects. Your love in your field of study will excite and convince students that what they are being taught is very important. If you would like to get them to learn, try showing some passion in your subject. Enthusiasm is contagious. Your enthusiasm will initially spread to more-motivated students and then spill over further to less-engaged students. You need to create a belief that this is what you are enjoy doing. If you love it, they will love to learn it.

Practically, how do you do it? There are several ways to create positive learning climate such as showing your passion for the subject matter and encouraging student to share opinions or viewpoints on the topic to get them excited. Sometimes I use humor. When I start to notice that students' attention vanishes, I joke with

them that “I’m sorry; I have too much fun working on this problem, so I forgot that you guys are here. O.K. let me explain...” This way they laugh at my nerdy behavior and become curious as to what is making me so interested. Another method I use is to share ideas by well-known economists. After I bring in research articles and present them to the class, I usually say “wow, what a clever way to approach this problem,” or “I am not sure that I’m convinced by this idea, you should continue thinking about this topic and perhaps it could become your research topic.” Moreover, I often emphasized to students that I believe they are here because they are interested in economics; therefore, we have something in common: our interest in economics. By creating this bond, I have more students staying behind after class to discuss current events and policy issues than when I started teaching as a TA. Also, many of them seek my advice on their ideas and plans to pursue the graduate programs.

A high level of enthusiasm reflects your professional competence and confidence. This characteristic is derived from the individual’s subject matter knowledge and teaching experience. So, in the next issue, I will discuss the preparation for the class lecture in order for you to feel at ease walking in to the class and gain confidence in your subject matter.

Member News

Member Report

- Kanda Naknoi

As always, please feel free to share your news at: otefamail@gmail.com

Yupana Wiwattanakantang organized the *Conference on Families, Networks and Firms* at Thammasat Business School in December 2009.

Jon Wongswan moved from San Francisco to Bangkok to become Vice President at Equity and Derivatives Trading Group at *Phatra Securities*. His has new publication: "International fund investment and local market returns" with Yothin Jinjarak and Huanhuan Zheng, *Journal of Banking and Finance*, forthcoming.

Krislert Sampantharak got promoted to an associate professor with tenure at the IRPS School, *UCSD* in May 2010. He published a book entitled "An Analysis of Household Finance Using Integrated Household Surveys and Corporate Financial Accounting" with Robert M. Townsend (Econometric Society Monographs) in December 2009.

Nattavudh Powdthavee has the following new publications:

1. Powdthavee (2010) "What Happens to People Before and After Disability? Focusing Effects, Lead Effects, and Adaptation in Different Areas of Life", *Social Science & Medicine*, 69, 1834-1844.
2. Powdthavee (2010) "Daughters and Leftwing Voting" (with Andrew Oswald), *The Review of Economics and Statistics*, 92(2), 213-227 (Leading article)
3. Powdthavee (2010) *The Happiness Equation: The Surprising Economics of Our Most Valuable Asset*. Icon Books: UK. Publish in August.
(<http://www.bookdepository.co.uk/book/9781848311664/The-Happiness-Equation>)

Tanakorn Makaew was appointed an assistant professor at the Moore School of Business, *University of South Carolina*.

Kanda Naknoi published a paper entitled "Marginal Product of Capital, Capital Flows and Convergence," joint with Sirsha Chatterjee, in the *American Economic Review: Papers & Proceedings* (May 2010); and organized the session on Open-economy Macroeconomics and Economics Growth at the annual meeting of the *American Economic Association* in January 2010.

Wirachart Kilenthong moved from *UCSB* to the *University of Thai Chamber of Commerce* in January 2010.

Yothin Jinjarak moved from *NTU Singapore* to *University of London*.

Pramuan Bunkanwanicha visited *Boston College* in spring 2010.

Report from the Annual Meeting 2010

8 members of the OTEFA met in Atlanta on January 4, 2010. The meeting discussed each agenda as follows.

1. Reviewing the bylaws draft

All members voted to approve the bylaws draft with 2 proposed changes: (1) setting the term of President and Vice President to 3 years for the sake of continuity; and (2) allowing members to vote online, given that a large number of members will not be able to attend future meetings.

2. Voting for the governance structure

See the previous agenda.

3. Nominating candidates for President and Vice President

See the next agenda.

4. Electing President and Vice President

Kanda Naknoi was nominated and elected as President, to begin the term from the official registration of the OTEFA as a non-profit organization. Vice President position is pending upon nomination.

5. Proposing new activities

Proposal for 3 new activities:

(1) Posting interviews with economists on the OTEFA website.

(2) Providing links to articles on the OTEFA website. The links may include those from non-academic outlets as well.

(3) Considering joint-activities with economic or finance associations in Thailand, such as hosting conferences or workshops.