



Economics Going Forward

with contributions from.....

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The University Times

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This magazine was produced on behalf of the Trinity Economic Forum by The University Times. The University Times is produced with the financial support of Trinity College Students' Union. It is editorially independent and claims no special rights or privileges.



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Bringing economics into a new age

Kevin O'Donohoe
Editor

While we may not all agree with Barney Stinson (How I Met Your Mother), often quoted as saying that "new is always better", there is little doubt that 2014 marks a change in Ireland's economic reality -we hope for better. By officially exiting the EU-IMF bailout programme and regaining access to capital markets, as well as reading news of slightly improved economic indicators, there are signs, albeit small, that the Irish economy is beginning to turn it's first corner.

We believe that small is the right word to describe this change, with challenges still remaining in tackling high unemployment, dealing with the legacy of a property bubble for both banks and households and ensuring that policies are in place to foster sustainable economic growth into the future. Indeed, while we can see the light at the end of the tunnel, and probably do agree with Barney in his optimistic statement, work remains in bringing economics and the policies it guides forward.

The Trinity Economic Forum embraces this challenge. Our aim is to encourage and foster economic discourse among students and to provide them with a platform to contribute to policy-making in Ireland, a country which is ours as much as any other demography. We are confident that lessons from the past and new thinking today will contribute to developing a new generation of Irish leaders better equipped to meet the challenges ahead.

TEF 2014, which will take place on Feb-

"Challenges remain in tackling high unemployment, dealing with the legacy of a property bubble for both banks and households, and ensuring that policies are in place to foster sustainable economic growth into the future"

ruary 14th and 15th, hopes to further these aims. It is thus with great pleasure that TEF, in coordination with the Department of

Finance, are creating a new opportunity for students to shape policy in this country, by launching the Department of Finance Award for Policy Advancement. This initiative will afford students a way to pitch their own unique ideas on how to tackle pressing economic policy issues today, directly to those who devise and implement economic policy in Ireland.

Structured around the themes for TEF 2014, this initiative will invite submissions from students across Ireland to tackle questions on how to implement sustained eco-



"TEF, in coordination with the Department of Finance, are creating a new opportunity for students to shape policy in this country, by launching the Department of Finance Award for Policy Advancement"

omic growth in Ireland going forward and to devise a solution to high unemployment in Ireland. The forum will also host policy workshops, facilitated by members of the Department, to assist students in their submissions. At the end of the submission process, one student will be selected for a summer internship in the Department of Finance to shape their proposed policy further and to gain valuable insights into the policy-making process.

Further to this, TEF 2014 will once again deliver in bringing leaders and experts in the

fields of economics, business and politics to Trinity to engage with students and share their insights on how we can bring economics forward and ensure prosperity in Ireland into the future.

We have utmost confidence that we, as students can contribute creative, new ideas overlooked by others in issues such as banking and labour market reform, changes in third-level education as well as the many other topics that we have laid at the heart of our agenda for this year's forum. Indeed we are not the only ones who are confident-the

forum's partnership with our sponsors PwC and the Institute for New Economic Thinking, shows that both the private and public sectors, as well as the world of academia believe strongly in the creativity that young minds bring to the table.

With this rationale, we as students can be confident in making the leap from the old policies, which were lacking in some respects and channel our minds forward to innovate new policies, which are optimal for Ireland, both in terms of creating economic growth and, more importantly, ensuring that this growth is sustainable. The Trinity Economic Forum holds strong belief that we can once again deliver on a platform, whereby students can make their voices heard, so to contribute to planning for a new economy that is truly better. We look forward to welcoming you to TEF 2014 on the 14th of February.

Young scholars will bring new economic thinking



Perry G. Mehrling, Director of Education Programs at the Institute of New Economic Thinking discusses how today's youth are the key to solving the economic policy failures of today.

Look around and you'll see that the economic problems facing us today are many. Even worse, the most pressing of these problems pose a daunting challenge even to analyze in their full complexity, let alone solve.

It may seem that implementing any credible solution within current political and economic institutions is at least implausible, if not impossible. So why am I hopeful about the future?

Because I've seen the new economic thinking we so sorely need is being pursued with great enthusiasm by young people around the globe. These are people who best understand the failures of the current system and possess the creativity to change it.

The good thing about youth is that it does not shy away from a challenge, but rather instinctively embraces it. Climb that peak or ski that backwoods slope, but also throw your mind into exploration of a new approach to unsolved intellectual problems and your energies into overcoming obstacles that have defeated all previous efforts. More than anyone else, the young exemplify the idea that a challenge embraced gives life meaning.

And in this next generation of innovative thinkers lies the burgeoning potential of the new economic thinking of tomorrow

But recently, this potential has too often been stifled.

In economics, professional education has privileged the mastery of sterile technique over the development of inherent creativity, and professional promotion has put the private game of placing personal favor before the public good of tackling important social problems.

The consequence is that economic thinking has failed to rise to meet the challenges of today, leaving the would-be solutions in the hands of the uninformed. Here is the

fundamental origin of the policy failures that surround us today: It is a failure of thinking.

Everyone knows this, and many deplore it, but the real question is what to do about it.

The basic problem is not so much to inspire the new economic thinkers of tomorrow- they have inspiration aplenty already- but rather to nurture their development and promotion. They are ready to climb the peak, but they need support and encouragement throughout the the years of hard training in preparation for the tasks they set themselves.

The road that ultimately leads to climbing the peak is a long one, perhaps decades long. Young scholars are eager to make the journey, and a few will inevitably make it, even without help. But our needs today are greater than what can be supplied by the existing inefficient system of intellectual production that wastes the talents of so many.

Development of a new generation of economic thinkers requires the development of a new pipeline through which those thinkers can progress, from novice, to journeyman to master. Technology is part of the solution, since it offers to the curious mind access to myriad sources that have been lost in standard economics training. But access without organization is noise, not information. And satisfaction of curiosity is a private pleasure, not necessarily a public good

Ultimately, the new generation of thinkers must become self sustaining, with each stage in the pipeline supporting the development of the one just before. And ultimately this new generation will impose it's own organization on the myriad sources at hand and draw it's own conclusions. What is needed now is a pluralist approach, one that widens the range of current economics teaching as a way of widening the range of future economic thinking.

For example, economic history and the history of economic thought offer an incredibly rich diversity of past experience and thoughtful response to that experience. But these subjects are not taught as a standard part of the economics curriculum and hence

are not readily available in most programs. This can be changed.

Another example: Given the failure of economists to rise to the current challenges, the vacuum is being filled by the works of other social scientists, physicists and computer scientists. Here again, we find a rich diversity of responses, responses not taught and hence not readily available to aspiring young economic thinkers.

This is the task that the Institute of New Economic Thinking is undertaking with its Young Scholars Initiative. Through a host of programs, seminars, summer schools and other special events, the Institute is supporting young thinkers who want to learn realistic and relevant economics and want to change the discipline for the better. By providing the infrastructure and material support, as well as the access to leading thinkers like Lord Adair Turner and Joseph Stiglitz, who can serve as mentors, the Institute is leading the charge for the new economics of the future.

The key point is this: New economic thinking requires new economic thinkers. But new economic thinkers have to be produced. New economic teaching and new economic community are the essential inputs to that production. There are young scholars all around the world who are endlessly inspired and creative. But they need the appropriate help and support. Their potential is a resource that society cannot afford to waste.

Working with these young scholars every day, I know that we can meet this challenge of giving them this help and support that they need. And with the right support, they can climb that peak. I'm optimistic.

Perry G. Mehrling is Director of Education Programs at the Institute of New Economic Thinking, Professor of Economics at Barnard University and graduate of Harvard University.

What's Your Policy Idea?

The Department of Finance will be accepting submissions for the **Department of Finance Award for Policy Advancement**, immediately following TEF 2014, which is taking place on Friday, February 14th and Saturday, February 15th. Submissions will be accepted via the Departments' website from Monday, February 17th, with the deadline for submission being Friday, March 14th.

Initial submissions will be in the form of a 150 word summary of the idea alongside a supporting 1500 word submission. There will be two policy questions for students to choose from:

- Ireland has emerged from the EU-IMF programme with a legacy of both high household and public debt. Bearing in mind the implications of elevated public and private indebtedness, what strategies can be deployed to encourage economic growth in Ireland?
- The labour market response to the financial crisis has been particularly pronounced in Ireland relative to elsewhere in Europe. Taking into account the existing policy measures available, what strategy would you propose to reduce the current rate of unemployment to a more normal level?

The TEF 2014 workshops will be centred around these questions with department officials giving a talk on how to deliver an effective submission. For more details, contact: coordinator@trinityeconomicforum.ie or message us on facebook.

The deadline for policy submissions is the **14th of March 2014**

SCHEDULE

Friday 14th February 2014

16:30 -17:30

"Work Now and let Uncle Sam Pay for it Later"
Casey B. Mulligan (University of Chicago)

18:00 -19:00

"Banker's New Clothes"
Martin Hellwig (University of Bonn)

19:00 -20:00

Rethinking the Irish Banking System
Seán Whelan (RTÉ)
Stephen Donnelly T.D
Fiona Muldoon (Central Bank of Ireland)
Gregory Connor (NUIM)
Blainaid Clarke (TCD)

20:20 -21.20

Third Level Education in Ireland: Broke, Broken- or Both?
David McWilliams
Tom Boland (HEA)
Linda Hogan (TCD Vice-Provost)
Ferdinand von Prodzynski (Aberdeen)



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More details on the TEF website.

Saturday 15th February 2014

10:00 -10:25

Economics of the Wire
Peter Antonini (UCL)

10:25 -10:50

Moneyball Economics- Should Economists Pick the Team?
Simon Kuper (Financial Times)

10:50-11:15

Banking and Blackjack: Where does Gambling End and Strategy Begin?
Pete Lunn (ESRI)

11:35 -12:30

Why Economics Needs Economic History
Kevin O'Rourke (University of Oxford)
Ronan Lyons (TCD)

13:15 -14:30

Policy Workshops & Dept. of Finance Award Submission Tips

15:20 -16:30

Where Do We Grow From Here? Ireland's Economic Future

15:20 -16:30

The Global Irish Leadership Award
John Bruton

To prepare for the future, let's understand the past



Ronan Lyons, expert in property bubbles and economic history, explains the important role of economic history in developing economic policies going forward.

A significant chunk of undergraduate essays that have a historical perspective, open with the George Santayana quotation "Those who cannot remember the past are condemned to repeat it". That may be a little simplistic- most of us have forgotten about the Earl of Desmond's massacre of Youghal in 1579, but that doesn't mean Alex Feilding, the current Earl, will be on rampage in Cork any time soon. Instead, I think that Teddy Roosevelt sums it up better. He said: "I believe that the more you know about the past, the better you are prepared for the future."

A proper understanding of the past, both recent and more distant, is indeed the only way to provide a solid foundation for decisions taken today. Often, it seems like there is little to be gained- other than perhaps employment for those with a penchant for archives- from knowing what happened 50 or 150 years ago. Even if 25 years ago may be relevant, the argument goes, surely that is enough.

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This sort of myopia-only history that we can remember is relevant- will always be the attitude of some. But it is the responsibility of the policy maker to ensure that this is not the official line. Consider the case of globalization. Globalization was the buzzword of the 1990s. Most politicians, journalists and traders thought that this modern phenomenon was unprecedented- based on little more

than being unable to remember a time when economies had been so integrated. Not only that, but because humans like to think of linear progress, modern globalization was not only here, but here to stay. Or so the line went.

Fortunately, historians and economists were not fooled. A mix of experts and inquisitive minds started piecing together a longer run picture of international integration. What they had found surprised many. It turned out that a hundred years earlier- from the 1860s to the 1910s- there had been a previous period of globalization. Not only that, but measured in appropriate terms, globalization was deeper in some respects than in the 1990s!

So the globalization of the 1990s was not unprecedented. That gave a completely different perspective on what was happening, as did the finding that globalization may have sown the seeds of it's own destruction over a hundred years ago. By affecting the distribution of income, at a time of democratization, globalization brought about a backlash that culminated in the autarky of the inter-war period. The lessons for policy makers in this case, should be obvious.

This is but one example of knowledge about the past making us better prepared for the future. Whereas globalization was the buzzword of the 1990s, we now live in the age of recession. What causes recessions? What is the role of the financial system and the housing market? Can fiscal stimulus pay for itself by kick-starting growth? These are questions which are currently dominating academic and policy debates and discussions.

Policy makers in Ireland and across the developed world are now seeking to learn the lessons of the "Great Moderation" (somewhat unfortunately named, in hindsight) and

the "Great Recession" that followed it, where we currently find ourselves. To give themselves the best possible preparation for the next phase in our economic history, they will need to take a longer and broader minded view than recently before.

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Currently, for example, we know extremely little about long-run housing markets. One famous Dutch study indicates that- once you adjust for inflation, the prices of houses and other properties are roughly the same price now as what they were priced in the early 1600s.

But what does the last century and a half tell us about housing, banking and the broader economy? Can housing bubbles occur at all without easy credit? Furthermore, are recessions more linked with downturns in housing or credit cycles? And how does this all link up with globalization and capital flows, which have ebbed and flowed for the past 150 years or so?

If we are to give ourselves the best possible preparation for the future, we absolutely need to understand the past.

Ronan Lyons is Assistant Professor of Economics at Trinity College Dublin. He specializes predominantly in the economics of property markets and economic history

Bringing the back of the textbook to the front



Wendy Carlin gives a detailed insight into how universities can teach economics differently, and how the CORE project is taking the lead in developing a new curriculum strategy for undergraduates.

When launching a project to create a new undergraduate curriculum in economics, be careful what you wish for. During 2013, as we discussed the INET CORE curriculum project with academics, employers and students, we knew that we wished- and needed- to bring a fresh approach to teaching economics. The problem isn't so much what to do; it's where to start.

The traditional introductory course relies heavily on a set of abstract models, which students carry on doing economics will see again and again, with progressively more mathematical content and links to the real world. But to an 18-year old with no experience of economics, or who will never study the subject again after the introductory course, such models may appear abstract and remote. Recently no one has put it better than our colleague Paul Seabright, in an article headlined "Microeconomics for All", published by Project Syndicate in December 2013. He points out that we tend to teach introductory microeconomics with models that embody "beauty, simplicity and realism"

He explains;

"Microeconomics textbooks have remained practically unchanged for at least two decades. As a result, undergraduate students struggle to understand even the abstracts of papers on the complex

representations of microeconomic reality that fill research journals"

Clearly, there is a trade-off between our desire to reflect the complexity of the real world and continuing to teach models and results that students can understand and use. We can't expect introductory students to be reading academic journals, but we want to bring some of the reasearch work done in the world outside of the classroom, the work that excites and motivates us, into the introductory course. Of course, if this were easy to do, then many more courses would have changed already.

"Of course,if this were easy to do, then many more courses would have changed already"

I have previously written about this process as "bringing the back of the text-book to the front". We all know that if the final chapters of introductory text are taught at all, they tend to be taught in a hurry, in the last few weeks of a course. But they often contain the material that students have told us they value the most: environmental economics, economic interpretations of historical events or social problems - and, of course, the chapters that are bolted onto the end of new editions to interpret the recent events in the world around us.

In 2013, the Institute of New Economic Thinking founded the CORE project to create

an undergraduate curriculum that moves the back of the textbook to the front, which will be supplied as an open-access interactive e-book. The INET CORE project is a team of 25 economists from around the world working with writers, experts on innovations in teaching and a team of designers and computer programmers in Bangalore, India.

The course is being designed as you read this, and will not be taught until September 2014, so it is too early to be definitive about what we will include, or in what order. But we have made the decision to teach students first about the revolution that has brought them to the lecture theatre: capitalism and it's origins. Starting with the capitalist revolution allows us to show how economists use data to interpret the world, introduce the huge breadth of questions that economics can help to answer, and explain why our models were developed. It even allows us to explain why economics, as a discipline exists and how it has helped to change the world, as well as to understand it.

The response to our early material from students has been exciting to read. A group of students studying in the UK expressed relief at the fact that we did not rely on what they called "made up examples" to explain markets, and approved our desire to explain the ideas of Smith, Malthus, Schumpeter or Marx. A similar group of Colombian students highlighted the way that interactive material like ours stimulated debate among students, and made it possible for them to share their work with their peers in other countries, or play simple economic games to demonstrate the principles which we explain.

We need, of course, to be careful that we tell a coherent story, and to make sure that our students learn to understand the models that underpin more advanced study. But we are discovering that there's more than one way of introducing economics to the next generation of undergraduates, and this reality is becoming ever clearer.

Wendy Carlin is Professor of Economics at University College London. She is also the Project Director for the CORE Project, run by the Institute for New Economic Thinking

Football's quantitative revolution



Finn Hatherell interviews Soccernomics author and Financial Times journalist, Simon Kuper

1. How did you end up becoming one of the leading writers, in the relatively new area of "Soccernomics"?

I met Stefan (co-author of Soccernomics) at a conference in Istanbul 4-5 years ago and you're right in that very little had been written on combining economics and football for non-academic audiences. Speaking to Stefan, I realised he had a lot of insights based on data, whereas most of us, when we speak about football, we just have opinions.

2. With the emergence of this new data, will football become less about opinions and more about statistics?

No, I think football will always be about opinions. I don't think that stats can tell you something as paramount as whether Ronaldo is better than Messi, or whether Lampard is better than Gerrard. Academics in all fields debate amongst each other, but what they can't do is say "I think this, but have no evidence for this". What I'm trying to do is not stop people debating football, but to give that debate more of a basis in data and logic than it has had so far.

3. How has football benefitted from the use of statistics so far, and how quickly have clubs across Europe been adapting to this "Quantitative Revolution"?

I interviewed Carlo Ancelotti very recently on this, and his answer, I feel, is the common view. This is that statistics play a vital role in a player's physical training. With just a GPS attached to a player, this player's fitness attributes can be tested- whether it's his blood levels, sleep levels, how much he runs etc. These statistics allow you to tailor

every training session in a way that is optimal for each player, as you don't want Messi and Piqué completing the same training session, given their different position and physique. So statistics make every training more efficient because of the huge amount of data we can obtain- this helps the physical performance of each player improve year-on-year. However, where it is less effective, is in tactics, because we are still not entirely sure what the statistics can tell us.

4. In Soccernomics, you point to how much it pays out in wages is the main determinant of a club's long term success. Given that Manchester United have been struggling this season, but have the 3rd highest wage bill in the Premiership, is it inevitable that they will return to the top 4?

Well the wages to performance line for clubs over 10 years is almost an "Iron Rule". However, in one season, the link between wages and league position is only 70%, since there are variables like injuries, bad form etc. For example Robin Van Persie being injured is something that David Moyes can do little about. I expect United to finish in their logical position in the long term, which is 3rd, given that Chelsea and Man City have higher wage bills. Alex Ferguson was an overachiever in this respect, so it is unfair to expect David Moyes to reach such heights. So I think United fans must learn to expect 3rd place over the next few years, although they might not like to hear me say it!

5. Is it possible to run a profit and win trophies like the model that Fenway Sports Group are trying to employ at Liverpool?

I don't think you can win the league with a cut-price team. Owners of clubs like Chelsea and Manchester City are not stupid, they are well run clubs and when you have players like Sergio Aguero or Yaya Touré, you have a

better chance of winning the league than if you don't and Liverpool won't get these players because they are too expensive. However, if a club is well run and is managed well on and of the pitch, it can slightly overachieve, like Arsène Wenger and Alex Ferguson have done in the past. However, the English Premier League is where most rich clubs are, so there is huge competition between intelligence and money.

6. Arsène Wenger has a Ph.D in Economics and is seen as the first manager to apply economic and statistical methods as tools of football management. Do you think that there might be more managers from an academic background in the future?

I certainly think that there is a more favorable attitude in football towards educated coaches, not necessarily in economics, but among those who have skilled themselves in coaching. We can all see that in most cases, the "Roy Keane" figure does not get the big jobs any more. Clubs are more interested in "the Mourinho type", who has some education in coaching behind them, like Brendan Rodgers or André Villas Boas. In other words we are seeing individuals who have learned to be a coach more commonly in managerial positions than ex-players. I think this is a definite trend in football, but I think academics will and increasingly do work for clubs in statistics departments.

7. On a non-economic note, who do you think will surprise us at this summer's World Cup in Rio de Janeiro?

I think that the World Cup almost invites shocks because it is so short and shocks do happen in individual matches- look at Switzerland beating Spain in South Africa. I think some of the South American teams will shock us this year, given we know less about them.

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