

THE OPTIMAL BUNDLE

THE PENN STATE ECONOMICS ASSOCIATION PRESENTS:
THE OPTIMAL BUNDLE

Editor: Steven Leonard
Contributors: Joe Kearns, Joseph
Martinez, Eleanor Tsai, and Eric Richman
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French Youth and Unions Resist Labor Code Reform

On March 9, 224,000 students and union members across France rallied against the government's plan to reform the country's strict labor code. The demonstrations came after Prime Minister Manuel Valls and other Socialist Party leaders introduced proposals to loosen labor laws and reduce costs associated with firing workers, in the hopes of lowering an unemployment rate that has stubbornly remained above 10 percent since 2013. Specifically, the new laws would extend the maximum working week, limit severance pay, and simplify justification of layoffs. Those who favor the changes, including several economists, argue they would improve overall job security, as businesses would be more willing to make long-term hires and fewer workers would be pressed into taking temporary jobs. However, the move to weaken France's near-sacrosanct labor code has angered the traditional supporters of the Socialist Party and become a focal point for left-wing opposition groups. French history and recent opinion polls suggest a majority of the public will sympathize with the protesters, leaving the government to find a compromise between economic sense and political interest. — ET

Upcoming Events

Pasta/Movie Night (The Big Short), March 24th 7:00pm, 158 Willard
Northwestern Mutual, March 29th 6:45PM, room TBA
Economics Pennsylvania: The Brief Case, April 2nd 8am-5pm (case
competition/networking event)
Coordinator Applications due April 5th

Obama Predicts Lifting of Cuban Embargo

Barack Obama looked into a crystal ball and foresaw the next President emulating Richard Nixon's diplomacy. Bearing similarities to Nixon's easing of relations with China, Obama's decision to become the first sitting U.S. president in 88 years to visit Cuba offers promise for the repeal of a five-decade embargo with the communist nation. Obama recently proclaimed, "My strong prediction is that sometime in the next president's administration, whether they are a Democrat or a Republican, that the embargo in fact will be removed." This optimism is valid because some Republican Senators like Jeff Flake and Rand Paul want to help Democrats overturn the embargo. For now, Obama has used executive authority to eliminate trade and travel restrictions. This helps U.S. corporations like AT&T, Starwood Hotels and Resorts, and Marriott that want to operate in Cuba. But conservatives like Marco Rubio and Ted Cruz who believe free markets enhance democracy should want to repeal the embargo too, yet don't. Why doubt free markets when they're good for U.S. businesses and can produce democracy in Cuba? — JK



The Final Bell Tolls for Brazilian President Dilma Rousseff



The final bell has tolled for Dilma Rousseff's term as President of Brazil. On Thursday, March 17th, the Federal Congress voted 433-1 in favor of impeachment, which came as a reaction to Dilma's assigning of former-president Ignacio "Lula" da Silva to a cabinet position. Within 24 hours, a federal judge condemned the assignment as an attempt to skirt the law, as the Brazilian constitution places added restrictions on investigations of cabinet members over common citizens. Lula is being investigated in connection with the corruption scandal that has consumed state-owned oil corporation PetroBras.

On Friday, after the impeachment vote, Congress had 48 hours to elect an impeachment committee, which would in turn have 10 days to decide whether to recommend the action of impeachment. The committee was elected and impeachment recommended within a mere 5 hours. Now, Dilma has ten congressional sessions to provide evidence to preserve her term.

The Brazilian government's internal investigations

“Confidence resulting from the potential removal of corrupt official has resulted in a 23% surge in the Brazilian stock market”

were a result of pressure placed on civil servants by the Brazilian public. The revelations have been widespread and damning, but a necessary step in unraveling a centuries old system of patronage. Brazilians took national pride in participating in massive protests and are finally seeing results. Increased investor confidence resulting from the potential removal of corrupt officials has resulted in a 23% surge in the Brazilian stock market over the past month.



Millions of Brazilians took to the streets demanding impeachment on Monday the 18th, but now millions are counter-protesting, demanding that Lula and Dilma stay. Socioeconomic differences are what stands between both sides, creating the potential for violence between upper and lower classes. Brazil's history has been scarred by criminal elements, corrupt politicians, and an omnipresent military, and the 2014 election is once again playing out—not with a ballot box, but with megaphones, samba drums, and flying fists. 31 years removed from junta, the military could still take control and restore peace if the opportunity arises. Sadly, amongst all this, Brazil's thirst for imposing short-term order may come at the expense of long-term political stability. — JM

The Chinese Consumer Confidence Problem

Fear of the renminbi's depreciation is sweeping through China, leaving families worried about the value of their savings. In hopes of bypassing China's strict cash controls, people are getting family and friends to transfer money out of the country. This practice, which has been dubbed 'smurfing', allows citizens to transfer a legal limit of \$50,000 a year. Furthermore, China's decade-long lending

binge has crippled a banking system that is struggling to recover. The capital flight has motivated the government to purchase large sums of renminbi by selling dollars from their currency reserves. However, recent cuts in interest rates have only made it less desirable for savers to keep their money in China. In an effort to preserve Chinese currency, the government is preventing companies from filing misleading invoices that keep profits out of the country, as well as cutting off overseas investment routes.

If these measures fail to restore confidence, China's buying power and the pace of global economic growth will suffer. — ER



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education.psuea@psu.edu