

# THE OPTIMAL BUNDLE

THE PENN STATE ECONOMICS ASSOCIATION PRESENTS:  
THE OPTIMAL BUNDLE

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## How to Defraud a Company: Pretend to be CEO

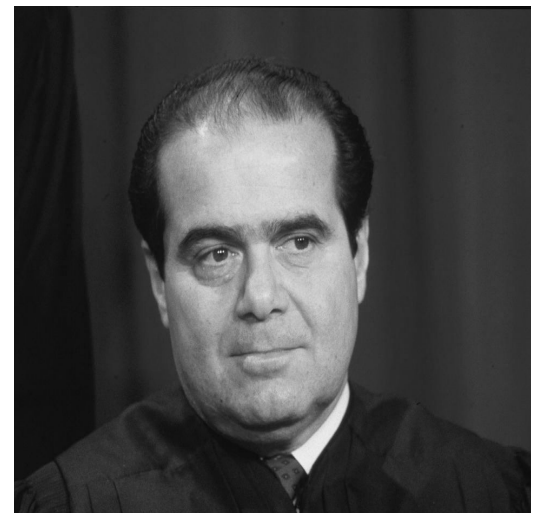
Money launderers are perfecting their craft—any prominent and well-respected executive can fall prey to seemingly valid “internal” scams. After receiving an email supposedly sent from the CEO, Mattel Inc.’s finance executive transferred \$3 million to a Chinese vendor in Wenzhou, only to discover hours later that the CEO never ordered the transfer. Known as the “fake CEO or president” scam, this type of deception is responsible for more than \$1.8 billion of stolen money, most of which passes through banks in China or Hong Kong. Fortunately for Mattel, the Bank of Wenzhou cooperated and froze the thieves’ account before the funds were liquidated. Furthermore, local Chinese authorities started an investigation in Wenzhou, the “birthplace of underground finance in China,” in an attempt to reduce the severity of money laundering. Mattel got lucky and eventually recollected their lost funds, but the majority of thieves successfully collect the stolen money due to inadequate international cooperation. The future deterrence of financial scams depends on increased collaboration and mutual partnership between the governments and companies involved. — JH

### Upcoming Events

Finance Society Ice Cream Social April 13th 4:30-6:30  
Applications due April 5th & Interviews will be Sunday, April 10th  
Annual End of the Year Dinner!  
April 22nd at Rotelli’s. RSVP through email link

## The Highest Gridlock

The implications surrounding the death of conservative Supreme Court Justice Antonin Scalia are starting to show their face. His death leaves four conservative and four liberal justices to decide on cases, and on Tuesday this balance of ideologies left the justices hung on a decision regarding whether or not labor unions have the right to collect fees from non-union members. Currently, labor unions do collect these fees, and the lack of a decision means that they have the ability to continue to collect them. However, if Justice Scalia were still a member of the court, the decision likely would have been one preventing this action. President Obama’s appointment of Judge Merrick Garland carries particular importance because, if confirmed, his tenure would shift the balance towards the liberal end of the spectrum. With the average time a justice spends on the Supreme Court being 16.26 years, that liberal ideology could be around for a long time. — JN



## State Budgeting: A Deficit of Responsibility



The Oxford English Dictionary defines the word responsibility as the “capability of fulfilling an obligation or duty.” Legal statutes require that the Pennsylvania legislature pass and governor approve a fiscal budget by the end of June each year.

With this year’s budget fully coming into effect only nine months late, Pennsylvania’s government has neglected its responsibilities.

Over the past decade, the state budget has been subjected to the worst of political gamesmanship. During the Rendell administration, several relatively shorter impasses resulted in the state’s deficit ballooning by billions of dollars and thousands of civil servants being furloughed. The Republican-controlled legislature under Governor Corbett managed to pass budgets on time, but intense controversy over education spending stoked fears of possible impasses.

Following the contentious 2014 elections, fears of that uncertainty arose once again. The

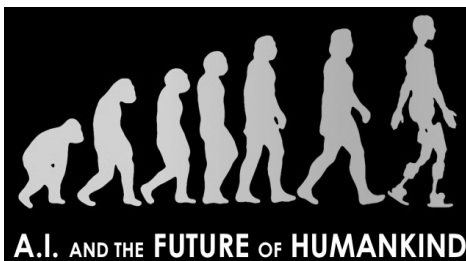
conservative legislature immediately announced their steadfast opposition to Governor Wolf’s 2015-2016 budget, which called for increased taxation to fund education and other public services. The polarized parties attempted to negotiate a plan acceptable for both sides. However, neither compromised to the other’s liking and subsequently failed to pass a budget by the legal deadline.

Soon, funding began to evaporate for many services, particularly education. Penn State, for instance, temporarily lost \$300 million in allocations needed to support students’ financial aid, payroll for thousands of agricultural extension employees, and general operational expenses. Many school districts were also forced to take out costly loans to remain open throughout this academic year. Through stop gap measures, the legislature and governor slowly came to appropriate funding for these services, but the damage had already been caused. Moody’s and S&P warned that the state is at risk of a credit rating downgrade should a severe impasse occur again.

“Lost \$300 million in allocations needed to support students’ financial aid”

Aside from the idealistic goal of electing responsible politicians, what else can be done to mitigate the economic damage of prolonged budget impasses? One solution is to impose consequences on irresponsible politicians. Research shows that legislators pass budgets more quickly when the law mandates government closures and suspension of salaries during impasses. Pennsylvania law, unlike in most other states, does not currently impose these consequences, but they have been proposed by Senators Rob Teplitz and Randy Vulakovich. While

## I’m Not At All Concerned About the Future of AI



Tay, Microsoft’s teen chat robot, refuses to be silenced. After Tay was rolled out two weeks ago, Microsoft felt compelled to remove the account. It issued an apology after the chatbot, which evolves and learns new language as it interacts with users on Twitter, Kik, and Groupme, began tweeting

racist, misogynistic, and otherwise terrible things, including denial of the holocaust and suggesting the September 11 terrorist attacks were an inside job. Tay returned to the internet last week (after some tweaking) in yet another short-lived experience until Tay hastily tweeted about drugs, forcing Microsoft to remove the account and issue another apology. This summary is hardly the place to cite specifics about the content of Tay’s tweets, but it’s worth Googling. As @geraldmellor said on twitter, “Tay’ went from ‘humans are super cool’ to full nazi in <24 hours and I’m not at all concerned about the future of AI”. – SL



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