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THE PENN STATE ECONOMICS ASSOCIATION  
THE OPTIMAL BUNDLE

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## JCPenney's Downward Spiral

J.C. Penney lost a quarter of its market value on October 27, according to the Wall Street Journal. In an attempt to increase revenue, J.C. Penney decided to discount slow-moving women's apparel. Despite the firm's efforts to stay competitive earnings per share dropped which lead to a downfall in investor confidence. This seems to be a trend as other brick-and-mortar retail stores are struggling to compete with online shopping platforms. J.C. Penney has had to shut down around 140 of its 1000 stores in order to cut costs and engage in liquidation sales. It is a growing challenge for department stores like J.C. Penney to compete with e-commerce. The monumental changes in this industry do not seem surprising, especially after Amazon's Jeff Bezos new title as world's wealthiest individual. —NM.



JCP (NYSE) shares fell by 5.29% early on Monday 10/30

Photo Credit: Matthew Staver/Bloomberg

Sources: <http://on.wsj.com/2z32czO>

## Asian Arsenals

As Secretary of State Rex Tillerson wraps up a trip to South Asia ahead of President Trump's upcoming visit to the region, there is growing anxiety over North Ko-



**Alone in the World** *Even after the United Nations passed the most severe sanctions package, basic game theory explains why the DPRK will not succumb to Western pressure. Only China, North Korea's key trading partner has some capacity to forcibly make the regime come to the negotiating table.*  
Photo Credit: Thompson Reuters/KCNA

hit the United States. This fear has prompted countries in the region to argue whether each should have its own nuclear arsenal. Kim Jong Un, is regarded as an erratic individual by the international community. Yet sequential game theory explains why his reluctance to give up his arsenal is rational. The North Korean regime has been able to observe that when hostile countries bend to American pressure and rid themselves of weapons of mass destruction, their leaders are promptly eliminated. Muammar Gadhafi of Libya was killed by NATO forces and Saddam Hussein of Iraq was executed, even under suspicion of harboring such arsenal. Both Japan and South Korea have the material and expertise to build a nuclear bomb within two years but are held back by international sanctions and domestic politics. The worst case scenario would be an aggressive nuclear arms race and every country have the ability to press the button anytime. —PR

Sources: The Associated Press

## PERSPECTIVES

### Beware Of The Study Abroad Fallacy

By The Editorial Board

The ability to dissect information and balance the costs and benefits of society's impulses is a paramount feature of studying undergraduate-level economics. When a tenured professor of a different department encourages an audience of likely indebted students to take out loans for the "enlightening experience of studying abroad", such ability becomes extremely useful. American university students hold over a trillion dollars in debt for tuition. This reality makes the professor's statement not only irrational, but fiscally irresponsible. There are undeniable benefits to studying abroad that become helpful down the road. Study abroad programs are an eye-opening experience and an exploration of a new culture. There are also tangible benefits. According to the Institute of International Education Students, alumni who studied abroad with their program earned starting salaries that were \$6,000 more than the average. However, this might be an example of selection bias, where the best students choose to study abroad skewing the employment statistics. Colleges urging students to study abroad when it could possibly give an incrementally higher likelihood of being employed is irresponsible for students who have to take on debt to pay their way. Additionally, study abroad programs are often run by private firms that offer kickbacks and perks to school administrators that sign students up. For example, the American Institute for Foreign Study offers college officials a free trip to one of its overseas sites for every 15 students that sign up and gives a percentage of what the student paid back to administrators.



Perks for college administrators increase per the amount of students that sign up, leaving college departments incentivized to push students to study abroad and perhaps inflate the benefits of overseas study. Several study abroad programs represent a part of the education industry that is more concerned with making money off the student, playing the role of customer, than it is about increasing a student's human capital. Tuition for American study abroad programs runs, on average, at \$31,270 a semester, more than twice a semester at the average 4-year private college. It is important to keep in mind that there are thousands of existing resources to help pay for a semester abroad. Not only do universities provide scholarships, but there is also opportunity through government organizations and non-profits. With this aid, studying abroad is made feasible, opening the doors for many students.

Sources: <http://bit.ly/2xGXC6W>; <http://bit.ly/2iie5YG>  
<http://bit.ly/2zIM2Ti>; <http://bit.ly/1aeaRZX>; <http://nyti.ms/2z11KTe>

## BACKGROUNDS Risk In London

The Bank of England has estimated that 75,000 jobs in the financial sector will be lost as a result of Britain's withdrawal from the European Union after a poll was conducted of 100 finance firms. The central bank has asked banks to create contingency plans by hedging funds. Much of the jobs are expected to be reallocated in Frankfurt or Paris.—NG

Sources: BBC

- Give us your perspective.
- Op-Ed entries welcome. Subject to review by editorial board. Send your pieces to [optimalbundle.psuea@psu.edu](mailto:optimalbundle.psuea@psu.edu)
- Department of Economics Seminar
- *Revealed Price Preference: Theory and Stochastic Testing*
- John Quah—Johns Hopkins—November 3 @ 2:15PM 102 Kern



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## Approaching Optimality.

### Across

3. Jobs in this sector are at risk after Brexit.

### Down

1. Leader of this north African country killed by NATO forces.

2. New shopping platform disrupting traditional retail markets such as JCPenney.

