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Interview with Dr. Pamela Lowry

Abstract

Illinois Wesleyan University Professor of Economics Dr. Pamela Lowry has been working on a topic she started researching in graduate school. Part of her research will culminate when her paper "External Economies and Trade: An Empirical Analysis" appears in the journal *Economic Development and Cultural Change*. Dr. Lowry's study, based on findings from her dissertation, involves using large amounts of data to test more exactly how increasing social capability expands a country's ability to trade.

opportunity costs are high. If she remains at her present position, she should be able to become an associate and relocate to the Hong Kong office some time this year.

Yuet Wei admits that working in Asia is a goal for her, not only because her roots are there--she is from Malaysia--but also because "it [Asia] is very exciting," and it has "potential for a lot of growth."

Yuet Wei is yet another example of the success one can achieve when hard work is combined with a degree from Illinois Wesleyan.

Interview with Dr. Pamela Lowry

Julieanna Lambert

Illinois Wesleyan University Professor of Economics Dr. Pamela Lowry has been working on a topic she started researching in graduate school. Part of her research will culminate when her paper "External Economies and Trade: An Empirical Analysis" appears in the journal *Economic Development and Cultural Change*. Dr. Lowry's study, based on findings from her dissertation, involves using large amounts of data to test more exactly how increasing social capability expands a country's ability to trade.

Social capability relates to the cost savings firms gain because of the level of sophistication of certain aspects of their society. It includes elements like the communication infrastructure, transportation infrastructure, the average level of education in a society, the sophistication and extent of the financial system, and eventually the presence of research institutions. Logically, Lowry said, these things are important to trade, but economists have had a difficult time quantifying how important.

"The innovation was not determining whether social capability should matter,"

Lowry said, but rather having an exact means of measuring how much each industry needs social capability to produce its goods. Other studies have tried to include social capability in their trade models, but were more "ad-hoc," using proxies for various aspects of social capability rather than describing the whole concept.

To put such a nebulous concept in exact numbers, Lowry looked at research on urban businesses. Cities are a more expensive location for firms, but they offer greater access to the externalities important to social capability. The kind of firms that locate in major cities, therefore, must get an advantage out of social capabilities, Lowry said.

To find which industries depend most on social capability, Lowry collected data on where firms in the United States locate by county. Bringing such a large number of firms to such a fine classification, Lowry ended up working with an enormous amount of information. With the resulting "big tape of data," however, she was able to calculate for each industry what percentage of the labor force was located in urban areas, arriving at one number for each industry. By finding how often firms chose to locate in cities -- centers of social capability -- she was able to arrive at a single number indicating how much each industry relied on that social capability.

Lowry then used that indicator in a trade model to determine whether a lack of social capability hinders some countries from exporting certain goods. She tested what types of goods Less Developed Countries (LDCs) and Newly Industrializing Countries (NICs) export to the United States. What she found, Lowry said, was that LDCs cannot export goods that rely on social capability in their production, but that NICs can do somewhat better at exporting these types of goods. As countries develop, therefore, they increase their social capability.

"As countries go out and invest in infrastructure," Lowry stated, "it frees them up

to export goods that require more social capability." As a country increases its social capability, the kinds of goods it exports grow in sophistication. Products that are high in social capability give workers a greater return on their labor, making each worker more productive and the country economically stronger. Economically developed countries can then reinvest in more infrastructure, eventually developing their system to a degree where innovation can take place near the point of manufacturing, at research universities.

"Silicon Valley exists," Lowry said, "because Stanford is right there." As countries move up the "product ladder," they export more sophisticated goods and eventually reach the point where manufacturing springs up near innovation sites. Lowry's study "is the closest thing we have to a nice quantification" of that movement.

Lowry's current research tries to further explain external economies, but rather than finding how they affect what a country is able to trade, she is finding how they affect the location of firms.

The next stage of her research will be aided by an Illinois Wesleyan Artistic/Scholarly Development Grant. Dr. Lowry will travel to the University of California at Berkeley this summer, where she will participate in a workshop in order to learn an econometric technique that she will use in studying foreign direct investment in China.

The Graduating Class

Junaid Ahmed

An unprecedented number of seniors are graduating with an Economics degree this year. The seniors are planning on getting into a number of different areas following their graduation. Here is a brief description of each senior:

1. **Tara Adige** - Tara is from Calcutta, India. She is also majoring in International Business, and is planning on exploring job opportunities in investment banking. She plans to go to graduate school in Business in future.

2. **Junaid Ahmed** - Junaid is looking forward to work at a non-governmental organization dealing with development and population issues in Bangladesh. After one year, he plans to go to graduate school in International Relations. Junaid has another major, in Political Science. He is from Dhaka, Bangladesh.

3. **Jay Ahrendt** - Jay is expecting to be drafted for professional baseball. Otherwise, he plans to work at Hydro Tek Environmental Systems as a sales representative. He is from Homewood, Illinois.

4. **Gwendolyn Alexander** - Gwen is planning on enrolling in a PhD program in Economics. She wants to concentrate in International Development, and will be studying at the University of Maryland. She is from Joliet, Illinois, and has a second major in International Studies.

5. **Jesse Boyle** - Jesse is from Oak Lawn, Illinois. He plans to work for two years before going to graduate school for an MBA. He has an additional major in Business Administration.

6. **Susan Brown** - Susan is enrolling as a part-time student at the Washington University MBA program. At the same time she wants to work at a management consulting firm. She has a second major in Business Administration. She is from Smithton, Illinois.

7. **Jeffrey Burke** - Jeff is also majoring in Physics. He is from Westville, Illinois. He is exploring the job market, and plans to go to graduate school in Finance in future.