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# DEVELOPMENT & RESEARCH CONFERENCE

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**May 13, 2022**  
**8:00 A.M. - 1:00 P.M.**

*Presented by  
Towson University College of Business  
and Economics  
Development and Research Committee*

# CONFERENCE PROGRAM

TIME	Room 1 - ST 106	Room 2 - ST 226
<b>9:00 A.M.</b>	Could Diffusion Indexes Have Forecasted the Great Depression? <i>Yongchen Zhao</i> <sup>±</sup>	Going Back to the Market: Governance Effects in Firms Seeking Additional External Financing <i>Rachel Gordon</i> <sup>±</sup>
<b>9:30 A.M.</b>	Comparative Statics for Difference-in-Differences <i>Finn Christensen</i> <sup>*</sup>	Psychological Contracts from the Employer's Perspective: Dependency and Emotions <i>Tanja Darden</i> <sup>±</sup>
<b>10:00 A.M.</b>		Religiosity and Bank Lending: Evidence Surrounding the Pandemic <i>Michael Dewally</i> <sup>±</sup>
<b>10:30 A.M.</b>	Financial Markets and the Welfare Implications of Public Pensions <i>Shantanu Bagchi</i> <sup>*</sup>	The Impact of Credit Default Swaps on Corporate Management and Equity Financing <i>Lijing Du</i> <sup>*</sup>
<b>11:00 A.M.</b>		
<b>11:30 A.M.</b>	American Slavery, Sentiments, and Efficacy of the Affordable Care Act <i>Vinish Shrestha</i> <sup>±</sup>	Me Before You: The Effect of Uncertainty on Unethical and Competitive Workplace Behaviors <i>Aleksandra Pustovit</i> <sup>±</sup>
<b>12:00 P.M.</b>	Mitigating Behavior of Poll Workers as an Insider Threat to Elections Security <i>Natalie Scala</i> <sup>±</sup>	Investigating Co-Production Activities and Mediators to Developer, User, and Project Success Outcomes <i>Neeraj Parolia</i> <sup>*</sup>
<b>12:30 P.M.</b>	External Grant Applications <i>Roderick Waterman - OSPR</i>	

\* Sabbatical Presentation

± Summer Research Grant Recipient

# CONFERENCE PROGRAM

TIME	Room 3 - ST 309
<b>9:00 A.M.</b>	Lobbying and Political Expenses: Complements or Substitutes? <i>Jorge Romero<sup>±</sup></i>
<b>9:30 A.M. - 10:30 A.M.</b>	Don't Worry, Be Thrilled: A study of the Sequential Decision Process of Millennials and Gen Xers When Choosing an Adventure Trip <i>Philippe Duverger*</i>
<b>10:30 A.M.</b>	Influencer Marketing: The Mediating Role of Consumer Brand Engagement <i>Hua Chang<sup>±</sup></i>
<b>11:00 A.M.</b>	COVID-19 Pandemic and Employee Satisfaction: The Role of Corporate Response <i>Hooman Mirahmad<sup>±</sup></i>
<b>11:30 A.M. - 12:30 P.M.</b>	Two Essays on Emotional Intelligence, Creativity, and Entrepreneurial Intentions <i>Shanshan Qian*</i>

\* *Sabbatical Presentation*  
<sup>±</sup> *Summer Research Grant Recipient*

## ABOUT THE CONFERENCE

The annual College of Business and Economics Development and Research Conference showcases the exciting scholarly pursuits of CBE faculty and students. 2022 marks the eleventh anniversary of this college tradition. We hope you will enjoy this opportunity to learn more about CBE, its students and its faculty.

## STUDENT RESEARCH ABSTRACTS

### **Marriage Age, Education, and Employment in Africa, the Middle East, and Central Asia**

*Onyedikachukwu Onyemeziem*

*Advisor: Seth Gitter (Economics)*

Child marriage is still relatively common in low-income countries, with 40% of Sub-Saharan African and 25% of Middle Eastern women marrying before the age of 18. Case studies in individual countries have shown that delaying marriage for women is associated with more years of schooling and a higher probability of employment. Many of these studies have used menarche, the age of a girl's first menstrual period, as an instrument for marriage age to avoid omitted variable bias. This paper tests and demonstrates the external validity of these case studies across 12 countries using data from demographic health surveys. The results support previous findings that delayed marriage is associated with a higher number of years of school completed and probability of employment, with a few exceptions where average marriage age is higher. This work adds to the evidence base for policy to increase marriage age for the long-term well-being of women in low-income countries.

### **Taliban Rule and Its Influence on Afghan Marriages for Years to Come**

*Grace Larocque & Motunrayo Akinloye*

*Advisor: Seth Gitter (Economics)*

Afghanistan has consistently ranked as one of the worst-performing countries in the world for women's empowerment due to intermittent Taliban rule. This is detrimental to Afghanistan, as increased women's empowerment boasts a myriad of positive outcomes, such as an increase in maternal and child health outcomes and an increase in the economic growth of a country. This study utilizes regression techniques to investigate the influence of the Taliban on Afghan relationship dynamics formed at marriage, specifically regarding women's household decision-making power, marriage age, and experience of intimate partner violence. In essence, the study questions if women who entered marriage in regions controlled by the Taliban are permanently disadvantaged in their marriages, regardless of changes in governance.

## STUDENT RESEARCH ABSTRACTS

### **Is the NBA Pay to Win?**

*Chad Robbins*

*Advisor: Melissa Groves (Economics)*

This study investigates the relationship between the size of an NBA market and the success of the respective NBA team. In professional sports, many people believe that the wealthiest team will win, as they can afford the best players. While salary caps exist to prevent this, it is also well known that the NBA has many exceptions allowing teams to buy their way around these rules by paying a “tax” if they exceed the cap. These exceptions; therefore, allow NBA teams with greater financial capacity (higher revenue) to bypass rules designed to maintain a competitive balance in the league and pick up more star players. Compared to the other professional sports leagues, star players in the NBA are particularly important and have a larger impact on the team outcome, as there are only five players on the court at any given time. Therefore, the NBA offers a unique opportunity to investigate in which situations team financials impact success. Other studies exist that examine the effects of salary caps, star players, gate revenue, and other variables on team winning records and they are used to develop a model that will be used to look more carefully at recent data in the NBA. More specifically, this study used recent publicly available data from the NBA and local area markets to investigate the determinants of success large NBA market teams in comparison to teams in smaller local markets.

### **Nutritional Access and its Effect on Economic Outcomes: Does Nutritional Deficiency Contribute to the Cycle of Poverty?**

*Alvand Fakari*

*Advisor: Melissa Groves (Economics)*

This research explores how nutrition affects economic outcomes. More so, it investigates how the cycle of poverty is exasperated by limited access to nutritious food options. Prior research has shown that access to nutritious foods impacts cognitive abilities and academic outcomes of individuals across the impoverished world, and these longitudinal studies from developing nations are used to gain insight into the effects of malnutrition and as a model for this study. In the United States, impoverished families pursuing healthier food options may still be at a disadvantage due to the range and quality of foods that are available locally. For example, low-income households living in food deserts may only have a convenience store or Dollar General available as their source of nutrition, whereas households in wealthier jurisdictions may have access to a wider variety with food and farmers markets that include a larger variety of fresh produce. This disparity in nutritional access can affect an individuals' academic outcomes, which in turn will influence their future economic outcomes and contribute to the cycle of poverty which will keep subsequent generations poor. For this reason, it is important to consider the nutritional factors that perpetuate the cycle of poverty if we are ever meant to break it.

## STUDENT RESEARCH ABSTRACTS

### **Teenage Time Allocation Decisions: Education vs. Video Games**

*Kayla Shea*

*Advisor: Melissa Groves (Economics)*

This study investigates whether students tend to allocate more of their time to video games or education and if this may impact future decisions in the labor market regarding labor supply. More specifically, the question posed by this paper is, do students allocate more time to video games than their education, and does this time allocation differ between weekends or weekdays? Following the work done by Daniel MacDonald, "The Relationship Between Video Games, Time Allocation Decisions and Labor Market Outcome: Evidence from the American Time Use Survey," this paper will also compare the time allocation decisions specifically between time spent playing video games and the time spent allocated to education. MacDonald found that among students, playing video games is negatively associated with time spent on educational activities and their future labor market supply. This paper will compare nicely with his findings as it will pull data from the Bureau of Labor Statistics- Time Use Survey 2016-2020 to test if recent trends in video games have impacted time allocation in education and if these changes have had a positive or negative impact on education and future labor market supply. Given the rising popularity of online video games, especially during and following the Covid pandemic, the impact of online gaming is a topic of increasing importance regarding educational attainment and labor supply commitment.

### **Rural and Urban Poverty: How the Landscape has Changed**

*Taylor Moyer*

*Advisor: Melissa Groves (Economics)*

Both rural and urban poverty remain prevalent and problematic in today's world, but mainstream media focuses primarily on the problems with urban poverty. Current research, therefore, seems to be disregarding rural poverty because of the societal emphasis on, and impact of, urban poverty. This has not always been the case – previous research has shown that rural poverty used to plague politicians and policy makers more so than urban poverty. This narrow focus on one geographic location of poverty has made us think that they are very different issues, but there are many similarities between the poverty we see in rural areas and what makes the news in our urban centers. Recognizing both types of poverty are important in understand what is happening and policies that could be vital in helping the situation. This research uses the Annual Social and Economic Supplement Data, specifically the household and family data, produced by the United States Census Bureau. It will be looking at several variables such as location, household income, education, healthcare expenditures, and school lunch credit to investigate how these define our understanding of poverty in both rural and urban areas. More specifically, empirical analysis will be used to investigate and test for similarities and differences between the determinants of poverty in the two areas. Using the information gathered from the data analysis, alternatives regarding proposed next steps and policy will be proposed and discussed.

## STUDENT RESEARCH ABSTRACTS

### **An Evaluation of Hiring and Retention Practices to Improve Neurodiversity**

*Crystal Johnson*

*Advisor: Nhung Hendy (Management)*

To advance the progress of diversity, equity and inclusion in the workplace, more attention should be given to those with learning disabilities to help them access gainful employment. For example, people with Autism Spectrum Disorder (ASD) are underemployed. According to the Autism Playbook, only 14% of adults with autism work for pay in the US (2021). In this study, I examined the linkage between firm's hiring and retention practices in an effort to promote neurodiversity and employee job satisfaction and turnover intention. I surveyed a sample of 50 employees currently with or without a record of disability. The results of this study would inform HR professionals and executives on what should be done to improve workplace neurodiversity. Implications of the research findings are discussed.

### **Barriers that Prevent Small and Medium-Sized Enterprises (SME) from Implementing Circular Economy Practices**

*Randy Raglin*

*Advisor: Barin Nag (Business Analytics and Technology Management)*

To advance the progress of diversity, equity and inclusion in the workplace, more attention should be given to those with learning disabilities to help them access gainful employment. For example, people with Autism Spectrum Disorder (ASD) are underemployed. According to the Autism Playbook, only 14% of adults with autism work for pay in the US (2021). In this study, I examined the linkage between firm's hiring and retention practices in an effort to promote neurodiversity and employee job satisfaction and turnover intention. I surveyed a sample of 50 employees currently with or without a record of disability. The results of this study would inform HR professionals and executives on what should be done to improve workplace neurodiversity. Implications of the research findings are discussed.

## FACULTY PRESENTATION ABSTRACTS (ALPHABETICALLY)

### **Financial Markets and the Welfare Implications of Public Pensions**

*Shantanu Bagchi, Economics*

Co-authors: James Feigenbaum (Utah State University)

10:30 AM | [ROOM 1](#)

The broad goal of my sabbatical was to initiate and operationalize a research program that investigates the interactions between financial markets and public pensions, and their implications for the economy, both at the macro as well as the micro levels. The fundamental building block of this research program is a class of models known as “aggregate risk models” within the standard overlapping generations framework. While aggregate risk models have seen widespread applications in macroeconomics and financial economics, their use in public finance is relatively uncommon. So far, my sabbatical research has led to two distinct branches of inquiry. The first branch examines the theoretical setup of overlapping generations models with aggregate risk, including questions of efficient allocations, and the second branch develops computational methods to solve these models in general equilibrium, so that they can be used as a valuable policy-analysis tool. I will share my progress on both branches in the sabbatical presentation.

### **Influencer Marketing: The Mediating Role of Consumer Brand Engagement**

*Hua Chang, Marketing*

Co-authors: Lingling Zhang (Towson University)

10:30AM | [ROOM 2](#)

This research examines the role of influencer marketing in nurturing consumer brand engagement in the context of social media. Findings show that consumers develop consumer brand engagement relationship through the interactions with influencers and positive attitudes towards the brand. In addition, consumer brand engagement mediates the relationship between influencer marketing and positive brand attitudes. Theoretical and managerial implications are discussed.

### **Comparative Statics for Difference-in-Differences**

*Finn Christensen, Economics*

9:30AM | [ROOM 1](#)

The empirical content of an economic model is often contained in its unambiguous predictions of how the model's endogenous variables vary with a change in the exogenous parameters. One of the most widely-used empirical methodologies is the difference-in-differences (DD) framework, which is designed to test whether a change in an exogenous parameter, or a “treatment,” causes a statistically significant change in the difference between the value of an endogenous variable among a treatment group and a control group. On the other hand, theoretical comparative statics (CS) results, based on the Implicit Function Theorem or monotone methods, usually predict the change in the value of an endogenous variable in response to a treatment. In other words, theoretical CS methods give predictions on the difference in the endogenous variable rather than the DD. In this talk I will show through some examples that this is an important distinction when there are equilibrium effects. I will also give comparative statics results for DD which can be tested in reduced form using the DD empirical technique. These results facilitate refutation of economic models within the DD econometric framework.



## FACULTY PRESENTATION ABSTRACTS (ALPHABETICALLY)

### **Psychological Contracts from the Employer's Perspective: Dependency and Emotions**

*Tanja Darden, Management*

Co-author: *Lisa Schurer Lambert (Oklahoma State University)*

9:30 AM | [ROOM 2](#)

Psychological contract literature has found that employees typically react with anger when faced with breach of their contracts (Robinson & Rousseau, 1994). However, the supervisor's emotional reactions to evaluations of psychological contracts should also be examined because of the supervisor's key role in overall employee performance evaluations (Ferris, Munyon, Basik, & Buckley, 2008). It is important to understand the complete process that supervisors undertake, which is likely not just a cognitive one as implied by psychological contracts and performance management literature. In this empirical study, I use emotions and affect events theories as the foundations of supervisors' emotional reactions to comparing the promised and delivered contributions from their employees. I discuss supervisors' dependence on their employees and hypothesize how these emotional reactions are influenced by the supervisors' dependence on the employees' contributions. I focus on a variety of emotions – satisfaction, pride in employees, gratitude, anger, and jealousy as mediators and neglect and mentoring as employee-targeted outcomes. I aim to show that, because of their dependence on employees' delivery of contributions and emotion regulation abilities, supervisors experience a variety of emotions – positive and negative – that lead to positive and negative employee-targeted outcomes.

### **Religiosity and Bank Lending: Evidence Surrounding the Pandemic**

*Michael Dewally, Finance*

Co-author: *Babu G. Baradwaj (Towson University) and Yingying Shao (Towson University)*

10:00 AM | [ROOM 2](#)

Using evidence from the COVID-19 Pandemic, we investigate the impact of religiosity on banks' lending behavior. Focusing on the issuance of Paycheck Protection Program (PPP) loans, the results show that banks located in more religious counties have a higher level of lending through the PPP, supporting the existence and influence of ethical and moral concerns motivated by local religious beliefs. We also show that banks' lending prior to the Pandemic is more prudential in more religious areas. These banks sustain lower losses and earn higher returns at the onset of the crisis, especially in areas where business activities were the most disrupted, supporting the stewardship role encouraged by religiosity. This study contributes to the literature by providing new evidence on the effect of local social norms on banking practices.

### **The Impact of Credit Default Swaps on Corporate Management and Equity Financing**

*Lijing Du, Finance*

10:30 AM | [ROOM 2](#)

We examine the effects of credit default swaps (CDS) on corporate management and equity financing. Our results suggest that that on average, CDS initiation leads to increases in managerial risk-taking incentives. Further, we find that while there is independent effect of CDS initiation and managerial incentives on firm policies, there is no interaction effect. We also study the impact of CDS trading on equity financing through IPO. We find that the existence of CDS trading prior to IPO is negatively related to IPO underpricing and post-IPO volatility, while the pricing of CDS contracts does not have a significant impact. Overall, our results suggest that CDS trading reduces uncertainty of firm value and information asymmetry in the IPO markets.

### **Don't Worry, Be Thrilled: A study of the Sequential Decision Process of Millennials and Gen Xers When Choosing an Adventure Trip**

*Philippe Duverger, Marketing*

9:30 AM | [ROOM 3](#)

The phenomenon of adventure travel penetration in the larger strata of the population is fairly recent (ATTA, 2009). Today, outdoor equipment companies, alongside the more established tour operators, are selling adventure trips to a large public in search of a thrill. Three studies demonstrate that Millennials (born between 1981 and 1996) and Gen Xers (born between 1965 and 1980) do not approach decision making in the same way when it comes to adventure trips participation. Of particular interest is the effect of anxiety on perception of risk, thrill and intention to travel between the two groups.

## FACULTY PRESENTATION ABSTRACTS (ALPHABETICALLY)

### **Going Back to the Market: Governance Effects in Firms Seeking Additional External Financing**

*Rachel Gordon, Finance*

*Co-author: Philip English (Temple University)*

9:00 AM | [ROOM 2](#)

This paper explores the impact of external and internal governance on the number of times a firm accesses the securities market during a given time period. As external governance deteriorates, a firm is more likely to issue debt and to follow up with additional debt offerings. This relationship is consistent with the view of debt as an external monitoring mechanism. As internal governance declines, the probability of a firm issuing equity increases. By contrast, neither internal nor external governance impacts whether a firm makes subsequent equity offerings beyond the first additional issuance.

### **COVID-19 Pandemic and Employee Satisfaction: The Role of Corporate Response**

*Hooman Mirahmad, Marketing*

*Co-author: Milad Darani (Kent State University)*

11:00 AM | [ROOM 3](#)

The world has been dealing with the COVID-19 pandemic since the beginning of 2020. While this pandemic has peaked in different countries at different times, the entire global community has been affected by it. However, in order for the economy to survive, companies and businesses need to keep performing within certain standards. One of the most important determinants of a company's performance is its employees' satisfaction (e.g., Dotson and Allenby 2010; Melián-Gonzales et al. 2015). Therefore, it is crucial for firms to keep their employees happy during times of crisis, such as the COVID-19 pandemic. In this study, we look at the impact of the COVID-19 pandemic on employee satisfaction in different industries. We further investigate the moderating role of companies' responses during this pandemic on employee satisfaction.

### **Investigating Co-Production Activities and Mediators to Developer, User, and Project Success Outcomes**

*Neeraj Parolia, Business Analytics & Technology Management*

*Co-authors: Jamie Chang (Tunghai University), Gary Klein (University of Colorado),*

*and James Jiang (National Taiwan University)*

12:00 PM | [ROOM 2](#)

Co-production relationships have been identified to be effective in improving the outcomes of IS development projects. Many of the studies and methods to date examine co-production activities from the broad aspect of project success but attempt to promote activities related to a narrow domain of overall project outcomes. Our first study examined the impact of the entire spectrum of co-production activities on different aspects of success for users and developers. Secondly, existing research has identified solely expertise coordination as a mediator outcome of co-production and project success. Based on job engagement theory, we identified additional mediators: information creation, collective mind, bringing expertise to bear and effort. 139 user and developer pairs from development and customer teams responded to the survey and represented a variety of industries, individual characteristics, and project sizes. Results from the survey identified several co-production dimensions as having significant impact on user and developer outcomes of creativity, growth, and success for the first study. For the second study, the survey results reported that the additional mediators of co-production are significantly related to project success outcomes.

## FACULTY PRESENTATION ABSTRACTS (ALPHABETICALLY)

### **Me Before You: The Effect of Uncertainty on Unethical and Competitive Workplace Behaviors**

*Aleksandra Pustovit, Management*

Co-author: *Andrea L. Hetrick (New Mexico State University) & Tanja Darden (Towson University)*

11:30 AM | [ROOM 2](#)

There has been a marked increase in the prevalence of selfish behaviors in organizations worldwide over the past few years and decades, along with a simultaneous increase in the prevalence of uncertainty in the business environment. Drawing from Appraisal Tendency and Conservations of Resources theories, we present an integrative model that examines the impact of perceptions of uncertainty on individuals' propensities to engage in unethical and competitive behaviors. We tested our hypotheses in three studies. Results show that individuals are more likely to engage in unethical and competitive behaviors as a consequence of a fear-based response to perceptions of uncertainty.

### **Two Essays on Emotional Intelligence, Creativity, and Entrepreneurial Intentions**

*Shanshan Qian, Management*

11:30 AM | [ROOM 3](#)

Creativity is an important construct which has been studied in the fields of entrepreneurship and management. Since all innovation starts with creativity, and creativity plays a critical role in the entrepreneurship and management literature, it is important to understand the antecedents and outcomes of creativity. Among different factors and processes in the nomological network of creativity, there is a growing body of studies examining the role of emotional intelligence on creativity; yet, the empirical landscape for this line of literature is characterized by inconsistent and fragmented findings. With the objective to sort out the complexity and inconsistency underlying this line of research, I conducted a meta-analysis in Essay I to estimate the overall effect size for the relationship between emotional intelligence and creativity. Building on emotional intelligence theory and broaden and build theory, I also analyzed a set of moderators in order to better understand how they condition the relationship between emotional intelligence and creativity. I further examined a mediator for the relationship between emotional intelligence and creativity. Essay II focuses on the entrepreneurial outcome of creativity. Specifically, fit theory and prospect theory led to competing perspectives regarding the direction of the relationship between creativity and entrepreneurial intentions. I proposed and tested the research question "is creativity related to entrepreneurial intentions?" I also identified and examined a set of moderators that condition the relationship between creativity and entrepreneurial intentions. The research findings from these two essays yielded profound implications for the entrepreneurship and management fields and generated valuable evidence-based practical advice which can be of high utility to entrepreneurs, students, and practicing managers.

### **Lobbying and Political Expenses: Complements or Substitutes?**

*Jorge Romero, Accounting*

9:00 AM | [ROOM 3](#)

This study contributes to the extant literature examining the relationship between U.S. lobbying expenditures and political expenditures and their effect on taxes avoided. Despite the previous studies on lobbying expenditures or political expenditures, little is known about how they relate to each other when they are incurred simultaneously. There are two competing predictions regarding the relationship between lobbying expenditures and political expenditures when they are incurred simultaneously. One prediction is that they are complements: when one increases, the other one also increases. The other prediction is that they are substitutes, so the increase in one generates a decrease in the other one. This analysis finds that lobbying expenditures and political expenditures act as complements. Also, only lobbying expenditures are positively associated with higher taxes avoided, and that non-tax-related lobbying expenditures also have an effect on taxes avoided.

## FACULTY PRESENTATION ABSTRACTS (ALPHABETICALLY)

### **Mitigating Behavior of Poll Workers as an Insider Threat to Elections Security**

*Natalie Scala, Business Analytics & Technology Management*

*Co-author: Josh Dehlinger (Towson University)*

12:00 PM | [ROOM 1](#)

Poll workers are on the first line of defense in elections security and are trusted insiders to the process. This research assesses personal computer security behaviors for poll workers using the Security Behavior Intentions Scale (SeBIS) survey and a sample of 2,213 poll workers from 13 states. An information theory model is developed to examine potential weaknesses in security behaviors and identify security practices to improve with poll workers. Outcomes from this research aid in identifying a poll worker who may pose an insider threat and mitigating unintentional consequence.

### **American Slavery, Sentiments, and Efficacy of the Affordable Care Act**

*Vinish Shrestha, Economics*

11:30 AM | [ROOM 1](#)

The fact that the Patient Protection and Affordable Care Act (ACA) was passed during the presidency of the first African American President, Barack Obama, provides a unique opportunity to study the relationship between former American slavery, sentiments surrounding ACA, and its efficacy. The results using data from the Cooperative Congressional Election Survey (CCES) merged with the historical slave concentration in 1860 show that higher dependency on past slavery is associated with pro-ACA sentiments among Black Southerners in states that expanded Medicaid but is positively associated with preferences to repeal ACA among both Black and White Southerners in non-expansion states. To estimate whether ACA implementation varies by former slave intensity, we use a difference-in-difference-in-differences framework that compares insurance coverage in local areas with low vs. high slave concentration in 1860, before and after the policy implementation, and by states' participation in ACA's Medicaid expansion. The results suggest that past slavery posed impediments in reducing uninsured rate among Black and White Southerners in expansion states and White Southerners in non-expansion states. The results are driven by lower take-up of Medicaid coverage among Black and White Southerners in slave intense areas within expansion states.

### **Could Diffusion Indexes Have Forecasted the Great Depression?**

*Yongchen Zhao, Economics*

*Co-author: Gabriel Mathy (American University)*

9:00 AM | [ROOM 1](#)

Diffusion indexes provide an effective tool to forecast the business cycle today. We test how effective diffusion indexes are in forecasting the deepest recession in U.S. history: the Great Depression. Moore (1961) tested the effectiveness of diffusion indexes historically, including for the Great Depression. We reconstruct Moore's diffusion indexes for this historical period and make our own indexes for comparison. We find that diffusion indexes, including the horizon-specific ones we produce, can now cast turning points fairly well. Forecasting remains difficult, but our results suggest that the initial downturn in 1929 may have been forecastable months before the Great Crash. This is a novel result, as previous authors had found the Depression was not forecastable.

## 2022 D&R COMMITTEE MEMBERS

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