

SUMMARY

Jihye Jeon, Class of 2009

This summer I have had an opportunity to work with Professor Alessandro Gavazza on his project called “Car Loans and Sales.” The motivation for this project comes from an observation that the volatility of GDP has declined for the last few decades. The literature provides various explanations to this phenomenon and this project focuses on the credit market among them. The main object of this study is to examine whether or not the credit market accounts for the decline in the volatility of GDP. The study is restricted to the car market and investigates the impact of the relaxation of borrowing constraints on aggregate car sales.

My task was to compile the data collected from used car markets in the United States, France, and the United Kingdom and merge them to generate a single file. To do so, I had to find an ideal way to transform the datasets so that a specific car model in one country would correspond to the same model in the other two countries. It was a challenge, because each country had its own way of denoting specifications of different car models. After unifying car models in the merged data, I examined the relationship between the normalized car prices and the ages of the cars for each car model that is available in all of the three countries’ datasets. Due to the complications in the data, the question is yet to be addressed and the project is still ongoing.

I have had such a good experience while working on this project. Not only have I learned more about STATA and data analysis, but also I have realized how much effort goes into making data exploitable for an economic analysis. This experience is extremely valuable for me, since I am planning to go to a graduate school in economics upon graduation and the analytic tools that I have gained will be very helpful for my own future research. It is usually hard for an undergraduate student to have an opportunity to work directly with a professor or to devote a significant amount of time in research during academic year. The SRO program is great in that it generously gives such opportunities to undergraduate students. I strongly recommend students to participate in this program, especially those who are interested in applying the tools that they learned in the classes to actual data analysis and those who would like to find out if research is what they want to pursue in the future.