Sargent and Sims win 2011 Nobel Prize in Economics

The Royal Swedish Academy of Sciences awarded The Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel for 2011 to Thomas J. Sargent of New York University and Christopher A. Sims of Princeton University, for their empirical research on cause and effect in the macroeconomy.

From The Region (Federal Reserve Bank of Minneapolis), Dec. 2011:

“In the early morning of Oct. 10, Thomas Sargent and Christopher Sims each received a phone call from Sweden informing them that they had been selected as joint winners of the 2011 Nobel Memorial Prize in Economic Sciences. They were undoubtedly the only economists who were surprised to hear that news. Their pioneering scholarship has long been recognized as fundamental to the theory and practice of macroeconomics. As the Nobel Committee noted, “Their combined work constitutes a solid foundation for modern macroeconomic analysis. It is hard to envisage today’s research without this foundation.”

Working independently in the 1970s, the two economists developed methods for answering central questions about the relationship between economic policy and macroeconomic variables such as GDP, inflation, employment and investment. Because policy and the macroeconomy affect one another, it can often be hard to distinguish between cause and effect. Sargent and Sims developed distinct techniques, each with advantages in particular circumstances, for teasing out the direction of causality.

‘Almost 40 years later, their thinking informs the making of macroeconomic policy around the world,’ said Narayana Kocherlakota, President of the Minneapolis Fed and formerly on the faculty of the University of Minnesota, where Sargent and Sims worked in the 1970s and 1980s. ‘I’m especially proud that much of the research recognized by the prize committee was done at the Federal Reserve Bank of Minneapolis and the University of Minnesota. My predecessors at the Federal Reserve Bank of Minneapolis deliberately fostered a research environment that could give rise to such important work, and this tradition continues today.’”

From the NobelPrize.org website:

“Thomas Sargent has shown how structural macroeconometrics can be used to analyze permanent changes in economic policy. This method can be applied to study macroeconomic rela-
tionships when households and firms adjust their expectations concurrently with economic developments. Sargent has examined, for instance, the post-World War II era, when many countries initially tended to implement a high-inflation policy, but eventually introduced systematic changes in economic policy and reverted to a lower inflation rate.

Christopher Sims has developed a method based on so-called vector autoregression to analyze how the economy is affected by temporary changes in economic policy and other factors. Sims and other researchers have applied this method to examine, for instance, the effects of an increase in the interest rate set by a central bank. It usually takes one or two years for the inflation rate to decrease, whereas economic growth declines gradually already in the short run and does not revert to its normal development until after a couple of years.

Although Sargent and Sims carried out their research independently, their contributions are complementary in several ways. The laureates’ seminal work during the 1970s and 1980s has been adopted by both researchers and policymakers throughout the world. Today, the methods developed by Sargent and Sims are essential tools in macroeconomic analysis.”

A gala dinner was held November 17th for Chris Sims and Tom Sargent at the Weisman Art Museum. Many friends from the economics faculty, the Federal Reserve Bank of Minneapolis, and Ph.D. alums attended. There was even a special appearance by Goldy Gopher and members of the U of M marching band.

Speakers included: Eric Kaler, President of the University of Minnesota, James Parente, Dean of the College of Liberal Arts, Larry Jones, Department of Economics chair, Nancy Stokey, Bob Lucas (1995 Nobel winner), Patrick Kehoe, Ellen McGrattan, Kei-Mu Yi (research director of the Mpls. Fed), Preston Miller (’72), Art Rolnick (’73), Bob Litterman (’80), Gary Hansen (’86), David Eagle (’86), Beth Ingram (’86), Rosa Matzkin (’86), Teresa Garcia-Mila (’87), Ayse Imrohoroglu (’88), Maria Muniguerría (’89), and Hugo Hopenhayn (’89). Other alumni attending were Nuray Akin (’06), Marsha Blumenthal (’85), Steve Cassou (’89), Andy Cohen (BS ’85), Kathy Combs (’88), Terry Fitzgerald (’95), Mike Golosov (’04), Changzhen Gong (’95), Carla Haugen (BA ’76), Richard Hoffbeck (BS ’77), Selo Imrohoroglu (’88), Patrick Meagher, Clarence Nelson (’67), Kristine O’Brien, Jose Peris (’82), Rosalinda Quintanilla (’88), Jose Victor Rios-Rull (’90), Jim Schmitz (’86), Stacey Schreft (’87), Kurt Winkelmann (’87), and Mayra Zermeno (’87).

In addition to alumni, faculty, Fed colleagues, and department friends, Chris Sims’ family, President Kaler’s wife, Karen, and U of M Regents Linda Cohen, Richard Beeson and Venora Hung attended the celebration.

Commemorative t-shirts are still available; please write to wendy@umn.edu for information.
The Heller-Hurwicz Economics Institute

In 2010, the University of Minnesota’s Department of Economics created the Heller-Hurwicz Economics Institute to inform and influence public policy by promoting frontier economic research and communicating its findings to leading academics, policymakers, and business executives around the world. This global initiative is named for Walter Heller and Leonid Hurwicz, former Regents’ Professors, who believed in sound analysis and transform policy research through faculty, visiting academics, and fellow researchers. The institute supports cross-disciplinary research through faculty, visiting scholars, policy forums, and economic roundtables.

V. V. Chari, chair of the Department of Economics from 1997 to 2000, is the HHEI’s founding director. He said “the mission of the institute is to use the best available economic effect on policy – on a national and international level.”

The advisory board is chaired by Kurt Winkelmann (’87), Managing Director, Head of Risk & Analytical Research, MSCI (Morgan Stanley Capital International); board members Kenneth Arrow (’72), the 1972 Nobel laureate and professor emeritus at Stanford University; Edward Foster, professor emeritus, University of Minnesota; Carla Haugen (’76 BA) Partner, Rocaton Investment Advisors; Kenneth Arrow (’78), nomic Research; David Hong (’78), Academic Advisory Board; V. V. Chari, Director of the HHEI

2011 Roundtables

Addressing Climate Change: Economic Perspectives on Pricing Environmental Risk

The HHEI’s first event, “Addressing Climate Change: Economic Perspectives on Pricing Environmental Risk” was held Feb. 9, 2011 at the McNamara Alumni Center. Bob Litterman (’80) and Richard L. Sandor (’67) were the featured speakers, with Jonathan Foley, Director of the U of M’s Institute on the Environment as moderator of the Q & A discussion.

Litterman, a retired managing director of Goldman Sachs and co-developer of the Black-Litterman Global Asset Allocation Model, spent his professional career analyzing the consequences of uncertainty and risk on asset prices, both in academia and in the financial services industry. In addition to his advisory role with HHEI, Litterman is on the boards of the World Wildlife Fund, the Sloan Foundation, and Commonfund.

Sandor is chairman and CEO of Environmental Financial Products LLC which specializes in inventing, designing, and developing new financial markets. Known as the “father of financial futures” Sandor is described as the principal architect of interest rate futures markets and was “the key person involved in setting up derivative exchanges” at the Chicago Board of Trade in the 1970s and 80s. Sandor founded the Chicago Climate Exchange in 2003 as a market where companies can voluntary trade greenhouse-gas emission rights. He is also an environmental finance professor at Guanghua School of Management, Peking University and a research professor at Kellogg Graduate School of Management, Northwestern University.

“Climate change is perhaps the seminal issue that will confront the world in the 21st century,” said Chari, and “solving
this problem effectively and efficiently will require us to harness the power of markets in channeling private incentives towards socially beneficial ends. Litterman and Sandor bring deep knowledge and expert experience in helping us to think through these issues.” With emerging economies in China, India, and Africa - all wanting to grow rapidly, Chari said the idea of trading pollution rights will have to be addressed and the Heller-Hurwicz Economics Institute should be at the forefront to help promote dialogue and influence sound policy decisions.

**Psychology and Economics: Perspectives on Decision Making**

The second HHEI roundtable of 2011, “Psychology and Economics: Perspectives on Decision Making” with speakers **Aldo Rustichini** and **Robert Krueger** was held May 4 at the McNamara Alumni Center. Rustichini is a professor in the Department of Economics doing research in microeconomic theory, game theory, experimental economics, and neuroeconomics. Krueger is the Hathaway Distinguished Professor in the Department of Psychology. His work focuses on psychopathology and related behavioral problems and their social costs. The discussion was moderated by **Art Rolnick** (’73) co-director of the Human Capital Research Collaborative at the U’s Humphrey Institute and a board member of Ready 4K, an advocacy organization for early childhood development.

The debate on the relative virtues of different approaches to education and parenting have made clear the need for a systematic evaluation of how character shaping, the formation of social skills, and academics enter into economic and personal success – or compromise it, in the case of psychopathological tendencies. Krueger and Rustichini discussed their shared interest in this topic and related policy implications. Research shows that economic success relates to a combination of cognitive skills, human capital accumulation and personality characteristics. Now researchers are trying to formulate more accurate predictions of life outcomes, from educational achievement to economic success.

**HHEI’s First Annual Forum**

The first annual forum, entitled, “Inaugural Forum on Social Insurance” was held November 16-17, 2011, at Coffman Union on the U of M campus.

From Doug Clement, *The Region*, Dec. 2011:

All branches of government, including the Supreme Court, are currently debating social insurance—protection of the people, by the people and for the people against uncertainty in life. This so-called safety net—including Social Security, unemployment and disability insurance, Medicare and Medicaid—is often taken for granted. But, of course, these forms of insurance are neither guaranteed nor inexpensive.

Moreover, while citizens value such programs highly, providing them is costly both in their obvious fiscal impact and through their subtler incentive effects. Economists point out that unemployment insurance, disability payments and retirement pensions may affect labor supply. Health services are likely used more when their cost is subsidized. Taxing wages and capital can discourage work and investment.

Thus, the structure and dynamics of social insurance programs have tremendous economic consequences, and for decades, economists have studied how to design an effective and efficient safety net and how to generate tax revenue to pay for it. At the University of Minnesota and the Minneapolis Fed, in particular, researchers have pioneered optimal design of insurance and taxation policies and conducted innovative research into health and economic risk over the life cycle.

Social insurance was therefore both a fitting and timely topic for the Heller-Hurwicz Economic Institute’s first annual policy forum, which immersed its roughly 200 registered participants in theory, policy and practice. Both days began with presentations from economists on taxation, social insurance and government spending. The afternoons consisted of panel discussions—on tax policy, pension programs and health care—led by policymakers, policy advisers and practitioners. The keynote address was delivered by 2010 Nobel Laureate **Peter Diamond**, the former MIT economist renowned for his analysis of optimal taxation, labor markets and social insurance.

Day one began with MIT economist **Iván Werning**’s theoretical exploration of social insurance and optimal taxation policy. **Donald Marron** from the Urban-Brookings Tax Policy Center then presented an analysis of federal government expenditure. **Laurence Kotlikoff** of Boston University followed, asserting that the United States is already “bankrupt and we don’t even know it.”

Following lunch, a tax policy panel discussion, moderated by **V. V. Chari**, founding director of the HHEI and a Minneapolis Fed consultant, with Kotlikoff and the American Enterprise Institute’s **Alan Viard**, focused on using economic principles to design a better tax system. A second panel discussion followed using mechanism design theory to build
viable pension programs. This discussion, moderated by the university’s Art Rolnick, former research director at the Minneapolis Fed, included Leo de Bever of the Alberta Investment Management Corp., Martin Skancke, formerly of the Norwegian Ministry of Finance, and Kurt Winkelmann of MSCI.

The evening event began with Peter Diamond’s recollections of both Heller and Hurwicz. “When Chari called me and asked would I be the keynote speaker at the first Heller-Hurwicz event, I jumped at the chance,” he said, “because I have extremely positive feelings about the accomplishments of both of them [and] brief but warm personal connections.” Diamond then discussed recent research on the forum’s policy focus: “Resource allocation and economic stabilization: Taxes, spending, regulation and social insurance.”

The forum’s final day started with three research papers on social insurance and taxation. First, Columbia University’s Stefania Albanesi presented on the optimality of tax policies that front-load distortions (raising labor taxes now to finance tax cuts in the future, for example); then Emmanuel Farhi of Harvard on insurance and taxation over the life cycle and, finally, Mikhail Golosov (’04) of Princeton on optimal dynamic taxation.

After lunch, Stephen Parente of the U’s Carlson School of Management explored health care finances, stressing the strain on future revenue streams of projected program expenses. The forum concluded with an afternoon health care panel moderated by Larry Jacobs of the Humphrey Institute, at which Minnesota State Senator John Marty and Douglas Holtz-Eakin, former director of the Congressional Budget Office, debated the future of health care entitlement systems.

HHEI annual forums are “designed to advance emerging theories, push the boundaries of economic theory and open new possibilities in the face of pressing problems,” according to the institute’s website. Through the depth of research and discussion at the inaugural forum, observed Chari, “we’ve learned a great deal about both the frontiers of research and the challenges of policy and its implementation. Fortunately, we have also seen that promising new economic research holds great potential for the design of better, more effective social insurance.” Referring in part to a post-forum celebration with 2011 Nobel laureates and former University of Minnesota economists Thomas Sargent and Christopher Sims, he added, “And moreover, we found that, as expected, the future of Minnesota economics is as bright as its past.”

2012 Events

Globalization: The Promise & The Challenge

“Classics understood that our discipline [economics] is about understanding human problems and providing ideas to address those problems,” said former President of Mexico Ernesto Zedillo at the HHEI’s first roundtable of 2012.

“Globalization: The Promise & The Challenge” featured Zedillo, currently the Director of the Yale Center for the Study of Globalization, and Timothy Kehoe, CLA’s own Distinguished McKnight University Professor of Economics and adviser to the Federal Reserve Bank of Minneapolis. Over 400 people attended the talk, held April 10th at the Ted Mann Concert Hall on the West Bank campus.

The event included brief presentations by both speakers, followed by an audience Q&A moderated by Kei-Mu Yi, Director of Research at the Federal Reserve Bank of Minneapolis. “This was really an outstanding set of presentations, very complementary,” said Yi. “Tim focused on a specific and important problem today [the current slow rebound from the recession in Europe compared to Mexico’s economic rebound in the mid-90s]. President Zedillo… gave us the broad sweep of all the important issues involving globalization in the past 300 years.”

Zedillo and Kehoe then fielded audience questions on globalization and politics, Mexico’s history, the environment, and organized crime. One of the audience members remarked on this range of questions and how they demonstrate the importance of the social sciences and the need “to teach young people how to manage the forces that we have unleashed… that humanity has to be able to manage the globalization it has launched.”

A Conversation with Alumnus Richard Sandor

On April 24th, the HHEI was pleased to host a conversation with Richard L. Sandor (’67) and V.V. Chari about Richard’s new book: Good Derivatives: A Story of Financial and Environmental Innovation (Wiley, 2012). Chari began by highly recommending Good Derivatives, sharing that it is a wonderful book that is accessible, highly entertaining, and
Richard talked about the entrepreneurial nature of his career in derivatives and explained the difference between a good and bad derivative. The discussion was followed by a Q & A with the audience of over 100 people. If you are interested in seeing the talk, go to hhei.umn.edu. The event was co-sponsored by CLA, the Department of Economics, the U of M Bookstore, and the U’s Institute on the Environment.

The Future

The HHEI is currently planning an October roundtable on tax and fiscal policy, and in the spring of 2013, a second HHEI Forum will be held on financial regulation.

If you have an interest in supporting the research or outreach programs of the HHEI with a financial gift, please contact Colleen Donahue via email at donah071@umn.edu or telephone at 612-626-7642. If you would like to become involved in the institute, please contact Wendy Williamson at wendy@umn.edu or V. V. Chari at chari@umn.edu. Additional information and videos and PPT presentations of past forums can be found at hhei@umn.edu.

Sources: HHEI website (hhei.umn.edu); Star Tribune; The Region (Federal Reserve Bank of Minneapolis), Reach (College of Liberal Arts).
From the Archives

Stadium Economics

Jim Simler was the king of prank-memo writers. The subject of this memo is very timely now, as Minnesota is again trying to build a new home for the Vikings football team. The Metrodome has been declared obsolete (it opened in 1982). When it was under construction, Simler wrote this:

UNIVERSITY OF MINNESOTA
Department of Economics
Minneapolis, MINN.

April 1, 1981

MEMO TO: Senior Faculty and Graduate Students

FROM: N.J. Simler

RE: Stadium Boxes

In lieu of replacing Jack Kareken with an inferior product, the department has allocated his salary to the leasing of one luxury stadium suite at the Hubert H. Humphrey Metrodome. A second suite will be shared with the Accounting Department. We feel this suite will aid in recruiting senior faculty and graduate students. Suggestions for a color scheme are being solicited.

Students and faculty wishing to reserve seats for the 1982-83 season should see me personally or leave a note with Jill.

Simler was a huge fan of the Vikings. In August of 2006, I went out to lunch with him, Colleen Donahue of the CLA Development Office, and visiting alum Inbong Ha ('87). We went to Fabulous Fern’s in St. Paul. Walking in, I noticed retired Vikings player Carl Eller at a table, sitting alone. When we were all seated, I asked Simler if he had seen Eller on the way in. He hadn’t. He jumped up and rushed over to talk to Eller. Simler was ecstatic - he’d met a football great!
On May 4, 2011, a luncheon was held at Eastcliff, the University of Minnesota President’s House, to celebrate the John S. Chipman Fellowship that was created in John’s honor by his former students, with Chris Cumming (‘83) leading the effort. Other advisees of Professor Chipman who attended the celebration included: Kim Border (‘79), Barbara Craig (‘88), Changzhen Gong (‘95) and his wife, Wei Liu, Norris Peterson (‘83), Ron Sands (‘90), and Joaquim Silvestre-Benach (‘73). Also attending were John’s wife Margaret Chipman; U of M Regent David Larson; Janet and Ed Foster; former professor Christopher Sims; V.V. Chari, Director of the Heller-Hurwicz Economics Institute; CLA Development Officer Colleen Donahue; and Henry and Laurel Gregorian, friends of the Chipmans.

The John S. Chipman fellowship has gift commitments totaling just over $100,000. The inaugural fellowship recipient is Gajendran Raveendranathan, a first year student who completed his BS in Economics at Minnesota in 2011. Chris Phelan, Director of Graduate Studies, says, “this fellowship (along with several other fellowships named after distinguished economics faculty), is a terrific way to honor the legacy of influential scholars like Professor Chipman and is also a great investment in our students. On behalf of all the faculty in the Department of Economics, I would like to thank the donors for their generosity to our students and to our program.”
News from Korea

2 MN PhDs are University Presidents

Kook-Shin Ahn ('82) was named president of Chung-Ang University in February 2011. He is the 13th president at the university he joined in 1983 after receiving his Ph.D. at Minnesota. Ahn has served in many roles: he was the editor of the *Korean Economic Review*, the Vice-President of the Korea Money and Finance Association, the President of the Korean Econometric Society, Dean of the College of Political Science at Chung-Ang University and chair of the Korean Economic Association. Chung-Ang University is a private institution and has a campus in Seoul and Anseong.

Jung Young Kim ('84) became President of Sungkyunkwan University (SKKU) in January of 2011. He received a B.A. in economics at SKKU in 1975 and worked in the interior ministry before coming to Minnesota. Kim joined the Faculty of Economics at SKKU in 1989 and was Dean of the School of Economics, Provost of Academic Affairs, and Provost of Planning and University Coordination. Kim is also a former president of the Association for Public Finance and was a Special Advisor to the Ministry of Finance and the Bank of Korea. Sungkyunkwan University is private and was founded in 1398 during the Joseon Dynasty to promote Confucianism. According to its website, it is the oldest university in Asia.

Conference in Honor of Chris Sims

There was a conference in honor of Christopher A. Sims, held May 25-27, 2011 at Seoul National University and the Korea Development Institute, entitled, “Recent Developments of Dynamic Analysis in Economics: 30 Years after *Macroeconomics and Reality*.” Keynote speakers were Chris Sims, Tom Sargent, John Geweke ('75), and Lars Peter Hansen ('78). Of the 8 organizers, 3 were Minnesota alums: Moon Soo Kang ('83), Jae-Young Kim ('95), and Sangdal Shim ('84), who also presented papers. Other alumni presenting at the conference included Fabio Canova ('88), Bong Soo Lee ('86), Eric Leeper ('89), George Tauchen ('78), Harald Uhlig ('90) and Tao Zha ('92).

Celebrating the 2011 Nobel Prize of Tom Sargent and Chris Sims

Moon Soo Kang ('83) wrote to us in January, “About fifteen Korean alumni of the U of M Economics Department gathered at a restaurant on December 2, 2011 to celebrate Professors Tom Sargent and Chris Sims’ winning the Nobel Prize in Economics. Two of them currently serve as Presidents of prominent universities in Seoul: Professor Kook Shin Ahn (Chung-Ang University) and Professor Jun Young Kim (Sungkyunkwan University). All of us, including myself, at the gathering thanked you for your assistance and guidance during our graduate years at the U of M in Minneapolis. I am now teaching macroeconomic policy at the KDI School of Public Policy and Management as a visiting professor.”

Heetaik Chung ('95) sent the names of alumni attending, besides himself, Moon Soo Kang, Kook Shin Ahn, and Jun Young Kim, there was Man Woo Lee ('84), Sangdal Shim ('84), Bong Soo Lee ('86), Inbong Ha ('87), Eugene Yun ('89), Insill Yi ('91), Jaeho Kum ('92), Byung Duck Kim ('93), Jae Young Kim ('95), Young Nam Song ('95), and Jaeuk Khil (UM Finance Ph.D, '94).

Friend us on Facebook!

The Department of Economics has a Facebook page for updates on faculty and alumni. Please send in any links if you are quoted in news sources or appear on video and wish to share them. In the last couple of years we’ve posted a number of links, which I usually find by seeing the article in print, using a Google Alert, or catching a segment of video on the local news. “Friend” us to keep up with department news!
Distinguished Undergraduate Alumna

Some of you may have heard of Rebecca Blank, but you may not know that she was a U of M undergraduate alumna of the department. Dr. Blank (B.S., MN 1976; Ph.D., MIT 1983) is currently the Acting Deputy Secretary of Commerce, appointed in November 2010. From August - October 2011, she served as the Acting Secretary of Commerce. Before this, she was Under Secretary for Economic Affairs and head of the Economics and Statistics Administration (ESA), where she oversaw the 2010 Census.

Prior to her work in the Commerce Department, Blank was the Robert S. Kerr Senior Fellow at the Brookings Institution, Dean of the Gerald R. Ford School of Public Policy at the University of Michigan, and Professor of Economics at Northwestern University. Blank also served on President Clinton’s Council of Economic Advisers from 1997-1999.

She received the University of Minnesota’s Outstanding Achievement Award in 2005.

Her latest book is Changing Inequality, published in 2011 by the University of California Press.

Recent Books by Alumni

Bruce Champ (‘90), Scott Freeman (‘83) and Joseph Haslag, Modelling monetary economies, 3rd ed. Cambridge University Press, 2011.


Donald W. Katzner (‘65), At the edge of Camelot: debating economics in turbulent times. Oxford University Press, 2011.


Yong Chul Park (‘69) and Charles Wyplosz, Monetary and financial integration in East Asia: the relevance of European experience. Oxford University Press, 2010.

Richard Rogerson (‘84), The impact of labor taxes on labor supply. American Enterprise Institute, 2010.


Alumni News

Daniel McFadden ('62) was named Presidential Professor of Health Economics, Sol Price School of Public Policy at the University of Southern California in January, 2011. He is also an emeritus professor of economics at the University of California-Berkeley, and the 2000 Nobel Laureate in Economics. He had formerly worked on research analyzing 35 million Medicare claims at USC’s Leonard D. Schaeffer Center for Health Policy and Economics. McFadden is researching how consumers make choices about health insurance and medical services, the impact of those choices on their health, and the economic benefits of preventive care.

John Roberts ('67) received the Fundacion BBVA-IESE Prize for Contributions of Economics to Management in 2009, and gave the corresponding FBBVA-IESE Lecture in Madrid, “In Praise of Weak Incentives.” In May 2010, he gave the 19th Barcelona Lecture (Tim Kehoe delivered the 18th) called “Does Investment Matter: Evidence from a Field Experiment in India.”

Warren Dent ('71) wrote to us last year: “Well, it’s forty years since I graduated and major new activities have definitely occurred in the last 2 years.

I’m still at Microsoft after 16 years, doing business development work, currently focused on the energy sector. But more precious of course, is the fact that in the last two years 3 of my 4 daughters have produced two granddaughters and one grandson between them. Where we all used to carry photos in our wallets, now they’re on my phone and laptop.

And after years of suppression I found I have a penchant for writing. In the last eighteen months I’ve managed to put together two print-on-demand family history books. As an Australian, I’m the product of two merged immigrant English ancestral families – one with unmanageable convict background, the other with free settler choice. 660 pages tell the story in Free Settlers and Convicts in Early Australia: A Short History of the Dents and the Taylors 1663-2010 (Infinity Publishing) and 116 pages tell more about a wealthy branch of the family in Tasmania in The Wrights of Glenorchy: A Short History of the Wright Family 1740-2010 (CreateSpace). Both are listed on Amazon and are really immense research and detective work efforts, thoroughly enjoyable and rewarding from my point of view. My latest quest is to use the material to write an historical novel of the times, and that is well under way.”

Barbara Zoloth ('71) wrote, “I’m retired from Wells Fargo Bank as of July 1, 2011 after almost 28 years. It’s been a good place for me. I’ve used my econometrics background lots in evaluating credit risk models and loss forecasting. Plans for retirement include a trip to China next month and more dancing! I’m deeply involved in same-sex ballroom dancing, both doing it and organizing/producing dances and competitions in the San Francisco Bay Area.”

Andreu Mas-Colell ('72) is now Minister of Economy and Knowledge for the government of Catalunya in Spain.

Terry Monson ('72) wrote in June 2010, “Some recent changes in my life: Retired as Professor of Economics Emeritus from Michigan Technological University in 2008; failed retirement, now Dean, School of Business, Finlandia University, Hancock, MI. Email: terry.monson at finlandia.edu.”

Francisco Thoumi ('73) was appointed to the United Nations International Narcotics Control Board (INCB) in April 2012. He wrote, “I was nominated by the Colombian government whose President I have been advising on drug policies after he asserted last November that it was time to start rethinking anti-drug policies. The board is made up of 13 “independent and impartial” experts. Until now the board has been the most prohibitionist body dealing with drugs, and most members come from the health, law enforcement, and diplomatic sectors. I will be the only one from the social sciences. There are winds of drug policy change and I hope to contribute to international drug policy improvement there. I am aware that this is huge challenge but it will be exciting and interesting.”

“Last December I had a new experience: I was a shooting star in two theater festivals in Brussels and Essen. Mapa Teatro, an experimental group, was invited to participate with plays on “the spoken word.” They decided to have a play around a fictitious speech found in Pablo Escobar’s pocket when he was killed. Supposedly he had prepared this speech for the day in which he was going to be elected president of Colombia. In this surreal setting, I was given the role of Prof. Thoumi who played the anti-Pablo role, and explained the development of the International Drug Control Regime, the prohibitionist arguments, the anti-prohibitionist responses, and finally my own theories about the competitive advantage in drugs and crime. Perhaps at 69 I can now start a new career.” Francisco added, “In March, 2012 we presented the play at the Iberoamericano Theater Festival in Bogota and in late May we will be in the big leagues, a theater festival in Berlin.”
John Rowse (’74) wrote in June, 2011 “I retired from the Department of Economics at the University of Calgary (in Calgary, Alberta) after 31 years of service. My employment at UC in 1979 followed 5 years with the Department of Economics at Queen’s University in Kingston, Ontario, which was my first posting following graduate training at Minnesota. My graduate training prepared me well for work in academia, and my professors at Minnesota helped me a lot. In particular, my Ph.D. supervisor, Jim Henderson, had a major influence in stimulating my interest in applying mathematical programming approaches to economic analysis. He also provided very useful guidance to me as a graduate student, including career advice. His advice to “work hard, impose deadlines and stick to them” served me well over many years.

The greatest favor Jim did for me was to refuse to act as my supervisor unless I promised to finish my doctoral research before leaving Minneapolis to take up full time employment. The promise I made to secure him as my supervisor was not enforceable, of course, but his condition stressed the urgency of completing Ph.D. research before becoming swallowed up by a life different from that of a grad student. And harsh though it seemed at the time, his refusal to tolerate excuses for lack of progress on research also benefited me immensely, as did our regularly scheduled meetings where I reported on my research and he provided feedback.

Finally, the greatest influence upon such successes I have had as a university professor has been the support provided by my wife of 37 years, Mili, whom I met in 1971 when I was a graduate student.”

Robert M. Townsend (’75) was the winner of the Jean-Jacques Laffont Prize in Economics for 2011. From the MIT press release: “Townsend, the Elizabeth and James Killian Professor of Economics at MIT, received the award in January 2012 in Toulouse, France, where gave a lecture titled “Financial Design and Economic Development.” The Laffont Prize has been awarded annually since 2005, to an “international high-level economist whose research, in the spirit of Professor Jean-Jacques Laffont, combines both the theoretical and applied aspects of economics.” The award is given by the city of Toulouse and the Institute of Industrial Economics (IDÉI), a research center that is part of the University of Toulouse.”

Carol Dahl (’77) received the 2010 Adelman Frankel Award for unique contributions in the field of Energy Economics from the United States Association of Energy Economics. She is currently a Visiting Professor in the Department of Economics at King Saud University in Saudi Arabia.

Mike Goetz (’77) wrote that “I am now retired after thirty years at Temple University. In addition to my department duties, I was an Associate Dean of the Business School for several years, and also worked in the Provost’s Office too. For the last few years, my research interests were in the analysis of peer effects and my teaching duties focused on the MBA program.”

Mongi Boughzala (’78) stopped by in late April on a trip back from Stanford, where he presented a paper about the transitions in Egypt and Tunisia at the Program on Arab Reform and Democracy conference. Mongi is a professor of economics at the University of Tunis El-Manar. He is also a research fellow at the Economic Research Forum, an active board member of the FEMISE (Forum Euromediterraneeen des Instituts de Sciences Economiques) network, and a consultant to the African Development Bank, among other organizations. Mongi’s new book is listed in this issue’s Recent Books by Alumni.

Carlos Cuervo-Arango (’81) moved back to academia and wrote “I am acting as the Dean of the College of Social Sciences at Nebrija University, a private university in Madrid.”

Martin Eichenbaum (’81) of Northwestern University became a co-editor of the American Economic Review in January 2011.

Chuck Whiteman (’81) was named the Elizabeth L. & John P. Surma Jr. Dean of Penn State’s Smeal College of Business in April 2012. Chuck is currently senior associate dean at the University of Iowa’s Tippie College of Business, holds the Leonard A. Hadley Chair in Leadership, and advises the State of Iowa’s Department of Management. He was chair of Iowa’s Dept. of Economics from 1997-2000.

Zvi Eckstein (’83) stepped down as Deputy Governor for the Bank of Israel on June 30, 2011 and went back to academic life at Tel-Aviv University. Zvi came to Minneapolis in October 2011 to give the Minnesota Lecture (see separate article).

Richard Rogerson (’84) moved from Arizona State University to the Woodrow Wilson School at Princeton University.

Soumyen Sikdar (’84) moved from the University of Calcutta to the Indian Institute of Management (also in Calcutta).

Albert Marcet (’87) was elected a Fellow of the Econometric Society in December 2011. Albert is at the Institut d’Anàlisi Econòmica CSIC, in Barcelona.

Valentin Carril (MA ’87) wrote that he “had the honor to host a seminar, on August 19, 2011, organized by the Principal Financial Group Chile, where our main keynote speaker was Ed Prescott, who spoke on “Equity Risk Premia in the Current Market Condition.” There was a lot of
media attention, as we don’t get Nobel Prize winners too often in my neck of the woods. Our former minister for Energy, Ricardo Rainieri (’93), Ed was his thesis advisor) was at the seminar as well.” Valentin also attended a talk by Tom Sargent in January 2012, sponsored by KPMG. He noted, “After the speech I approached him (not too many Minnesota economists in Chile’s financial market!) and was delighted to confirm that he has good memories of my generation.”

Kurt Winkelmann (’87) is now a managing director and head of risk and analytical research at MSCI (Morgan Stanley Capital International) in New York. Kurt was formerly a managing director at Goldman Sachs Asset Management and led the Global Investment Strategies team, and from 1993-99, managed the Global Fixed Income Portfolio Strategy Group at Goldman Sachs International. Kurt also serves on the University of Minnesota Foundation Board of Trustees and on the board of CLA’s new Heller-Hurwicz Economics Institute.

Lance Fisher (’88) was in Minneapolis in January 2012, the same time that Daniel Levy was visiting Mark Bergen (’90), so we had an impromptu afternoon party in the library. Lance is at Macquarie University in Australia, where he is head of the Department of Economics within the Faculty of Business and Economics. Dany, who was in the graduate program at Minnesota in the 80s, received his Ph.D. at the University of California-Irvine, and is now at Bar-Ilan University in Israel and Emory University in Atlanta. Mark is the James D. Watkins Chair in Marketing in the Carlson School of Management at Minnesota. It was the first visit back to Minnesota in 25 years for Dany and an extremely fun reunion!

Terence Langan (’88) is the new dean of the College of Arts and Sciences at St. Thomas as of January 2012. He joined St. Thomas full-time in 1990 and earlier chaired the Economics Department for 4 ½ years.

James Craig Tobin, who was in the graduate program from 1988 to the early 90s, died July 14, 2011 of a heart attack at age 52. From the Star Tribune: “Survived by parents, John and Marie Tobin; sisters, Lisa and Amy Tobin; nephews, other relatives and friends. Purveyor of puns, wizard of witticisms, and icon of intellect, James was treasured by all who knew him. He earned his Bachelor’s Degree from UW Madison (in 1982) and his Master’s from the London School of Economics. A lover of great literature, theatre, music, and sports with a special fondness for Gilbert & Sullivan and Shakespeare. He was a regular attendee of the Guthrie and had a personal library nearly as vast as his heart. He was a consummate conversationalist, inviting all into his lively discourse. Kind, non-judgmental and humble, he was blessed with the rare ability to respect differing opinions while holding true to his own.” Jim was not averse to sharing his name with the 1981 Nobel Prize winning economist.

Mike Tsonias (’94) and his wife Irene are happy parents of twins George and Marie (2 1/2 years old). Since 2008 Mike has been a full professor at the Athens University of Economics and Business. Karine Moe (’95) was named the F.R. Bigelow Professor of Economics at Macalester College in September 2010.

Francois Ortalo-Magné (’99) became dean of the School of Business at the University of Wisconsin-Madison on September 1, 2011 after serving as chair of the Real Estate Department for the past three years. Francois was formerly a tenured professor at the London School of Economics. Francois says: “I have enjoyed every single day of this new life.”

John Stevens (’01) was appointed to the position of Assistant Director in the Division of Research and Statistics at the Federal Reserve Board in Washington, D.C. in January 2011.

Jesus Fernandez-Villaverde (’01) received the IX Herrero Prize for the best Spanish Economist under the age of 40 in October 2010.

Adam Copeland (’02) wrote with this update: “I have two kids, Laila (3 years) and Jordan (1 year). Lots of fun, but little sleep in our household.”

Juan Camilo Gomez (’03) has been promoted to associate professor with tenure at the University of Washington, Bothell School of Business.
Michele Tertilt (’03) is now at the University of Mannheim, in Germany. She wrote: “I started in September last year (2010). I love being back in Germany. Plus it’s a really great department!”

Mike Golosov (’04) moved from Yale University to the Department of Economics at Princeton University in 2011. Mike was married in August 2011 to Nancy Qian of Yale University in Minsk, Belarus.

Heedon Kang (’04) is now at the Central Banking and Monetary Issues Division of the Monetary and Capital Markets Department at the IMF. He was formerly at The Bank of Korea.

Urvi Neelakantan (’05) has moved from the University of Illinois to the Federal Reserve Bank of Richmond, where she is a Research Economist and Manager in the Community Development Department.

Partha Chatterjee (’05) and Soma Dey (’06) moved from Singapore in 2011 to Delhi, India. Both of them joined the business school (Faculty of Management Science, known as FMS) at Delhi University.

Alice Schoonbroodt (’06) has moved from the Economics Department at the University of Southampton to the Tippie College of Business at the University of Iowa.

Sang-Wook (Stanley) Cho (’07) was promoted to Senior Lecturer in July 2011 at the University of New South Wales in Australia.

Miguel Ricaurte (’09) wrote, “I hope all is going well up north. I can’t believe I’ve been gone for two years now... time flies! Upon my graduation in 2009, I joined the Central Bank of Chile as a Research Economist. Since then I have done a few additional things. Last year I spent four months in Washington D.C. as the representative for Chile in the Executive Board of the IMF and, starting July 1st 2011, I am the head of the International Forecasting and Models Group in the Research Division of the Bank. Coming to Chile was quite the challenge, but it has been a great journey so far.”

Yelena Tuzova (’09) is now at Claremont Graduate University in California.

Pricilla Maziero (’09) and Anderson Schneider (’09) are new proud parents of Leonardo Maziero Schneider born on February 17, 2012.

Simge Tarhan (’09) has moved across the U.S. from Colby College in Waterville, Maine to the University of the Pacific in Stockton, California.

Ctirad Slavik (’10) recently married and he and his wife Lenka Slavikova have a baby girl Karla Marie Slavikova, born August 25, 2011. Ctirad is at the Goethe Universitat in Frankfurt.

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Gerald J. Eskin (’71), 1934-2011

Gerry Eskin was a Renaissance man. He was born in Washington, DC in 1934 and, as a teenager, was hired by the Washington Daily News as a photographer. After graduating from the University of Maryland, Gerry was a photographer in the Air Force Reserves. He earned his Ph.D. at Minnesota, with Leo Hurwicz was his advisor. Gerry’s thesis was entitled: Prediction of Demand Under a Change in Consumption Technology, which was a topic he put to good use as a marketing professor at Stanford and the University of Iowa before he founded (along with 3 partners) Information Resources, Inc. in 1977. Based in Chicago, the company used the new barcode technology to provide marketing data, specifically for testing the impact of television advertising on purchasing decisions. Eskin received three U.S. patents for technology he developed for the company (a leading market research firm now called SymphonyIRI). Mark Bergen (’90), a marketing professor in the Carlson School of Management at Minnesota added: “IRI was one of the largest and most successful marketing research companies in the U.S. It pioneered the collection and analysis of “scanner data,” from consumer packaged goods we buy at supermarkets and grocery stores. Analysis of these data sources has become a central managerial tool for major wholesalers (such as Supervalu), to major retail outlets (Kroger and Target) and major branded manufacturers (General Mills and Unilever). It has also been a fertile source of data for research in marketing and economics. IRI fundamentally altered the lives of managers and work in marketing and economics (both micro and macro).”
Gerry retired in 1995 and then pursued his art interests in ceramics and digital photography. He created large ceramic pieces and sculpture, and panoramic landscape prints. His work is found in The Metropolitan Museum of Art, the Museum of Arts and Design, and the University of Iowa Museum of Art, among others. Eskin was also an adjunct professor of art and art history at the University of Iowa. He lived in Iowa City, Chicago, and Aspen. Eskin died on June 28, 2011 of complications from heart surgery. He is survived by his wife Sandie, 3 children and 7 grandchildren.

Sources: Chicago Tribune, Aspen Times, Iowa City Press-Citizen and MrWeb – The Market Research Industry Online.

Faculty/Staff News

Tom Holmes was elected a Fellow of the Econometric Society in November of 2011. Tom said: “There is an interesting Minnesota angle because out of the sixteen new Fellows, three of them have strong Minnesota connections. Besides me, Albert Marcet (’87) and Sam Kortum (former Minnesota faculty member, 2004-06) were also elected.”

Craig Swan and his wife Janet are the proud grandparents of their third grandson, Henry Andrew Swan, born in May 2011. He is the first child of their son Andrew and his wife Megan. Craig and Janet spent a few weeks last fall on a trip to Antarctica.

Herb Mohring has moved into a memory-care nursing home in Northfield called Three Links, and no longer has a computer. He can be reached at 119 Winona St., Northfield, MN 55057.

Herb would be delighted to receive greetings and inquiries by mail. His son Stephen’s email is smothing@carleton.edu.

John Chipman has a new book which came out in 2011: An Introduction to Advanced Econometric Theory from Routledge.

Anne O. Krueger’s 1974 article, “The Political Economy of the Rent-Seeking Society,” has been named one of the top 20 articles of the American Economic Review from the last 100 years. (AER, 101:1, Feb. 2011, p.5). Anne also has a new book out: Struggling with Success: challenges facing the international economy, World Scientific, 2012.


Professor Emeritus Harlan Smith, at age 97, is keeping busy in retirement. He just wrote How to Approach and Reduce Society’s Problems. This book takes an interdisciplinary approach to reducing social problems by exploring a better paradigm for teaching economics and political science at the university level. Harlan had 63 years of experience as an economics professor, first at Harvard, followed by Brown, then 59 years in our department. He began his career working with Nobel laureate Wassily Leontief. Harlan says “After retiring at 95 in 2010 I wrote this book because I believe the educational system has an obligation to more aggressively address the challenges of our world.” Harlan added, “I would greatly appreciate it if you would read the complimentary copy of my book (http://www.econ.umn.edu/alumni/SocietysProblems.pdf) and send your comments and criticisms to me at harlanmsmith@comcast.net.”

Professor David Rahman and his wife Jenny Rocksusto are proud parents of their third child, a girl, Luna Maitena, born April 22, 2012 weighing 8 lbs. 9.6 oz.
CLA Distinguished Service Awards
by Sara Shuford

Wendy Williamson and Dong Oh (our CLA computer expert) were among 9 college staff members receiving the 2011 Outstanding Service Award from the College of Liberal Arts. A celebration was held on January 24th at the McNamara Alumni Center (where a wall of old Memorial Stadium is displayed). Below are the winners with Dean James Parente (in the middle); Dong is on the far left, and Wendy is 3rd from the right.

Dong Oh was promoted within CLA last fall. Now serving as a Technology Administrator for CLA Info-Tech Services, Dong is assigned to focus on consulting, development and planning as well as integrating the responsibilities of the CLA Service Desk and field technicians in an effort to provide optimal technological services. While we in Economics miss the day-to-day contributions provided by Dong prior to his promotion, we are very fortunate that he continues to serve the department at this higher level and are thrilled for the promotion he so richly deserved.

In 1976, Wendy Williamson started as a student worker in Economics as a librarian; since then she earned her master’s degrees in Library Science and has managed the department’s top-notch research library over the last 35+ years.

Though we don’t really need to explain to you, our graduate alumni, who Wendy is, we felt that it was worth explaining all that she does! In addition to her regular communication with alumni, she handles payroll for some 150 employees; orients visiting scholars, graduate students, and adjunct faculty. Wendy also organizes and runs major conferences and writes articles and coordinates the alumni newsletter. Wendy has played an integral part in assisting with the operations of the new Heller-Hurwicz Economics Institute. On the wider scene she has been a University Wellness Advocate, Chair of the Civil Service Committee, University Senate Civil Service representative; and involved with the Solos Librarian Group of the Special Libraries Association.

Most important to her work, Wendy has created a sense of family among alumni. According to Mark Bergen, “Wendy is the glue that binds us together. She keeps us up-to-date on the current happenings in the department, and connected with each other sharing professional achievements such as new jobs, books, and awards to personal joys that include marriage and baby notices. She is always there when you need her help and has been a great friend over the years. I am thrilled that Wendy is recognized for all she does for the economics department. Wendy, Congratulations on this well-deserved honor! Always a kind word, a funny story and life, and a real interest in our lives. She continues to stay with us and keep us connected with the department. The face of the department for students, the heart and soul.”

As Dean Parente so aptly put it at the CLA Awards Ceremony this fall, “Wendy is valued for her understanding of the field of economics and its role in public policy and society; her willingness to help others; her ability to advance the success and reputation of the department, CLA, and the U of M. Wendy creates internal and external cohesion for Economics, helping to maintain its distinguished profile and reputation as a world-class department.”

Sheila M. Richter, 1932-2011

Sheila Mills Richter, the wife of Professor Marcel (Ket) Richter, died on Oct. 11, at the age of 79, after fighting lung cancer for more than four years. Sheila worked passionately to make the world a better place through teaching, gardening, community endeavors, and political activism.

Sheila was born in Panama City, Panama, where her father was an American diplomat. Her family lived in Romania (where she attended first grade at a French school); Santiago, Chile; Oregon; and by the time she was in high school, Washington, DC. Sheila attended Swarthmore College, where she met Ket the first week of classes, and they married after graduation in 1954. The Richters moved to Minnesota when Ket joined the department in 1959, living first in St. Anthony Park before building a house in the University Grove area of Falcon Heights in 1967.
Mary Lou Hildreth, 1916-2011

I am sad to report that Mary Lou Hildreth died on Sunday October 2, 2011. She had just turned 95 three weeks earlier. Her husband Cliff was a member of the economics department from 1964 until retiring in 1987. He also held appointments in the Department of Agricultural and Applied Economics (now Applied Economics) and the School of Statistics.

Her daughter Sue wrote: “Mary Lou had a good 95th birthday celebration given the circumstances of having just moved to a residential care facility, for observation, essentially. She had gone to a hospital earlier, suffering problems with walking due to pain in her leg. The hospital had said there was nothing wrong with her beyond the obvious toll of age and arthritis. She was able to enjoy visitors and chocolate (cake and truffles) on her birthday, but was declining rapidly. Unlike my dad, she had advance directives that facilitated a transition to hospice care. No specific cause of death was known, other than ‘old age.’”

Mary Lou and I kept in touch frequently by phone and cards over the years. I visited her in Eugene a couple of times in the 90s, and she was last here in Minnesota, I believe, in 2001, visiting Lela Brownlee the year before Lela died. She would always take the train-she hated to fly. Mary Lou wrote about Lela for the 2002 alumni newsletter, giving a history of their friendship:

“In 1942 our husbands, Cliff and Oz, were working on their PhDs at Iowa State. Then we followed each other to the University of Chicago, Michigan State University, and finally, the University of Minnesota. After Cliff and I retired to Eugene, Oregon in 1987, every other year I would go to Washington, D.C. to visit my sister and stop in Minneapolis on the way back.”

Mary Lou was a junior high home economics teacher in Minneapolis, and a champion of libraries and the arts; in Eugene, she had volunteered as a docent at the University of Oregon Art Museum where she made many friends. She also spent time enjoying the ocean at a condo on the coast in Florence, Oregon. She is survived by her husband, Marcel; daughters, Cynthia Richter (Martha Reis) and Leila Fiester (Reid Fiester); granddaughter, Soléa Fiester; and grandson, Carlos Reis-Richter. A celebration of Sheila’s life will be held in St. Anthony Park this spring. Memorials are welcome to Swarthmore College and the American Friends Service Committee. If you would like to send a message to Ket, he can be reached at richter@umn.edu.

Sources: Star-Tribune, Park Bugle, University Grove News
The annual Minnesota Lecture, started in 1998, recognizes a distinguished alumnus of our Ph.D. program each year. In November, Zvi Eckstein gave the Minnesota Lecture for the 2011-2012 academic year.

Zvi completed his Ph.D. in 1981. Anne Krueger was his main advisor and Tom Sargent and Chris Sims also advised him on his thesis. (Completing the committee were Neil Wallace and Vernon Ruttan. Quite a committee!) Zvi started his career at Yale and later was on the faculties of Tel-Aviv and Boston University. In 2001 he returned to Minnesota to join our faculty. In 2006, he became Deputy Governor of the Bank of Israel. He is currently Dean and Professor, School of Economics, at the Interdisciplinary Center Herzliya, IDC. In this position, he is building a new school of economics at a private research center. He is also on leave from Tel Aviv University. Zvi has received numerous awards and honors, and he is a Fellow of the Econometric Society.

Zvi is one of the leading labor economists of his generation and is a pioneer, along with former Minnesota faculty member Ken Wolpin, of the structural approach to labor economic analysis. A hallmark of this approach is the way economic theory is explicitly incorporated into the empirical analysis. The work epitomizes the great tradition of economics at Minnesota. Zvi has written famous papers on the returns to education and equilibrium models of job search and on a variety of other topics.

Zvi’s lecture was entitled, “The Chosen Few: How Education Shaped Jewish History.” The lecture was based on new book with Maristella Botticini of Boston University that will be published by Princeton University Press. The book asks why, over the course of history, Jews became economically successful and, in particular, disproportionately selected occupations in entrepreneurship and finance. Through painstaking historical research, Zvi and his co-author show the important role of education. To be a Jew (or at least a male Jew), one had to read. The Jews were the “People of the Book.” During the years 200-650, this didn’t make much difference for economic success or occupational sorting: those farmers who were willing to learn to read and had a desire to be Jews were Jews; other farmers were non-Jews. But beginning around the year 750, with the onset of a kind of globalization brought about by Muslim conquests, there was an increase in demand for the occupation of being a merchant. Jews had a comparative advantage in the merchant job because of their education. Zvi and his co-author show how this event was the beginning point leading to differences in occupational choice and earnings between Jews and non-Jews that have persisted for over a millennium.

Zvi is a great story teller and he could not resist including as part of the lecture some entertaining stories about his time as a student here. Particularly poignant were the recollections he shared about what it was like to be a student of Tom Sargent and Chris Sims, the newly-minted Nobel Laureates.

The 2010 Minnesota Lecture
by Alessandra Fogli

Richard Rogerson, my advisor, gave the 2010 Minnesota Lecture.

Richard is one of the most influential macroeconomists of his generation. He was a student at Minnesota during the golden years of the late ‘70s and early ‘80s, when Minnesota was at the center of an intellectual revolution in macroeconomics. It was the time of the “Four Horsemen”: Ed Prescott, Tom Sargent, Chris Sims and Neil Wallace were posing the foundation of modern macroeconomics while forging the graduate students who would be the next generation of power macroeconomists.

Nobel laureate Ed Prescott, Richard’s thesis adviser, says of his work as a graduate student: “When I heard his third essay, I knew his dissertation was the most important one written in economics in decades.”

The dissertation essay Prescott refers to is Richard’s seminal paper on indivisible labor, which became one of the most influential papers in macroeconomics. It shows that including in a standard RBC model the extensive margin in labor decisions is critical to understand employment fluctuations. The idea that our understanding of labor markets is crucial to our understanding of the macroeconomy still inspires Richard’s work and is at the heart of his Minnesota Lecture, entitled “Individual and Aggregate Labor Supply Elasticities”.

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In his lecture Richard explained how it is possible to reconcile the implications of modern macroeconomic models of business cycles with the findings of microeconometric studies of hours worked. Macroeconomic models of fluctuations in hours of work over the business cycle or across countries imply large responses of aggregate labor supply to changes in average wage. Microeconometric estimates of changes in hours worked in response to changes in wages at the individual level suggest a much smaller effect.

Richard showed that aggregate and individual labor supply elasticities can be reconciled by the inclusion of the extensive margin response created by indivisible labor. If labor supply is indivisible, changes in tax or wage rates can generate large changes in aggregate hours by inducing extensive margin responses even if they have little effect on hours conditional on employment. This intuition is critical to address questions ranging from the sources of business cycles fluctuations to the impacts of tax policy on growth and inequality.

Richard is now Professor of Economics at Princeton, after teaching in many prestigious universities, including Minnesota, Penn, Stanford and Arizona State. He has served as co-editor of the American Economic Review and as associate editor of the International Economic Review and the Review of Economic Dynamics. He is a fellow of the Econometric Society, the President of the Society for Economic Dynamics, and the co-editor of AEA’s American Economic Journal: Macroeconomics.

Last, but not least, Richard is a great advisor and has a large number of students. “Mentoring students is a very time-intensive activity, but for me it is very rewarding. When I think about the mentoring that I received as a graduate student and what an impact it had on my development, I feel that this is one way to give back some of what I received,” he says. Just in the spirit of the great Minnesota tradition!

Our Stellar Undergrad Employees!

We like to recruit our Front Desk student employees from our undergraduate program.

Kimberly Conlon, BS ’10, landed a job at the Federal Reserve Board. Kimberly has been such a great employee that the Fed is sending her back to recruit more U of M economics undergrads. She is now a Senior Research Assistant in the Advanced Foreign Economies Section within the Federal Reserve Board of Governors. Her position is unique because it allows for a balance between economic policy and economic research. Kimberly says it is an exciting and intense time to work at the Federal Reserve, in the midst of Euro Area Crisis. She said, “My time in the Economics Department at the University of Minnesota was invaluable. My exposure to renowned economists, in class and while working in the department, inspired me to pursue a career in economics.”

Sam Brunell, another valiant member of our “first line of defense,” just spent the Spring semester as a research assistant for Jim Schmitz (’86) at the Federal Reserve Bank of Minneapolis doing some work on industrial organization with him. The project concerned the sugar industry in Puerto Rico. Sam mostly did data work for this project, like pulling old public records of the sugar mills and looking at the data.

He has also been a research assistant for David Rahman, working with David and Piotr Evdokimov, on an experimental economics project looking at how personalities interact and make economic decisions. Sam was mostly in charge of running the experiment with a couple hundred subjects. He also helped with some of the data analysis and other post-experiment duties.

This summer Sam will be a paid research assistant at the National Center for Education Statistics (NCES) in Washington DC. The NCES is the statistical division in the Department of Education. Sam is not exactly sure what he will be doing, but will probably be doing statistical work with survey data related to education. Sam, who double majors in Math, has just been awarded a $12,000 actuarial scholarship from UnitedHealth Group.

Tyler Hubler is currently a second year honors Political Science major and Economics minor. He spent the Spring 2012 semester in Oman studying the Omani higher education system and Omani government policies for preparing university and college graduates for a post-oil economy and workforce. Tyler is also active in student government and service at the University of Minnesota.
The newsletter is now published once a year.  
Writer and Editor: Wendy Williamson  
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