Narayana Kocherlakota
President of the Federal Reserve Bank of Minneapolis

In October 2009, Minnesota Professor Narayana Kocherlakota was chosen to succeed Gary Stern as President of the Federal Reserve Bank of Minneapolis. Narayana received his A.B. in Mathematics from Princeton in 1983 and a Ph.D. in economics from the University of Chicago in 1987, where Lars Peter Hansen ('78) was his adviser. Narayana first taught at the Kellogg School at Northwestern (1987-90) and at the University Iowa (1990-95). From 1996-98 he was a research economist at the Minneapolis Fed, and he joined the department as a Professor in 1998. Narayana then moved to Stanford (2002-05), returning to Minnesota in 2006, and served as chair of the department until 2008. He was also a consultant to the Minneapolis Fed from 1999-2009.

In December 2009, Narayana wrote in the Fed publication, The Region: “Since taking office in early October, I have often been asked why I was interested in becoming a Federal Reserve bank president, especially as I have spent my career in academia, teaching students and puzzling over difficult economic problems. But for me that’s the wrong question. Rather, the question is, why wouldn’t I want to be a Federal Reserve bank president, especially with so many important questions left unanswered? For a research economist with a deep interest in public policy, there is no better time than now to accept such a position, and it is an honor to serve in this capacity.”

Narayana also wrote: “One issue on the table, and not only for the economics profession generally but also for the economics profession speaking, is the role in policymaking. Much has been written on the value of macroeconomic research in recent months, especially given its seeming failure to anticipate the current financial crisis and to propose clear solutions. I have strong views on this matter, since I have spent my career to this point as an academic economist engaged in theoretical and empirical research focusing, in part, on questions relevant to our current situation. This issue has even greater resonance for me now that I have been named to lead a Federal Reserve bank. Indeed, I view the role and value of macroeconomic research as a foundational question for my tenure as president of this bank; likewise, I plan to publish an essay in our forthcoming Annual Report (spring 2010) on this very question. As a preview to that essay, I will say this: It is true that modern macroeconomic models have not been particularly helpful in answering important questions surrounding the recent financial crisis. However, that does not mean that we should move back to previous era models, as some have advocated (after all, those models don’t answer these questions either). Rather, we need to learn from this event and build on our existing models, which already incorporate significant progress over the past 30 years. I believe there are promising directions that...”

Continued Page 4.....
Faculty and Staff News


Fatih Guvenen and his wife Filiz are proud parents of Noah Kerem Guvenen, born on March 20, 2010 at 8pm. Fatih says: “He is a big boy at 8lbs. 14 oz. and 21 inches. It goes without saying that he is very cute with delicious looking cheeks.”

This March the second issue of the *Review of Economic Design* in honor of Leo Hurwicz came out (14:1-2); a companion to the 2009 issue (13:1-2). There is short article on Leo’s research by Stan Reiter and also Roger Myerson’s lecture in honor of Leo, “Fundamental Theory of Institutions.” Articles by Minnesota people are by former professors Jim Jordan and William Thomson, and alumni Jim Quirk (’59), Daniel McFadden (’62), Donald Katzner (’65), Jim Moore (’68), Myrna Wooders (’76), Fernando Vega-Redondo (’84), Tatsuyoshi Saito (’85), Guoqiang Tian (’87), Lu Hong (’91) and Roswitha King (’98).

Tim Kehoe gave the 18th Barcelona Lecture in February 2010 at the Barcelona Graduate School of Economics. The lecture was entitled: “The current financial crisis in Spain: what should we learn from the Great Depressions of the twentieth century?” Josep Oliu (’78), President of the Banc Sabadell, led the session, Juan Carlos Conesa (’99) introduced Tim, and other Minnesotos in attendance were Teresa Garcia-Mila (’87), Clara Ponsati (’88) and David Wettstein (’87).

Harlan Smith turned 95 on October 24, 2009. Harlan was regularly coming into the department until last spring, and is still at his home in Roseville with his wife Margaret. Harlan does not have e-mail, so if you would like to send him a message, please e-mail me (wendy@umn.edu) and I will make sure he gets it. I can also send you his mailing address if you would like to send him a card.

Jan Thompson Retires: “I was hired into Econ by Herb Mohring on July 23, 1990. In my first position I worked with several professors: Ed Prescott, Patrick Kehoe, Hidehiko Ichimura, and Herb Mohring. Because I’d worked with placement while in the College of Agriculture (1980-1983), I took great interest in the department’s placement process. Herb Mohring allowed me to design a database that is still in use today (with updated software and procedures). Two years later, the Graduate Office Coordinator position opened up and I gladly accepted the challenge; my first job at the U was in the graduate office in the old Botany Department from 1973 to 1980. In 1994, I moved into the Office Manager position; after 2 months, the department administrator left, and Sara Shuford (current Assistant to the Chair) arrived. At that time I became the Administrative Aide, my final job which I held for 15 years, processing payroll, fellowships, and reimbursements, as well as managing the move to Hanson Hall. I officially retired on January 2, 2009. I am now temporarily working in the Department of Psychology for someone on leave.

Over the years, I had the pleasure of meeting and getting to know hundreds of new graduate students, faculty, and staff from all over the world. I feel very fortunate to have known several Nobel laureates, Federal Reserve Bank personnel, and many people from inside and outside of the university. I don’t really miss the work, but really miss all the people. I am truly enjoying my retirement by travelling, reading, knitting, and having more time with family.”

Wendy Williamson’s idea for holding the university-wide Staff Day (renamed “Celebrate U!”) at the new TCF Gopher Stadium came to fruition with a large event held August 25, 2009. It was the second event held in the new stadium (the first was the August 22nd scrimmage) so there were a number of minor catastrophes, but most employees enjoyed seeing the inside of the stadium and touring the deluxe locker room in the shape of a football overlooked by photos of the great players of yore. The gift for all employees at the event was a maroon stadium seat.

**The Department is Now on facebook**

Since Caty Bach created the page in late December 2009, we’ve grown to 244 fans—please join us! This is where we can keep you current on department news and events. In addition, there is a V.V. Chari page, for “special” friends of the department and Leo Hurwicz also has a fan page, created by Hakan Inal (’08). There are some interesting artifacts, stories, videos, and pictures posted on all of these pages. Check them out!
Alumni News

Debasis Bandyopadhyay (’93) wrote recently: “The 2nd edition of my New Zealand adaptation of Mankiw’s Principles of Macroeconomics has just come out (Fall 2009). The first edition was nominated in 2007 for the Australian Award for Excellence in Tertiary Publishing and was shortlisted for the award but did not get it in the end; it was, however, adopted by six other universities and polytechs other than our own University of Auckland…I was quite surprised by this unexpected success after not doing so well via the proper channel for so many years!”

Donna Boswell Gilleskie (’94) was promoted to full professor at the University of North Carolina-Chapel Hill in 2010.

Andrew Brod (’92) is Vice-President of AUBER, the Association for University Business and Economic Research, a group of regional and applied business, economic or policy research centers in public and private universities. State and local governments, trade associations, and economic development agencies are also represented among its members. The association dates back to 1947. The group hosts a conference in March with NABE (National Association for Business Economics) and this year’s conference was entitled: “The New Normal? Policy Choices after the Great Recession.”

Len Burman (’85) moved from the Urban Institute, where he was Director of the Tax Policy Center to become the Daniel Patrick Moynihan Professor of Public Affairs at the Maxwell School at Syracuse University in August 2009. Len says: “I’m very excited about this. The position seems like it was designed for me. They want me to stay involved in public policy and the chair comes with a reduced teaching load, research funds, and an RA. The econ department at Syracuse has a heavy focus on applied microeconomics, so I will have colleagues with similar interests.” Len formerly worked as a Deputy Assistant Secretary for Tax Analysis at the Treasury Department and a Senior Analyst at the Congressional Budget Office. He currently serves as Vice President of the National Tax Association and is a member of the IMF Fiscal Analysis Division’s Panel of Experts. Catch one of his recent Washington Post articles on our new MN-Dept. of Economics Facebook page.

Merrell Hora (’99) wrote to us recently: “I am now working for Barclays Capital in New York as Global Head of Equity Execution Analytics. I am responsible for the equity trading algorithms and various analytics such as portfolio optimization, market impact forecasting and liquidity related forecasts. It is a very exciting field. We are utilizing dynamic programming solutions, Bayesian econometrics and game theory - sometimes all within the same application. I believe this would not be possibly without the truly unique training that I received while at Minnesota.”

In 2008, Per Krusell (’92) was the first Swede in the humanities and social sciences to receive a senior research grant (2.1 million Euros) from the European Research Council. Per is a Professor of Economics at Stockholm University (with the Savings Banks Foundations and Swedbank Chair in Macroeconomics) and a Professor of Economics at Princeton. Per also won the 2007 Söderberg Prize from the Royal Swedish Academy of Sciences.

Andreu Mas-Colell (’72) and former Minnesota professor Hugo Sonnenschein won the 2009 BBVA Frontiers of Knowledge Award for Economics, Finance and Management. BBVA (Banco Bilbao Vizcaya Argentaria) is an international Spanish banking group. They will share prize money of 400,000 Euros ($270,000) for their work on “general equilibrium analysis and for establishing the modern theory of aggregate demand.” Andreu is a professor of economics at the Universitat Pompeu Fabra, founder and chairman of the Barcelona Graduate School of Economics, and since July of 2009, Secretary General of the European Research Council. After leaving Minnesota Hugo was at the University of Massachusetts, Northwestern University, University of Pennsylvania, Princeton University (as professor and Provost), and is currently at the University of Chicago where he also served as President from 1993-2000.

Felipe Morandé Lavín (’83) and Ricardo Raineri Bernain (’93) were appointed cabinet members in the new Chilean government of President Sebastián Piñera. Felipe is the minister for Transport and Telecommunications. He is Dean of the Economics and Business Faculty at the Universidad de Chile, and was also Chief Economist at the Banco Central de Chile and the Director of the Post-Graduate Program in Economics at ILADES/Georgetown University. Ricardo is Energy Minister, coming from the Industrial and Systems Engineering Department of the School of Engineering, Universidad Católica de Chile. They will have much to do after the tragic earthquake in Chile on February 27th.

Urvi Neelakantan (’05) and her husband Nikhil are proud parents of a son, Rohan Neelakantan, born on September 26, 2009. He weighed 7 pounds and measured 19.25 inches.

Continued next page.....
Ibrahim Oweiss ('70) retired from teaching for the second time from Georgetown University after 41 years. He originally retired in 2002 and then taught at Georgetown’s new School of Foreign Service in Qatar from 2005-2009. He currently serves as President of the Council on Egyptian-American Relations, was an adviser to Armand Hammer, and is credited with coining the term “petrodollars” in 1973.

In October 2009 Fai-Nan Perng (MA '71), who is Governor of the Central Bank of China (Taiwan), was named the world’s best central banker by Global Finance magazine. He won the title for the 5th year in a row, and he is also the only central banker to win an “A” rating for five consecutive years. “His initiatives as Governor have been credited with contributing greatly to Taiwan’s successful weathering of the Asian financial crisis.” (From his 2005 biography on the College of Liberal Arts webpage.)

Bob Rebelein ('97) from Vassar College served as a senior economist for public finance at the Council of Economic Advisors (CEA) in Washington, DC, from June 2008-June 2009. Most of the economists hired to work on the council are from large universities, Bob noted, adding, “To my knowledge there have only been a handful of people from liberal arts colleges who have been asked to do this.” Jane Ihrig ('95) also served on the CEA in 2008 as Chief Economist; Jane is the Chief of the Money Market Analysis Section at the Federal Reserve Board.

John Roberts ('72) from Stanford received an honorary Doctor of Laws from the University of Winnipeg in 2007. This spring he is visiting the London School of Economics as the BP Centennial Professor.

Michèle Tertilt ('03) won a 2009 Sloan Research Fellowship. Michèle is at Stanford University.

Harald Uhlig ('90) became Chair of the Department of Economics at the University of Chicago in July 2009. Harald moved to UC in August of 2007. His daughter Anjuli Sarah Uhlig is now a freshman there.

Chun Xia ('08) and his wife are proud to announce the birth of their daughter, Yingqi Xia, born on October 4, 2009. “Both mom and baby were doing great. The whole family is filled with joy.” Chun is at the University of Hong Kong.

Richard L. Sandor ('67) was awarded Ernst & Young’s Entrepreneur of the Year for 2009 in the “green” category-Midwest region last July. The award “recognizes his contribution to support the local economy through building and leading a dynamic, growing business.” Richard is the Chairman of the Chicago Climate Exchange (CCX) and its subsidiary, the Chicago Climate Futures Exchange, which is the world’s first environmental derivatives exchange.

Miguel Sebastian ('85) became Minister of Industry, Trade and Tourism of the Spanish government in April of 2008. Miguel wrote, “I might be quite busy but I don’t forget you guys! Best wishes to all.”

Insill Yi ('91) was appointed Commissioner of the Korean Statistical Office (KOSTAT). This was especially noteworthy because it was the first time a woman from academia was appointed to the post. Insill was recently Vice President of the Association of Korean Economic Studies (2007-2009) and Korean Economic Association (2007-2008). She also served as President of the Korean Women Economists Association (2004-2007).

Macrooeconomics can take to address its shortcomings and provide useful policy guidance. There is plenty of work to be done. From our perspective, the great news is that the research department here and the economics department at the University of Minnesota are well poised to be central in this mission.

The list of questions facing the Federal Reserve and its policymakers is not short. We will need to deal with financial regulatory reform, the status of the U.S. economy as it emerges from a deep recession, the conduct of monetary policy with a $2 trillion balance sheet, and the role and structure of the Federal Reserve’s system of decentralized regional banks. I anticipate a vigorous discussion with my colleagues on the Federal Open Market Committee and within this bank, with fellow economists who are working on these questions and with you. I am sure that my grounding, and the grounding of this bank, in economic reasoning will be fundamental to my approach.” (Federal Reserve Bank of Minneapolis, The Region, December 2009, pp. 2-3.)

The annual Minnesota Lecture, started in 1998, recognizes a distinguished alumnus each year. For the twelfth lecture we invited Rosa Matzkin (‘86), who spoke on November 6, 2009. Rosa started her career as an assistant professor of economics at Yale University after graduating from the economics PhD program at Minnesota in 1986. In 1992 she moved to Northwestern University and was tenured there. She is currently the Charles E. Davidson Professor of Economics at UCLA and is also a mother of two lovely children. Rosa’s long research agenda is about the identification of econometric models under the weakest assumptions possible, often deeply rooted in economic theories, and she is still pushing the edge in this area. This is what easily distinguishes Rosa from others.

In her lecture “Nonparametric Simultaneous Equation Models,” Rosa addressed identification problems in a general class of econometric models: parametric and nonparametric models, with additive or non-additive unobservables, and with or without simultaneity among endogenous variables. In her talk, Rosa started with characterizations of observational equivalence of two different competing models and showed that a set of conditions for identification can be developed based on these characterizations.

The study of identification problems in single/simultaneous equations models and parametric/nonparametric models has a long history in econometrics that goes back to seminal works by Rothenberg (1971), Brown (1983), and Roehrig (1988). Rosa’s contribution in this area of research is substantial. Rosa’s seminal paper (Econometrica, 2003), which has become a classic, shows that a regression model is non-parametrically identified under very weak stochastic assumptions. Her major departure from previous econometrics literature is that the unobservable term that represents (e.g.) economic agents’ heterogeneity is allowed to enter the model flexibly. Since Rosa’s work the relaxation of the traditional additive error assumption has become one of the most active research topics in econometrics. Rosa’s papers in this topic include “Estimation of Nonparametric Functions in Simultaneous Equations Models, with an application to Consumer Demand” (1998 with Donald Brown), “Nonparametric Estimation of Non-additive Random Functions” (Econometrica, 2003), “Cross Section and Panel Data Estimators for Non-separable Models with Endogenous Regressors” (Econometrica, 2005 with Joseph Altonji), “Nonparametric Identification” (Handbook of Econometrics, 2007), and “Identification in Nonparametric Simultaneous Equations” (Econometrica, 2008).

Economic variables that are the outcomes of strategic interactions between economic agents are often determined by a system of equations (e.g., prices and quantities in demand and supply) rather than by a single equation or a triangular system that assumes the direction of causality. There has been no satisfactory identification result in the fully nonparametric and non-additive models with this simultaneity. Rosa’s talk delivered an important identification result in these models that will become another huge break-through in this area. People know that if there is any question that has been asked and answered in this area, the answer must be in one of Rosa’s works, and if there is any question in this area that has not been answered, Rosa will be the one who will answer it. We are all proud of Rosa Matzkin because she has shown how a Minnesota PhD can change and lead an important area of research that will not fade for many decades to come. We all know that she would not have been able to accomplish this without our unique Minnesota quality of education.

Past Minnesota Lecturers

<table>
<thead>
<tr>
<th>Year</th>
<th>Lecturer</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>Daniel McFadden (‘62)</td>
</tr>
<tr>
<td>1999</td>
<td>Andreu Mas Colell (‘72)</td>
</tr>
<tr>
<td>2000-01</td>
<td>John Roberts (‘72)</td>
</tr>
<tr>
<td>2001-02</td>
<td>Robert Townsend (‘75)</td>
</tr>
<tr>
<td>2002-03</td>
<td>Richard Sandor (‘67)</td>
</tr>
<tr>
<td>2003-04</td>
<td>Lars Peter Hansen (‘78)</td>
</tr>
<tr>
<td>2004-05</td>
<td>Martin Eichenbaum (‘80)</td>
</tr>
<tr>
<td>2005</td>
<td>Bob Litterman (‘80)</td>
</tr>
<tr>
<td>2006</td>
<td>Richard Kihlstrom (‘68)</td>
</tr>
<tr>
<td>2007-08</td>
<td>Hugo Hopenhayn (‘89)</td>
</tr>
<tr>
<td>2008</td>
<td>Randy Wright (‘86)</td>
</tr>
</tbody>
</table>
Gone With the Wind

by Tapen Sinha ('86)

It was 15°F, but with the windchill, it was 7°F. No, it was not Minneapolis. It was Atlanta, Georgia (nicknamed Hot-lanta) January 8-9, 2010. Tao Zha had the idea to host a conference called “New Approaches to Fiscal Policy” the weekend following the 2010 ASSA Meetings at Atlanta. Little could he imagine that the weather would betray him. The result was the following on the first day of the conference. The agenda read:

8:00am – 10:00am Buffet Breakfast
10:00am – 11:00am Coffee Break
11:00am – 11:45am Lunch
And regular sessions after that.

I have attended over 200 conferences in the world over the past 25 years. I have never come across such an agenda.

The conference was attended by a group of leading macro modelers. I was not one of them. I just happened to be there for my sabbatical. Among them were a large number of people who were at one time associated with the Department of Economics at the University of Minnesota. V.V. Chari was the only person in that group who is still at the department. Among the Minnesota-related attendees were current faculty V. V. Chari; former faculty Marco Bassetto, Nobu Kiyotaki, Tom Sargent, Chris Sims; and Minnesota grads Larry Christiano (MA, '75), Marty Eichenbaum (‘81), Jesús Fernandez-Villaverde (‘01), Zheng Liu (‘97), Richard Rogerson (‘84), Tapen Sinha (‘86), Harald Uhlig (‘90) and Tao Zha (‘92). William Roberds, an economist at the Minneapolis Fed (1984-87) who taught at Minnesota, was also present at the conference.

The venue was the Federal Reserve Bank of Atlanta. It is located right across the street from the Margaret Mitchell House – the same house where Margaret Mitchell wrote

Continued Next Page....
Gone with the Wind (not far from the street corner where she was run over and killed by an off-duty drunk taxi driver.)

It was a conference where the presenters of papers and the discussants talked about how remarkable times are – the Federal Reserve is deeply involved in fiscal policy and traditional monetary policy has become virtually useless.

One feature of the conference really hit me: How much of serious macro today is based on the general equilibrium intertemporal models that Tom Sargent taught us three decades ago. It does not matter if you believe in rational expectations or not. Macro theorists of the Keynesian variety are also using the same dynamic general equilibrium framework. It was therefore nice to have Tom there – actively participating in the process.

One element has dramatically changed. Thirty years ago, it was difficult to numerically solve those dynamic stochastic general equilibrium models without the aid of “big” computers. These days, the same models can be solved using a cheap laptop. In that sense, the models have come within the reach of the “masses.”

The conference was not all heavy lifting all the time. There were fun moments. Gauti Eggertsson talked about his concept of the “paradox of toil” that economists have been tweeting like crazy for the past month. Marty Eichenbaum wondered why people were not building bridges yet in the “Lucas islands.” The most recurrent concept of the conference was the “Calvo Fairy.”* It was made immortal by a paper Etienne Gagnon – a thesis student of a Minnesoto (the term for Spaniards who went through the grad program at Minnesota).

*Nobody mentioned it, but in Spanish “Calvo’ means “Bald”.

From the Archives:

From the University and the Fed to Bretton Woods, the Ivy League, and Back: Arthur R. Upgren, 1891-1986

by Warren Young

Born in River Falls, Wisconsin, Arthur Upgren started his career as a bank-teller, going on to get a degree in Economics at the University of Wisconsin in 1920. The years 1925-1930 saw him as a credit analyst at Chase in New York, an economic statistician, and a financial secretary in a number of firms. He came to the University of Minnesota in 1930 to work as a part-time instructor in the School of Business Administration until 1937. During this period, he was also a research associate in international relations at the Social Science Research Council in New York.

He did his Ph.D work in economics at Minnesota under the supervision of Alvin Hansen. His thesis was entitled: “Price and Output as Guides to Monetary Policy: the Relative Influence of Price Changes and Output Changes in Depression and Recovery, 1929-1936”. After receiving his Ph.D. in 1937, he became an associate professor in the Department of Economics until 1942, when he was promoted to full professor. He stayed at Minnesota with intermittent periods of leave, until 1953.

Parallel to his academic career, Upgren was extensively employed in public service positions. He was an analyst in the Trade Division of the State Department, 1934-35; an economic adviser to the Government of Manitoba, 1937-43; and a co-director of the Manitoba-Minnesota Project on the Post-War Economy. He also served as Chief of the National Economics Unit, U.S. Department of Commerce, 1941-42.

He rose to prominence, however, with his appointment as Vice-President and Economist at the Federal Reserve Bank of Minneapolis, where he served from 1942-1945. In the context of his Federal Reserve position, he was sent as an official observer for the Federal Reserve at Bretton Woods in July 1944, and there served as the joint-Secretary, along with Arthur Smithies of Harvard, of Commission II, better known as the “Keynes Commission”, headed by Lord Keynes, that set up the framework for the International Bank for Reconstruction and Development (IBRD).

Continued on Page 9....
From The Archives, II

Update: Women’s Lib, a possible “sit-in” and the lost art of Memo writing


Coming across a file called “Correspondence 1975” I found the follow up:

October 23, 1975

Milton A. Trapold, Director
Space Programming and Management
Office of Physical Planning
N-363 Elliott Hall
Main Campus

Dear Professor Trapold:

This is a strong request for immediate action in providing additional restroom facilities for women on the 9th, 10th, and 11th floors of the Business Administration Building. The women in this department are up in arms and threaten simply to make the three existing men’s rooms common rooms unless something is done very soon.

Their complaint (see the attached memo) is fully justified. It is disgraceful that 21 women have to scramble over each other to use the one existing facility on these three floors. All you have to do is partition Rooms 957 and 1157 to create facilities on the 9th and 11th floors comparable to that in Room 1055 on the 10th floor.

I must request an immediate response from you on this issue. Otherwise, as the penultimate sentence on the attached memo makes perfectly clear, there is going to be sheer chaos in what up to now have been the men’s rooms on these three floors.

Sincerely,

N.J. Simler
Chairman

P.S. Although their memo is dated September 29, I received it only today. Perhaps it took them that long to decide finally to take the definitive step. Be that as it may, I can assure you that these women are very serious.

cc: Dean Frank J. Sorauf

Knowing Simler’s sense of humor, I thought perhaps this letter was a joke (“Milton Trapold!”—plumbing reference of “trap-hold?”) but this person did indeed exist and as some of us know, the department did end up with another women’s room – but the fix was just to change the sign on the door of the men’s room on the 9th floor to “Women” and leave the urinal in place. This later resulted in the necessity of having to key the door for a lock since a number of men kept using it. When we got the 12th floor space in late 1997 after the business school moved, we then had an additional women’s room on that floor, and later remodeling of other floors added two unisex bathrooms.
In Memoriam
Austin Hoggatt

Austin Hoggatt ('57), professor emeritus at the Haas School of Business at Berkeley, died in April 2009 in Oakland, California. Austin Curwood Hoggatt was born in August 1929 in New York but grew up in Winnetka, Illinois. He had polio as a boy but that did not prevent him from excelling at many things, including scouting, sailing, and fly-fishing. He taught at Berkeley since receiving his Ph.D. at Minnesota in 1957. Hoggatt was a pioneer in the use of computer simulations, according to Thomas Marschak. His work included consulting and research in management science, experimental economics, and the savings and loan industry. He taught statistics, mathematics and quantitative methods, and co-founded Berkeley’s Management Science Laboratory and the Energy and Resources Group. Shortly before his death, he was developing a flow meter for large apartment buildings to make them more energy efficient. Hoggatt is survived by his wife Patricia, four daughters and four grandchildren.

In Memoriam
Javier Fernandez

Javier Fernandez (ABD) passed away in March of 2009 of a heart attack. He was 65 and had suffered a stroke in 2006. Francisco Thoumi ('73) wrote “Javier was one of the top Colombian macroeconomists. He excelled at some of the highest jobs in the country. He was a member of the Monetary Board, Vice Minister of Finance, and President of the Finance Institutions Association. He also founded a highly recognized consulting firm, Prospectiva Economica, and in the years before his stroke, had a weekly finance columnist in a top newspaper.”

Continued from Page 7....

Even before Bretton Woods, he wrote on post-war reconstruction and economics, such as in the volume edited by Harris entitled Post-War Problems (1943), and upon return, wrote many popular and academic articles on the meeting, published in such places as the Atlantic Monthly, Harvard Business Review and elsewhere. He also served as research secretary to the Council on Foreign Relations from 1940-51.

Upgren left the University of Minnesota to become Dean of the Tuck School of Business Administration at Dartmouth, 1953-57. He co-authored a well-known Macmillan introductory text, Economics for you and me, (1953), and over his academic career published in some of the major journals and was a prolific book reviewer. He was also an economic journalist, and for a time an associate editor of the Minneapolis Star-Journal, and was also a director of the Green Giant Co. Upgren returned to Minneapolis in 1957 to take up the Bigelow Chair at Macalester College, a position he held until 1965.

Perhaps his best known student at Minnesota, who remembered him as a teacher, mentor, and friend, was Herbert Hanson. In 1999, Hanson donated $1.25 million to the Carlson School of Management, to endow the Arthur P. Upgren Chair in Investment Management; a fitting tribute. Herbert Hanson also donated $10 million to build the Carlson School addition, which was completed in 2008. The Department of Economics relocated into Hanson Hall that May. The next time you walk into the building, think about Arthur Upgren’s legacy and his role in the life of Herbert M. Hanson, Jr. http://www.csom.umn.edu/Page4453.aspx

Warren Young is a Professor at Bar Ilan University and a Research Consultant for the Archives Project, Federal Reserve Bank of Minneapolis.
Salih Neftci, 1947-2009

Salih Neftci ('77) passed away April 15, 2009 in Aubonne, Switzerland of brain cancer. Salih completed his Ph.D. in 1977, and then taught at Boston College and George Washington University, before arriving at the City University of New York (CUNY) in 1982. In 2005 he accepted a professorship at the New School of Social Research, where he was director of the master of science program in global finance. He was also a director of the FAME (Financial Engineering and Asset Management) Certificate Program (now the Swiss Finance Institute); a consultant to the IMF, the World Bank, the U.S. Department of State and the Agency for International Development; and a newspaper columnist in Turkey and China. He was the author of: *An Introduction to the Mathematics of Financial Derivatives* (2000), *China’s Financial Markets: An Insider’s Guide to How Markets Work* (2006, with Michelle Yuan Menager-Xu), and *Principles of Financial Engineering* (2nd ed, 2008). A conference is planned by the New School to honor his contributions to the analysis of business cycles and other macro topics.

Memories of Salih by Minnesota colleagues:

I first met Salih Neftçi in early 1972. The first impression he gave was someone who was absolutely focused on the issue which interested him and almost totally ignorant of what was happening elsewhere. That first impression was definitely wrong. He had a strong cultural background, a brilliant analytical mind, and an infinite curiosity. He was very much interested in politics, cultural issues, international relations and the well-being of people around him. He simply didn’t like to stress them as virtues. He could also develop interest on seemingly unrelated issues and learn a lot about them. One such example was American football. For someone like Salih (and myself), raised in an environment where soccer was the dominant sports activity, and referred to as “football,” American football was very difficult to comprehend. When I complained to him about that, he started to explain the detailed logic behind it. I was amazed, because as far as I knew, Salih was not very much interested in sports and he had been in the US for only a few months. Almost twenty years later I met him in Ankara. His curiosity had not diminished at all. This time he was enthusiastically sharing his views on the need to establish a database to improve our understanding of the Turkish economy. At that time he was teaching in the US, and almost none of his research was related to Turkey.

--Hasan Ersel

Salih came to Minnesota in 1972. At the time there were four Turkish graduate students in the Department of Economics; Tercan Baysan ('74), Ayzt Tansel, Rusdu Saracoglu ('80) and me - all from the Middle East Technical University (METU) in Ankara, Turkey. Professor Anne Krueger brought all of us to Minnesota. Hasan Ersel joined the group in 1972 as a post doc from the Faculty of Political Sciences at Ankara University.

I remember so vividly the morning that Anne Krueger came to Rusdu and me asking whether we knew Salih Neftci, who apparently applied for the grad program. Salih was from the METU and we knew him well, of course. Newly wedded to Gul from Turkey, Salih joined the program in 1972. Salih was a character of his own with strong interests in Turkish politics and game theory. His mother, Professor Nermin Neftci, a onetime cabinet minister in the Turkish government, may have been influential in his interest in politics. Salih was an all-analytical guy. In a few weeks he developed an interest in American football watching the Vikings games on a black and white TV. His interest in the game was not so much in sports as such, but in algorithms of the tactics and strategies. He devised his own winning plays on a piece of paper. He didn’t like the uncertainties of the game or the intuitive judgments of the Viking’s quarterback Fran Tarkington. The algorithms and models he devised were perfect and there was no room for variations other than in his own algorithms.

Salih, Hasan, and I lived in the same building on highway 35W. Hasan and I used to play chess frequently. Salih, watching over our shoulders, although not very fond of the game as such, also devised new algorithms for us.

I always thought he would one day make a top politician in Turkey. Well, he chose academics and became a top economist. His early death is a real loss for the profession. So much he could give... Those were the days......We will all miss him...

--Kemal Kasaroglu
Marcus Alexis received his Ph.D. in economics from the University of Minnesota in December, 1959. Others who received their doctorates in economics that year included Kenneth H. McCartney, Jean Richardson Pearman, James Quirk, Rubin Saposnik, and Norman James (Jim) Simler. Alexis’ dissertation, dated October 1959, was entitled: “Racial Differences in Consumption and Automobile Ownership.” Building upon path-breaking research regarding differences in marginal propensities to consume between American Negros and whites, Alexis tests the hypothesis in his dissertation that blacks are more likely to purchase expensive automobiles than are whites. The consumption models of Tobin, Klein and Friedman provide the starting point for the hypothesis that either from liquid assets or from current income, blacks expend more at the margin for automobile consumption than do whites. This hypothesis is sometimes called the “Cadillac Hypothesis” that Alexis attributes to prevalent stereotypes about excessive patterns of expenditures on luxury goods among even poverty-stricken blacks. His central conclusion is that there are no racial differences in the marginal propensity to consume and that blacks are no more likely to expend large amounts on luxury automobiles than whites. His subsequent publications explored further issues of consumption patterns and discrimination in markets. One widely cited paper offers a critique and alternative formulation of the Becker model of discrimination.

Marcus was a serious scholar and researcher, but he was first and foremost concerned about racial economic inequality. His career profile reads like that of many other distinguished graduates of Minnesota: tenured faculty posts at Rochester and Northwestern; dean of the School of Business of the University of Illinois at Chicago; chairman of the Interstate Commerce Commission; director and then chair of the Federal Reserve Bank of Chicago. But what sets him apart from these routine accomplishments characteristic of Minnesota graduates is his activism and success in expanding opportunities for minorities. For example, he was instrumental in the creation of the American Economic Association’s Summer Program for Minority Students, arguably the largest source of minority admissions to the top economics Ph.D. programs in the United States. He directed the program for many years at Northwestern and produced a stellar cadre of future economists and policy analysts. He provided consistent leadership and advocacy to key organizations within the African American community: the National Urban Coalition, the Urban League, and Operation PUSH. Margaret Simms, citing him when he won the Samuel Z. Westerfield award of the National Economic Association, writes of Alexis’ role in creating the first and largest organization of black economists:

He participated with a group of economists who met at the annual ASSA convention in 1969 to protest the inadequate involvement of black economists in the AEA. Along with Charles Z. Wilson, he played a major role in the development of the Caucus of Black Economists, now called the National Economic Association. He served as the first chairman of the organization.

Perhaps his commitment to advancing opportunities for minorities rests within his very own experiences facing discrimination and prejudice. James Quirk had this profound memory of his early years with Marcus:

Marc was a wonderful friend during our graduate school days together. When it came time to look for a job, the meetings that year were in St. Louis. They had been planned for New Orleans, but the hotels there couldn't guarantee that they would provide rooms for "guests of color," so the meetings moved. Our first night in St. Louis, Rubin Saposnik and Marc and I had a few drinks at the bar of the hotel where the
meetings were held, and then we decided to go out for dinner. We didn't have much money, but what the hell, why not pick out some place really well known? So we went to Stan Musial’s Restaurant. It was either 1959 or 1960, I forget which. What I don't forget is that when we asked if there were seats available, we were told that there were, two seats in the main restaurant for Rubin and me, and a seat in the kitchen for Marc. We ended up going back to the hotel hosting the meeting -- it probably had the only hotel dining room in St. Louis that, at least for the days of the convention, seated whites and blacks together.  

I had many conversations with Marcus over the past 40 years about how scholars and researchers could help resolve problems of racial and ethnic economic inequality. I first met him in Robert Dorfman’s office at Harvard, at an AEA committee meeting convened to discuss alternative strategies for increasing the numbers of minority economists. Some argued then (as apparently some continue to argue) that there is no need to have special initiatives designed to assist minorities. Just look at Marcus Alexis, whose success and accomplishments superseded the era of affirmative action. Others argued, as did Marcus, that without concerted effort, the economics profession would suffer by its lack of diverse perspectives and views brought by expanding opportunities for American-born minorities. In one hot and humid summer in Washington, D.C. during the Carter Administration, Marcus and I discussed another aspect of disadvantage. Marcus was blind. I mean he was legally blind. Yes, he could see partially out of one eye, but it took him much longer than anyone else to read unmaginified type. We spent hours laughing and joking about the idiotic things that people say to others who are “disabled.” But one valuable germ of truth emerged from those memorable conversations. Marcus could “see” things that others could never see or understand in the policy world.

In 1981, Marcus Alexis received the Outstanding Achievement Award from the University of Minnesota; and he was also the recipient of an Honorary Doctor of Humane Letters Degree from Brooklyn College, from which he received his undergraduate degree in economics.

Recent Books by Alumni


M. Umer Chapra ('61), *The global financial crisis: some suggestions for reform of the global financial architecture in the light of Islamic finance*. Center for Islamic Area Studies, Kyoto University, 2008; and *The Islamic vision of development in light of the Maqasid Al-Shari’ah*. Islamic Development Bank, 2008.


Herschel Kasper ('63) and Frank A. Sloan, eds. *Incentives and choice in health care*. The MIT Press, 2008.


Karine Moe ('95) and Dianna Shandy. *Glass ceilings and 100-hour couples: what the opt-out phenomenon can teach us about work and family*. University of Georgia Press, 2009.


John W. Dickhaut, Jr., 1942-2010
by Steve Gjerstad, Todd Kaplan and Jack Stecher

John Wilson Dickhaut was born on February 10, 1942. He was raised in Columbus Ohio by his mother Margaret and his father John, a Methodist minister and founder of the Methodist Theological School in Ohio. John attended Duke University, receiving a B.A. in English in 1964. He obtained his M.A. and Ph.D. degrees in Accounting from Ohio State and spent over thirty years in the Accounting Department at the Carlson School of Management. In 2008 he moved to Chapman University in California. After a long battle with cancer, John passed away Saturday April 10, 2010 with his wife Sheri by his side.

During his time at Minnesota, John made significant contributions to behavioral and experimental economics and interacted with a large number of economics graduate students and faculty, coauthoring papers with several. His most widely cited paper is on the trust game which captures the essence of trust and reciprocity. John believed it modeled a fundamental building block of human interaction and the operation of organizations. In this game, one player has money that can be kept or sent to a second player. The amount of money sent is tripled, after which the second player must decide how much money to return. In experiments, the first player almost always “trusts” the second player, and the second player generally returns more than the first player initially sent.

In an earlier contribution, he provided a way to test expected utility theory experimentally by inducing expected utility functions using binary lotteries. Following this research, he studied preference reversals. John also made contributions on the border of computer science and economics. With Steve Gjerstad (’95), he modeled price formation in double auctions, in which beliefs about acceptance of a bid is formed from observation. He and another student, Baohua Xin, later used this work to explain results on capital market efficiency. With Todd Kaplan (’96), he wrote a computer program to solve for Nash equilibria.

He treated students as colleagues and intellectual equals, while realizing they were not financial equals. He paid for several experiments by students and treated students to dinner numerous times. When a student (one of us) had his luggage lost on the way to a conference, John bought him upscale clothing to present in. John was like the first player in the trust game giving the maximum amount; however, he believed he did not expect reciprocity, but hoped the second player would pass the goodwill on to others. On his CV, he wrote “I am proud to have taught and learned from several outstanding students.”

John took his attitude toward research with him in his battle with cancer. In July 2003, he learned that his cancer was inoperable. John kept an optimistic attitude and an open mind. Pushing the interpretation of game theory, he exclaimed “alternative therapies and chemotherapy all...
work against some types of cancer cells. The cancer cells are trying to find ways to attack me, and it’s a zero-sum game, so I want to play a mixed strategy.” He then beat the odds and drove the cancer into remission. When the cancer eventually returned, he died like he lived, experimenting on a new type of chemotherapy. John taught his last class nine days before his death and continued to cheerfully meet colleagues and friends until the very end. He was a fine person, a committed scholar, and a dear friend to many.

For John’s CV see: http://www.chapman.edu/images/userImages/jcunning/Page_11738/John%20Dickhaut%20Vita%20204.pdf

This Month in History!
The Old East Bank Outpost.....

Rising from the Rubble of the ERC.....

Science Teaching and Student Services Building to open Fall 2010
Let us hear from you!

We can be reached at the following:

Postal:  Department of Economics
         University of Minnesota
         4-101 Hanson Hall
         1925 Fourth Street South
         Minneapolis, MN  55455

Phone:   612-625-6353

Fax:     612-624-0209

E-mail:  econdept@econ.umn.edu
         wendy@umn.edu

Web:     http://www.econ.umn.edu

MINNESOTA DEPARTMENT OF ECONOMICS
GRADUATE ALUMNI NEWSLETTER
Summer 2010

Department of Economics
University of Minnesota
4-101 Hanson Hall
1925 Fourth Street South
Minneapolis, MN  55455

RETURN SERVICE REQUESTED