

MINNESOTA DEPARTMENT OF ECONOMICS
GRADUATE ALUMNI NEWSLETTER
Spring 1995

Alumni Profile: Richard Sandor

It may seem like a long way from being a graduate student at Minnesota to Chairman and CEO of Centre Financial Products, a risk management firm that specializes in developing financial products that bridge capital and insurance markets. Richard Sandor ('67) has traveled this road and sees a great deal of continuity in the questions that have concerned him. His thesis, written under Jacob Schmookler, investigated the links between firm size on the one hand and patents and innovation on the other. From a concern about the invention and creation of products, his attention has shifted to the invention and creation of markets. For his work as the principal architect of Treasury Bond futures and options contracts, the Chicago Board of Trade and the City of Chicago named him the "father of financial futures."

Richard came to do graduate work in Economics at Minnesota in the fall of 1962. While Minnesota already had a strong reputation, Walter Heller's time in Washington brought special attention to the department. That and a competitive offer of support resulted in Richard arriving in Minneapolis.

He especially remembers courses from Oz Brownlee, Anne Krueger and Leo Hurwicz, and talks about how valuable the ideas from these courses and individuals have been. In his word they provided "a rock solid foundation." He came to his thesis work after course and seminar work with Jacob Schmookler.

In 1966 the Sandors moved to Berkeley where Richard took up a position in the Business School at Cal. He started trading stocks as a hobby and at the suggestion of a colleague started reading the commodity literature with an eye to trading commodities. He soon wondered why one could not standardize

financial commodities. Wasn't mortgage origination like harvesting? Richard was soon teaching a course on futures and options markets -- a first in the Business School as this material had previously been the province of the Ag Econ department.

In the early 1970s Richard took leave from Berkeley to spend a year at the Chicago Board of Trade working on financial and insurance futures. He stayed as Vice President and Chief Economist for the Board of Trade.

Richard reports that in the early 1970s interest in financial futures was a hard sell and he had two strikes against him coming from Berkeley and, before that, the midwest, neither known as centers of financial innovation. While others may have been seduced by the relative stability of the economy since World War II, having seen the social instability at Berkeley Richard was not so sure. Events in 1974 -- the oil embargo, the increase in food prices and the spike in interest rates -- led to renewed interest in financial futures.

Oversight of futures markets had been located in the Department of Agriculture. A number of new commodity contracts developed in the 1960s were not regulated. Congressional hearings in 1974 led to the creation of the Commodity Futures Trading Commission. Richard reports you know you have arrived when you have your own regulatory agency. Key language in the CFTC legislation defined commodities as tangible and intangible goods and services for future delivery. At the time Richard argued that the effectiveness of a regulatory agency devoted to developing markets could well hinge on the ratio of lawyers to economists on the commission's staff.

The broader definition of commodities was critical to the development of financial futures. The first new contract approved by the CFTC was Ginnie Mae mortgage bond futures. The CFTC was initially staffed with people from the Department of Agriculture. Richard reports that while developing the Ginnie Mae

contract the staff of the CFTC wanted to know if the Chicago Board of Trade had enough storage capacity should they have to accept delivery on GNMA contracts. Working at the Chicago Board of Trade, ContiCommodity Services, Drexel Burnham Lambert, Kidder Peabody, and Centre Financial Products, Richard has been intimately involved with the development of markets for interest rate futures, futures contracts for electric power, pollution rights, derivatives based on real estate values, and catastrophe derivatives. Along the way he has also taught at Stanford, Northwestern and Columbia.

His describes his current interests as having two major foci. One involves work on micro and macro indices. His work on insurance futures is one example of this interest as well as his work on crop yield futures contracts which are scheduled to debut in early June. Using crop yield and price contracts would allow farmers to hedge their total revenue.

His other current interest is in environmental issues. In 1990 Richard found himself involved in designing contracts for sulfur dioxide emissions. These contracts under EPA sponsorship are now regularly traded under the auspices of the Chicago Board of Trade. Richard invited Ronald Coase to the Board of Trade when these contracts were first traded.

Richard is now involved with efforts to find market based solutions to worldwide environmental problems under the sponsorship of UNCTAD. He is skeptical of the ability to successfully negotiate complicated multilateral treaties involving 180 countries and hopeful that market based solutions may prove a workable alternative.

At Columbia, Richard recently taught an advanced graduate seminar in the Graduate School of Business entitled "Environmental Finance." He reports that the class developed environmental markets for the spotted owl and biodiversity. Talking about the class at Columbia reminded Richard of when Jon Goldstein, *Mr. Spotted Owl*, was writing his thesis at Minnesota on wetlands. A number of Jon's classmates pitched in to buy Jon a duck.

Richard and Ellen divide much of their time between New York and Chicago. Ellen is a well known computer artist. She has an appointment at Northwestern and an affiliation as Adjunct Artist with the National Center for Supercomputing Applications in Champaign-Urbana. In addition to his work with Centre Financial Products, Richard is a member of the Board of Governors of the School of the Art Institute of Chicago and a Major Benefactor of the Art Institute. He looks back at his time at Minnesota as intellectually invaluable and a major contributor to his subsequent success.

Kudos and Congratulations

to **Anne Krueger** on her election to the National Academy of Sciences.

to **George Tauchen** ('78) on his election as Fellow of the Econometric Society. George was elected Fellow of the American Statistical Association two years ago. **John Geweke**, '75 is also a Fellow of the American Statistical Association.

Other Minnesota alums who are Fellows of the Econometric Society include:

Masahiko Aoki, '67
John Geweke, '75
Lars Hansen, '78
Richard Kihlstrom, '68
Andreu Mas-Colell, '72
Daniel McFadden, '62
D. John Roberts, '72
Robert Townsend, '75

RECENT BOOKS BY ALUMNI

Masahiko Aoki, '67
The Japanese Firm : The Sources of Competitive Strength (edited with R. Dore, Oxford University Press) 1994.

Masahiko Aoki, '67
The Japanese Main Bank System : Its Relevance for Developing and Transforming Economies (edited with H. Patrick, Oxford University Press) 1994.

RECENT BOOKS (cont'd)

Leonard Burman, '85

The tax treatment of employment-based health insurance (Congressional Budget Office, Washington DC) 1994.

Mohammed Chapra, '61

Islam and Economic Development (International Institute of Islamic Thought, Islamabad, Pakistan) 1993.

Andreu Mas-Colell, '72

Microeconomic Theory (with M. Whinston and J. Green, Oxford University Press) due June 1995.

John H. Sanders, '73,

The Economics of Agricultural Technology in Semi-Arid Sub-Saharan Africa (Johns Hopkins University Press) December 1995.

Terri A. Sexton, '81

Property taxes and tax revolts : the legacy of Proposition 13 (with A. O'Sullivan and S. Sheffrin, Cambridge University Press) 1995.

Lucas Conference

Rao Aiyagari ('81) organized a conference this spring at the Minneapolis Federal Reserve Bank marking the 25th anniversary of Robert E. Lucas's seminal paper "Expectations and the Neutrality of Money." Conference participants included **Rao Aiyagari**, **Fernando Alvarez** ('94), **Benjamin Bental** ('79), **Marty Eichenbaum** ('81), **Terry Fitzgerald** ('95), **John Geweke** ('75), **Per Krusell** ('92), **George McCandless** ('81), **Preston Miller** ('72), **José-Victor Ríos-Rull** ('90), **Richard Rogerson** ('84), **Art Rolnick** ('73), **Jim Schmitz** ('86), and **Randy Wright** ('86). Minnesota faculty participants, current and alums, included Beth Allen, V. V. Chari, Ed Green, Nobu Kiyotaki, Antonio Merlo, Ed Prescott, Tom Sargent, and Neil Wallace.

Conference papers are scheduled to be published in the *Journal of Monetary Economics*, 1996. Anyone interested in a copy of the conference program or papers can contact Carol Blunt at the Minneapolis Fed, (612) 340 - 2360.

World Wide Web Homepage

The WWW Homepage for the Department of Economics is under construction. It is being developed by Yunfei Ge, who is this year's department RA working with the SSRFC (Social Science Research Facility Center) in the basement of Blegen Hall.

Shortly we expect to include the monthly list of new working papers received by the Economics Research Library along with detailed information about the graduate program. Many people find Wendy's list of recent acquisitions a useful way to keep tabs on who is doing what at a number of universities in the United States and around the world. Check out the construction of the homepage at

<http://www.econ.umn.edu>

ALUMNI NOTES

Lamberto Dini was elected Prime Minister of Italy. Mr. Dini was a graduate student at Minnesota for one year in the late 1950s and took courses from Walter Heller, Ed Coen and Jack Kareken. He came to Minnesota to study issues in corporate taxation.

Bill Weiler (ABD), Assistant Provost for Institutional Research at Stanford, reports on two vanity plates in a Stanford parking lot: "MV = PY" and "MV = PY 2". The Bill Weiler Prize for Economist trivia to the first MN grad, not at Stanford, who can identify the owners of the cars with these plates.

Jim Likens ('70) reports from Pomona College that he was always told that the Brownlee-Hause queuing incident occurred at the Lincoln Del in Golden Valley. Jim also reports that his daughter, a senior in Psychology at Carleton, took one economics course and announced that "if there is an economics gene it doesn't run in our family."

Carlos Cuervo-Arango ('72) is interested in putting together a directory of current information about students who were Andreas Fellows at Minnesota. His address is in the directory. Please let him know where you are and what you are doing.

Massimo Tivegna (MA, '73) is teaching econometrics at the University of Rome.

Benjamin Bental ('79) was in Russia this winter.

The Stutzer Bearcats Intramural Softball team is still playing. Teams members include **Mike Stutzer** ('81), **Ed Fagerlund** ('79), **Jeff Bailey** (MA '78), **Bob Dildine** (MA '86), and **John Yunker** (MA '75). The teams has had a complete turnaround from two years ago. Their record this spring is 5-0 and the team has advanced to the intramural playoffs.

Robbie Rosenman ('82) wins the James Quirk Prize for Economics Sports Trivia as the first Minnesota Ph.D. to correctly identify Stan Kostka. Kostka was a star halfback for the Golden Gophers in the 1930s when they were an American football power. When he left Minnesota in 1934 "a bidding war erupted between Dan Topping's Brooklyn Dodgers and Bert Bell's Philadelphia Eagles, for the services of Stan Kostka ... After the smoke had cleared, Kostka had signed with the Dodgers for the almost unheard-of salary of \$5,000 (as much as the premiere player of the league, Bronko Nagurski (another Minnesotan) was earning with the Bears.) At the next meeting of the league, Bell proposed a reverse-order-of-finish college draft, which has been a part of the NFL rules since that time." (*Pay Dirt : The Business of Professional Team Sports*, James Quirk and Rodney D. Fort, Princeton University Press, 1992.)

Soumyen Sikdar ('84) and his wife have a new son, Satyaki, born on January 30, 1995. Satyaki is the name of a famous warrior in the Indian epic, "The Mahabharata". Soumyen is a professor at Burdwan University is also the father of a girl, Paramgama, now 6 years old.

News from **Tatsuyoshi Saijo** ('85) distributed over the Internet was an important source of information following the Kobe earthquake in January. Saijo reported that **Yasuo Maeda** ('90) lives in Suita of Osaka. His house was undamaged.

Mike Meurer ('86) has spent this year at SUNY Buffalo on a joint appointment in Law and Economics.

Gary Hansen ('86) is one of two Associate Directors of the Program for Dynamic Economics in the department at UCLA.

Juan Ketterer ('87) is running the Spanish futures and options exchange. He writes to us from MEF (Meff Sociedad Rectora de Productos Financieros Derivados de Renta Fija).

Gerhard Glomm ('88) and his wife Angela are the proud parents of a baby girl, Claire Kathryn, born January 29, 1995. Claire has two older brothers and resides with her family in Lansing, Michigan, where her father is on the faculty at Michigan State.

Congratulations to **Selo Imrohorglu** ('88) who was promoted to associate professor at the USC Business School.

Victor Rios-Rull ('90) and his wife Anita report the arrival of their daughter, Eva, born April 25, 1995. Victor has his own homepage on the WWW. You can check it out at <http://www.ssc.upenn.edu/~vr0j/index.html> You can also check out a picture of **Art Rolnick** ('73) on the home page for the Research Department at the Minneapolis Fed. <http://res.mpls.frb.fed.us/research/res.html>

Shomu Banerjee ('92) was married in Atlanta, Georgia on March 31, 1995 to Nina Gross, a violinist, composer, and writer of books for children.

Donna Boswell Gilleskie ('94) was married this spring. She and her husband Gary are at home in Chapel Hill, North Carolina. Donna was an undergraduate at UNC-Chapel Hill and accepted a position in the Department of Economics there last fall.

Visitors to Minneapolis over the winter and early spring have included **Richard Sandor** ('67), **Marty Eichenbaum** ('81), **H u g o Hopenhayn** ('89) and **Massimo Tivegna** (MA, '73).

John Buttrick writes from Jamaica:

I retired from York (University in Canada) a few years ago. Since then I have taught in China, Bangladesh, and am now back in Jamaica again teaching one course each term

at the University of the West Indies and involved with a graduate diploma program. I am mostly retired but talked people into giving us a cottage in exchange for some lectures and the loan of a car in exchange for consulting with the Ministry of Finance.

Who says academic economists have nothing they can barter and what economist can barter better than John Buttrick?

Cliff Hildreth reports from his retirement home in Eugene, Oregon on the marriage of their daughter Mary Jane last fall.

The Society for Economic Dynamics and Control under the esteemed leadership of **E d Prescott** will hold its summer meeting July 2-4 in Barcelona. Many Minnesota alums are on the program or scheduled to attend. If interested in attending, contact sed@res.mpls.frb.fed.us. **Ramon Marimon** (former Minnesota faculty member) and Anna Ventura (sister of **Eva Ventura**, '89) are local coordinators.

Notes from the Chair

Craig Swan

This spring we have been honored to host a visit from Hirofumi Uzawa. Professor Uzawa has been at Minnesota as a Hill Visiting Professor, a competitive program of the Graduate School at Minnesota to sponsor scholars with distinguished international reputations. Many economists of my generation had their first encounter with Professor Uzawa when reading his article on the two sector model of economic growth. In recent years more of his attention has focused on questions of environment and pollution. While at Minnesota he offered a seminar on "Intertemporal Preferences and Sustainable Development." Professor Uzawa has been using recent developments in the theory of intertemporal preference orderings to formalize the concept of sustainable development and analyze how the allocation of resources at different points in time can support sustainable development. Just before coming to Minnesota he was named to the Interministerial Commission in Japan to oversee the rebuilding of the city of Kobe following the tragic earthquake there.

While at Minnesota he was elected a Foreign Associate of the National Academy of Sciences.

This newsletter includes a profile of Minnesota alumni Richard Sandor. On a cold day in February, Richard and his wife Ellen appeared in the department unexpectedly. I knew of Richard's work but had not had the opportunity to meet him or Ellen. We had a wonderful conversation about earlier times at Minnesota and some of their current interests. Richard and I subsequently talked by phone. That conversation is reflected in the profile in this newsletter. We hope to make alumni profiles a regular feature of the newsletter.

An updated alumni address list is attached to this newsletter. It reflects the work and effort of Wendy Williamson. We have added e-mail addresses that we were able to identify. If we missed yours or have the wrong one, please let Wendy or me know. Also, please keep us informed of your activities and whereabouts. A note, call, or e-mail message to me or Wendy will be gratefully appreciated. We can be reached at:

wendy@atlas.socsci.umn.edu
cswan@atlas.socsci.umn.edu

ECONOMICS RESEARCH LIBRARY

Discussion papers that have appeared since the last newsletter include:

- 277 Jordan, J. S., "Management accounting in activity networks," December 1994, 66 p.
- 278 Jordan, J. S. Regina Anctil & Arijit Mukherji, "Activity-based costing for economic value added," December 1994, 61 p.
- 279 Hurwicz, Leo and Marcel Richter, "Implicit functions and diffeomorphisms with C^1 ," March 1995, 31 p.

Wendy says "The library in its present spot, the temporary top of the Science Classroom Building, is nearly bursting with books and working papers. I hope we don't run out of space before 1997 when we are scheduled to

move to the west bank following the completion of the new business school building. In the meantime, help us out by requesting working papers."

For copies contact

Wendy Williamson
Economics Research Library
525 Science Classroom Building
University of Minnesota
Minneapolis, MN 55455
Phone: 612-625-2307
Fax: 612-624-0209
E-mail: wendy@atlas.socsci.umn.edu

Let us hear from you. We can be reached at any of the following:

Mail: Department of Economics
University of Minnesota
1035 Management and Economics
271 19th Ave S.
Minneapolis, Minnesota 55455
Phone: (612) 625 - 6353
Fax: (612) 624 - 0209
E-mail: Econdept@atlas.socsci.umn.edu

Missing Addresses

If your records are better than ours, please share addresses for any of the following:

Paul S. Anderson '57
Ramineni Ayyana '66
Shaun C. Bamford '81
Paulina Beato '79
Peter M. Greenston '72

Danesh C. Gupta '71
Chadwick J. Haberstroh '58
Dit Sang Ho '77
Henry Hisao Ito '74
George K. Keyt '70

Sigmund Krauthamer '63
Jaeho Kum '92
Melvyn L. Meer '66
Voruganti S. Rao '70

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