

Economics News

SPRING 2010

A letter from the Chair

Dear Students, Parents, Alumni, Colleagues, and Friends,

Last September I became Chair of the Department of Economics, following Kevin Lang's remarkable four year stint. Kevin has been an enormous help, even though he has spent this academic year on leave. We look forward to his return.

This past winter I completed an updated strategic plan which calls for fifteen new faculty members. We hired two outstanding new faculty members this year. Hiroki Kaido is an econometrician from UC San Diego who specializes in cross-sectional analysis, while Johannes Schmieider is a labor economist from Columbia who works on empirical studies of labor demand.

Our current national ranking according to RePEC (www.repec.org) is 9th among all US academic departments. The faculty is also very visible in policy circles. Simon Gilchrist's ideas on financial reform have percolated up to the White House. Larry Kotlikoff's new book on "limited-purpose banking" (*Jimmy Stewart is Dead*) is creating huge waves at home and abroad. Google us, and you will see what I mean!

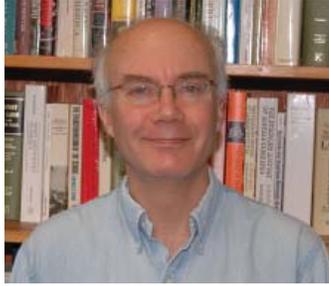
This year was a tough market for our PhD students yet most managed to find suitable employment. Our MA program continues to strengthen under the wise leadership of Hsueh-Ling Huynh. Economics now accounts for 9 percent of all credit hours taught in CAS, the highest in its history and the highest overall "market share" in the College. Not surprising, we attract some incredibly talented undergraduates, some of whom you can read about elsewhere in this newsletter.

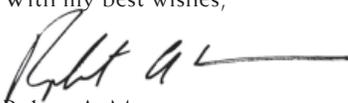
Another major change was a much needed building renovation. A net increase in space will allow us to better serve our students and to undertake faculty expansion. Stop by and see our new "digs" when you are in town.

The job of chairing the Department of Economics with its large and varied programs would be impossible without a very capable Associate Chair. I have been incredibly fortunate to have Randy Ellis, who took time from his hectic schedule as one of the world's leading health economists, to work as the associate chair for the past two years. Albert Ma will be the new Associate Chair beginning this fall semester.

In closing, I'd like to recognize the passing of a graduate of our MA program in Economics, John Puma. John spent much of his career at Boston Edison (now NSTAR) in human resources, specializing in equal opportunity issues. He was generous in donating to CAS, a tradition which his family continues even after his passing.

With my best wishes,




Robert A. Margo
Chair, Department of Economics

Donations to Economics

The Economics Department benefits greatly from generous gifts from alumni and other friends. In recent years alumni donations have allowed us to install air-conditioning in the Principles Center, and to provide on-line and in person assistance. Alumni donations also support distinguished visitors and annual lectures. This year generous funding from Ray Thek allowed us to sponsor a new visitor's series entitled "New Directions in Economics." The first installment of this new series, featuring Perry Mehrling (Barnard College), was very successful.

The department continues to benefit from the support of the Rosenthal family who provide the funding for the Robert Rosenthal Memorial Lecture. Lectures from the last four years, soon to be joined by this year's talk (see inside) are available on our website www.bu.edu/econ/workshops/rosenthal/index.html. Thanks to the generosity of our faculty and friends we are well on our way to our goal of endowing this lecture.

The faculty and students in the Department of Economics acknowledge the generosity of our alumni and other donors with gratitude. Their gifts have made the department a better place to teach, to learn, and to conduct research. Of course, the department continues to have major capital and other needs. The establishment of endowed chairs and fellowships, in particular, are pressing objectives. Donors wishing to learn more about these major unmet needs should contact Karen Weiss Jones (karenwj@bu.edu) or Professor Robert Margo (margora@bu.edu). Information on donating to the department can be found at <http://www.bu.edu/econ/department/donation.html>. A full list of recent donors to Economics is included inside this newsletter.

A Conversation with Dilip Mookherjee



How did you start studying economics?

When I joined Presidency College in Kolkata, India, it was because everyone aspired to be there. The intellectual atmosphere, both academically and beyond, was scintillating. Economics combined the logical nature of Mathematics with writing skills. I eventually wanted to get an MBA, and this seemed the best route to it.

Who is the scholar or professor who inspired you to be an economist?

Without any doubt Dipak Banerjee, who taught us microeconomic theory at Presidency College. All thanks to him the world lost a CEO! (And I lost millions of dollars.) As evidence of his ability to inspire students, let me mention one incident. Just before the annual exams I was looking at past questions. One question on welfare economics, went beyond what had been taught in class. When I showed it to Dipak *babu*, he hesitated and said that it was based on the second welfare theorem, which could not be taught without first developing a thorough mathematical background. "But," he added, "if you're interested we can meet outside the lecture and talk about it." A classmate and I met him for the next five months, once a week, several hours each time. This was a tour-de-force that drew on linear algebra, analysis, and convex analysis and ended with the celebrated theorem. There was no turning back for me.

I wanted to do a Master's in Economics. He directed me to the Delhi School of Economics (DSE), an renowned institution with Mrinal Datta Chaudhuri, Pranab Bardhan, and Prasanta Pattanaik. I went to the DSE to learn social choice theory from Pattanaik, but by the time I reached Delhi only the first remained. One day he invited Dilip Abreu, my classmate in Delhi and subsequently close friend, and me to his house and gave us a photocopies of some papers that were starting to transform economics, including Akerlof's "The Market for Lemons". Incidentally, this paper was written when Akerlof was visiting the ISI at MDC's invitation. Little did we know that these papers marked the information and game theory revolution.

Kolkata produce a disproportionately large number of economists, many of them theorists. Why?

Dipak Banerjee again! It would be an understatement to say that he inspired us. He defined what we wanted to be. Debraj Ray and I are among the academics who were drawn by his sheer personality. Bengalis are natural story-tellers: look at all the poets and writers and film-makers we churn out. So was Dipak *babu*, but the stories he told were about brilliant intellectuals like the logician Tarski. They kindled our desire for knowledge.

How do you compare the various cities you have lived in?

It all depends on the state of life and the time. Kolkata was an intellectual heaven, and not just for undergraduate studies. My friend and undergraduate classmate Abhirup, who is now a professor at ISI Kolkata, would invite me home to listen to recordings of T.S. Eliot reciting his own poems. The weather in Delhi was harsh, and the culture harsher. I didn't stay there for very long, although as the capital city it has several advantages. London, where I did my Ph.D., was at first intimidating. My friend Dilip was then at Oxford, and I would visit him for the weekends. A year later Oxford had exhausted her attractions, and London was growing on us. Add to this excellent professors like George Akerlof, Kenneth Binmore, Partha Dasgupta, Douglas Gale, and Oliver Hart; I was glad to have chosen the LSE for my Ph.D. San Francisco, where I got my first job, was very different ---- much more of an outdoor place.

What do you do in your spare time?

Once you have kids, you don't have time to spare. But when we did, my wife Nalini and I spent many hours taking photographs. We took several courses on photography, and our home in SF had a darkroom to develop the prints (those were before the digital days). We enjoy theatre in Boston, and still have regular memberships to various museums and theaters.

A Conversation with Albert Ma

When and why did you choose economics?

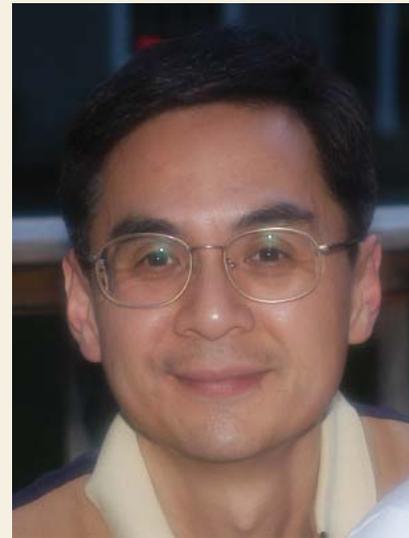
Actually, I think that economics chose me. I grew up in Hong Kong, and studied mostly science subjects in high school. In the end I could hardly understand physics or chemistry. I barely got into the Faculty of Social Sciences at the University of Hong Kong. A year later economics was the only social science subject where I did well. As they say, the rest is history. Honestly, the rest comes naturally. Over time, I have come to realize that economics has just the right combination of societal interest and mathematics that I have grown to love. It is a fascinating subject.

As a leading health economist, what do you think of Obama's health care reform?

These are the beginnings of the US health care reform: health insurance is just the first issue. Massachusetts reformed its health insurance in 2007, way ahead of the rest, and has continued with legislations on cost controls. The rest of the US will follow this pattern. By 2014, most Americans will have health insurance. The reform will implement various cost containment measures, and I think that there will be more to come. Compared to other developed countries, we are big spenders, but not much better in health outcomes. My take is that numerous inefficiencies need to be eliminated. The heart of the Obama health care reform will involve finding innovative ways to contain costs. I am very happy to see another 30-plus millions of Americans getting health insurance. This is a historic event.

What do you think is the role of an editor? Why does the editorial process take so long in economics?

I have been an editor for BE-Journal of Economic Analysis & Policy for more than four years. It is a pleasure to be part of a team of editors determined to speed up the editorial process. We promise a turnaround time of ten weeks. For a well-run journal, editors play an active role, and must make decisions in a timely fashion. Nevertheless, journals are not the only ones to blame for a long editorial process. Often editors have to deal with half-finished submissions. Editors ask for revisions to flesh out interesting ideas; it is time consuming, but sometimes it is the only way.



The grapevine claims you and Michael Manove coordinated on Madrid for your sabbatical. How was Spain?

I just finished a half-year visit to Universidad Carlos III de Madrid. I was awarded a Cátedras de Excelencia, funded by Banco Santander. It has been a unique, wonderful, and rewarding experience for my family and myself. The hospitality of Carlos III and Spain was truly outstanding. I did research, and visited various universities there. Spain is a big package: Spaniards like to think that there are many Spains, and I fully agree. Food, wine, landscapes, intellectual endeavors all come in very high quality and a wide variety. As it happened, Michael Manove, a colleague at BU, was also spending his sabbatical in Madrid, at CEMFI, a research division of the Bank of Spain. Our offices in Carlos III and CEMFI were about 20 km apart, so we didn't coordinate very well!

I hear you are an excellent photographer. How did you learn the craft? What are your favorite subjects?

I have enjoyed photography since I was a teenager. Now my photographic "publication" is at <http://www.bu.edu/bridge/archive/2001/08-31/hawkpics.html>. Some years ago a family of redtail hawks nested right outside my office, and I was happily taking pictures of them! Although one hears often that the best way to learn photography is to take many pictures, I would have to disagree. I have learned a lot from books, especially more technical ones. One needs to know about light and optics. With a little thought, anything can be a good photographic subject. I have taken pictures from redtail hawks to belly dancers, portraits to landscapes, and weddings to sports. Recently I have become interested in infrared photography, which is a real example of what you see is NOT what you get!

Interview by Sambuddha Ghosh

Focus On Our Faculty...

Editorial Boards

The academic stature of our faculty is illustrated by the large number serving on editorial boards of top journals.



Barton Lipman and Randy Ellis are two of the many department faculty playing central roles in economics journals.

Marianne Baxter (associate editor, *Journal of Monetary Economics*), **Maristella Botticini** (editorial board, *Explorations in Economic History*), **Peter Doeringer** (editorial boards of *World Development* and *Mass Benchmarks*), **Randy Ellis** (associate editor, *Journal of Health Economics*), **Larry Epstein** (associate editor at *Journal of Economic Theory*, *Journal of Risk and Uncertainty* and *International Journal of Economic Theory*), **Simon Gilchrist** (editorial board, *American Economic Review*; associate editor, *Review of Economics and Statistics*), **Jacob Glazer** (associate editor, *The Journal of Health Economics*), **Francois Gourio** (associate editor, *Journal of Monetary Economics*), **Todd Idson** (editorial board, *Journal of Sports Economics*), **Robert King** (editor, *Journal of Monetary Economics*), **Kevin Lang** (co-editor, *Labor Economics*), **Bart Lipman** (associate editor, *Econometrica*; associate editor, *Games and Economic Behavior*; co-editor, *Theoretical Economics*), **Albert Ma** (editor, *BE Journal of Economic Analysis and Policy*; associate editor, *Rand Journal of Economics*), **Bob Margo** (editorial boards at *Quarterly Journal of Economics*; *American Economic Journal: Applied Economics*, and *Explorations in Economic History*), **Dilip Mookherjee** (associate editor at *Rand Journal*, *BE Press Journal for Theoretical Economics*, and the *German Economic Review*), **Andrew Newman** (associate editor at *Berkeley Electronic Press Journals in Theoretical Economics* and *Journal of Development Economics*), **Claudia Olivetti** (associate editor at *Macroeconomic Dynamics and Labour Economics*), **Daniele Paserman** (associate editor, *Labor Economics*), **Pierre Perron** (co-editor, *Econometric Journal*; advisory editor, *Journal of Time Series Econometrics*; editorial board, *Revista de Econometria*, *Economia Applicada*; Member of the International Scientific Committee, *Actualite Economique*), **Marc Rysman** (associate editor, *International Journal of Industrial Organization*; associate editor, *RAND Journal of Economics*; co-editor, *Journal of Economics and Management Strategy*), **Ingo Vogelsang** (editorial boards at *Journal of Regulatory Economics*, *International Economics and Economic Policy*, *Review of Network Economics* and the German language journal *Netzwerkwirtschaften & Recht*; associate editor, *Information Economics and Policy*).

Faculty Teaching Awards

This year's winner of the *Neu Family Award For Teaching Excellence in Economics* is **Joshua Lustig**. Josh teaches intermediate microeconomics and health economics at BU to undergraduates, racking up a substantial track record since arriving from Yale University in the Fall of 2008. His students praise his conceptual clarity and enthusiasm, while describing him as helpful, accessible and challenging. The only downside they cite is that he is a Yankee's fan.

This year's winner of the *Gitner Prize for Excellence in Undergraduate Teaching* is **Hsueh-Ling Huynh**. A long time favorite of BU undergraduates, as well as a prior winner of the Neu and Gitner prizes, Hsueh-Ling has most recently taught the honors section of Principles and undergraduate Game Theory to rave reviews. In his most recent set of evaluations, students laud his "Great sense of humor, his colorful personality" while stressing that he stimulates and challenges them.

Conversations with Economists Lecture Series

Each year, the Department of Economics holds a series of "Conversations with Economists" to which students, alumni, and the public are invited. The 2009-2010 series consisted of two events the first on November 9th was a "Debate on Financial Reform" between Charles W. Calomiris, the Henry Kaufman Professor of Financial Institutions at Columbia Business School, and our own Laurence J. Kotlikoff. The second was a lecture by Santiago Levy Algazi, Vice President for Sectors and Knowledge at the Inter-American Development Bank, on Monday, March 29th speaking on "Why Latin America Lags Behind. Informality, Productivity and Social Policy".

IED Conference Series: "New Directions in Organization Theory"

Leading researchers in the economic theory of organizations, contracts and related topics gathered on the BU campus at the end of April for an IED-sponsored conference on "New Directions in Organization Theory" organized by Andrew Newman. Recent research as well as surveys of earlier work was discussed with the aim of assessing the state of the field and its future direction. Topics included the theory of property rights, the connections between the internal organization of firms and their market performance, the "gaming" of incentive systems, and the organizational origins of the financial crisis. Participants included BU faculty and PhD students as well as invitees from Europe and the U.S. The small and informal setting allowed for a lively exchange of ideas and afforded BU students an unusual opportunity to discuss their own research interests with some of the world's most prominent economic theorists, including Jean Tirole, Bengt Holmström, Oliver Hart, and Robert Gibbons.

Graduate Teaching Awards

The Graduate School of Arts and Sciences has named **Shinsuke Tanaka** as the Economics Department teaching fellow of the year in recognition of his excellence, enthusiasm and dedication as a teacher. Shinsuke has served as a teaching fellow in "Introductory Microeconomics", Economics 101, and taught that course and "Introductory Macroeconomics", Economics 102, as an instructor. He seeks to "stimulate students' intellectual curiosity from within" stressing that economics provides "ways of thinking which help us learn how to live valuable lives."



Jeremy Smith received the Special DGS Prize for sustained excellence in teaching: he has taught "Environmental Economics", Economics 371, to an audience of at least fifty students for seven consecutive semesters. He indicates that his "general philosophy is to teach tools, not answers" describing it as his "own take on the 'teach-a man to fish' proverb." In the classroom, this approach translates into his "enriching the students' microeconomic toolbox and demonstrating its use with simple mathematical examples which provide students with a conceptual understanding of how consumers and producers behave in the absence and presence of various forms of environmental policy."

PhD Student Summer Research Awards

An unusual feature of the BU PhD program is an internal competition for Summer Research Awards which enable students to focus on research early in their careers. A byproduct is that students learn to produce research proposals during graduate school, preparing for this important element of work as research economists. Students receiving Summer 2010 awards are: **Olesya Baker**, **Tsz Kin Chan**, **Gabriele Gratton**, **Mike Luca**, **Adam McCloskey**, **Ana Nuevo-Chiquero**, **Francisco Pino**, **Jonathan Smith**, **Dennis Tkachenko**, **Jordi Vidal-Robert** and **Jiawen Xu**. Congratulations!

PhD Placements

The Economics Department had another strong and diverse group of PhD students on the job market. We congratulate them on their new positions: **Tamon Asonuma**, International Monetary Fund; **Alfredo Burlando**, University of Oregon; **Andrea Canidio**, Central European University (Budapest, Hungary); **Shinsuke Ikeda**, National Graduate Institute for Policy Studies (Japan); **Hirokazu Ishise**, Bank of Japan; **MinWoong Ji**, Korean Institution for Industrial Economics and Trade; **Shenyi Jiang**, Renmin University (China); **Denny Lie**, University of Sydney (Australia); **Yunmi Nam**, Korea Information Society Development Institute; **Tatsushi Oka**, National Singapore University; **Mikhail Pyatigorsky**, Wisconsin Center for Education Research; **Marian Vidal-Fernandez**, University of New South Wales (Australia); **Murat Yilmaz**, Bogazici University (Turkey).

Robert Rosenthal Memorial Lecture



Every year, the faculty, students and staff in the Economics Department commemorate the legacy of **Robert (Bob) Rosenthal** — a superb scholar and a great colleague and teacher.

A colleague of Bob's at Boston University during the early 1990s, **Douglas Gale** (New York University) presented the 2010 lecture on "Decision Making Under Uncertainty: Non-standard preferences and/or Bounded Rationality?". Gale explored experimental economic data indicating that behavior with respect to financial investments is quite different across individuals. Some people try to mitigate risk via a portfolio which pays the same return no matter what happens; some put everything in the security with the highest expected return; and some pursue more complicated but similarly intuitive strategies. He then described the challenges that this data – and observations from real world financial markets – pose for basic economic models. He argued that individuals use such heuristic approaches as a means of approximate optimization of an underlying utility function.

Prior lecturers have been **Andrew Postelwaite** (University of Pennsylvania) on "Effecting Cooperation" in 2009; **Ariel Rubinstein** (Tel Aviv and New York Universities) "On the Pragmatics of Persuasion: A Game Theoretic Approach" in 2008; **Alvin E. Roth** (Harvard University) "What Have We Learned from Market Design?" in 2007; **Jean Tirole** (Institut d'Economie Industrielle, Toulouse, and MIT) "Economic Incentives, Self Motivation, and Social Pressure" in 2006; **Robert Porter** (Northwestern University) "Collusion and Auctions" in 2005; **Roy Radner** (New York University) "A Strategic Analysis of Petty Corruption" in 2004; and **Robert Wilson** (Stanford University) "Stable Equilibria" in 2003.

Undergraduate Studies in Economics

Economics requires students to think rigorously and systematically, thereby enabling them to master and apply new knowledge as required in our rapidly changing world. We attract a diverse and talented group of students who excel not only in their studies but also in their contributions to the broader university, in athletics and the arts. We highlight below just a few of these outstanding young men and women.



*Jan Bicanic, Kaitlin Copson, Michael Clancy,
Michael Ellison and Sherrod Smith*

Jan Bicanic (CAS '10) and **Sherrod Smith** (CAS '10) plan to put economics to work in leadership roles in their communities and, based on their accomplishments on the playing field and in the classroom, one has little doubt that they'll make the world a better place. Jan came to BU from war-torn Croatia, where he plans to return hopes to work for the Croatian National Bank or Ministry of Finance. Competing in shot-put and discus throw, he was named to the All-East region Track and Field team, and to the USTFCCCA Division 1 Track and Field All Academic team. At the same time, he completed the challenging joint degree in Economics and Mathematics. Sherrod Smith, as a member of the BU men's basketball team, "discovered how the synergy of a team working together can accomplish far more than individuals can accomplish on their own." Another highlight of his basketball career was playing a pick-up game with President Obama at Camp David last August. Studying economics and management, he seeks to be a leader in the field of social enterprise.

Michael Ellison (CAS '10) has displayed diverse entrepreneurial talent in his time at BU. Not content with just being active in student government and writing for the Daily Free Press, he co-founded BASE, a 501 (c) (3) nonprofit organization, creating "a model that takes low income, disadvantaged youth from the brink of dropping out of high school to achieving high marks at competitive four year universities". Upon graduation, he will begin work as Goodzuma's first employee. Goodzuma is a "unique digital platform where companies, brands and organizations of all kinds join with consumers to 'co-create'."

Kaitlin Copson (CAS '10) and **Michael Clancy** (CAS '11) explored a wide range of opportunities provided by BU, while also being mainstays of the Undergraduate Economic Association. Kaitlin took PDP classes in Kung Fu, Dancing, and Skating; began studying Japanese and Arabic; and mentored incoming freshman as a resident advisor. Michael is working to complete the BA/MA program in economics while a timpanist for the BU All-Campus Orchestra, a member of the BU Fed challenge team (see below), a grader for the math department, and an intern with the Model Validation Group at State Street Corporation. Michael is considering working as an actuary, consultant, or in finance. Kaitlin looks to secure an economics position within a government agency.

College Fed Challenge

The Federal Reserve annually sponsors a competition to promote education and understanding of the U.S. macro economy, the Federal Reserve System, and the implementation of monetary policy. Each fall, participating colleges and universities send teams to compete at the regional Federal Reserve Banks. Teams create a twenty minute presentation recommending policy measures the Fed should take and then field questions from Fed economists. Presentations are judged by FRB staff economists and the highest scoring team at the regional competition advances to the final round at the Federal Reserve Bank in Washington, D.C.

Gary Chau (CAS '11), **Michael Clancy** (CAS '11), **Michael Ellison** (CAS '10), **Federico Claus Simon** (CAS '13), and **Samantha Weinberg** (CAS '13) participated in the competition at the Federal Reserve Bank of Boston this Fall, accompanied by their advisor Professor Todd Idson. The team achieved BU's highest score ever in the competition, using the novel approach of acting external consultants hired to advise Fed economists. (Most teams create a mock Federal Open Market Committee meeting). The team honed their presentation in meetings several times a week in the months leading up to the competition. They also consulted with faculty members and graduate students to refine the presentation content. With team members returning, BU looks to build upon its experience and improve its score next year.

DEPARTMENT OF ECONOMICS DONORS

The Department of Economics expresses its gratitude to the following individuals who donated to a departmental gift account in 2008-2009 or 2009-2010 (through April 1):

Dr. Randall A. Bluffstone

Dr. Yongmin Chen

Dr. E.B. Gendel

Mrs. Stephanie Behrakis Liakos

Richard and Amy Neu

Professor Gregory Pavlov

Giancarlo Don Parenti

Robert C. Seamans

Dr. Kam Wing Siu

Mr. Ray P. Thek

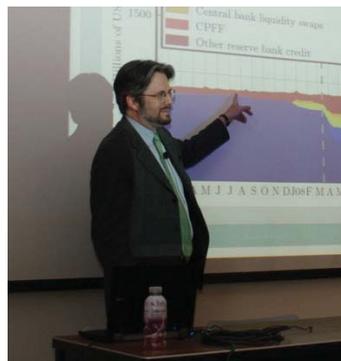
Dr. Jan Walliser

Ms. Sylvia H. Wee

(including matching funds from Wells Fargo Foundation and donation from Wells Fargo Community Support Campaign)

This year **Perry Mehrling** (Barnard College) gave the first lecture in a new visitor's series entitled "New Directions in Economics."

The series is open to the public and is possible due to generous funding from **Ray Thek**.



Supporting Economics through the BU Annual Fund

Many donors choose to give to Boston University through the annual fund but direct that the funds be used for the Department of Economics.

This year provides an unusual and exciting opportunity for those wishing to give through the annual fund. In brief, Trustee Richard Cohen (CGS'67, SMG'69) has issued a challenge to parents, alumni, and others. He will match, dollar for dollar, all new and increased annual fund donations made before June 30, 2010 with an equal donation to scholarships, up to \$1 million.

If you did not make a donation to the annual fund last year, Richard Cohen will match any donation you make during this time period dollar for dollar. You double the impact of your donation.

If you did make a donation to the annual fund last year, we hope you are renewing your donation this year. Under his challenge, Richard Cohen will match any increase in your donation dollar for dollar, with the matching funds supporting student scholarships. You double the impact of your added generosity.

And remember that you can direct your main donation to the Department of Economics. Donors wishing to learn more should contact Karen Weiss Jones (karenwj@bu.edu) or Professor Robert Margo (margora@bu.edu). Information on donating to the department can be found at <http://www.bu.edu/econ/department/donation.html>. We appreciate your support.

Conversations with...



**Joshua
Lustig**

What drew you to economics? Who is the scholar who had a defining influence on you?

I never took economics in high school, but enjoyed math and history. When my professor drew an indifference curve and budget constraint on the first day of freshman microeconomics, I knew I wanted to do economics. It made immediate sense to me. No particular scholar had a defining influence on me. Maybe my advisors at Yale, Steve Berry and Phil Haile. More important to me was working at the antitrust division of the Department of Justice. Working there convinced me that grad school would be worth it.

What do you see as the big issues ahead for the US in the anti-trust area?

A lot of attention is being paid to the new set of merger guidelines the DOJ and FTC are currently working on (for the first time in a decade). There is hope that there will be a major change of focus... from determining how a merger will affect market concentrations to determining how prices will actually change, which ultimately is what we should be interested in.

Had you not taken up economics what would have been your next choice?

Had I not gone to grad school, I'm sure I'd be a millionaire hedge fund manager by now.

I hear you play tennis. Any tennis idols who drew you to the game?

Andre Agassi, because of his hair.

What music do you listen to?

A little bit of everything: Indie and Classic rock, jazz, electronica.



**Francois
Gourio**

Economists took a lot of heat for not forecasting the recent financial crisis. How do you "defend" your profession?

It is a fact that we cannot forecast GDP beyond a few quarters at most. I see three possible reasons. The first is that our models are bad. That is certainly part of the problem, but economics is a young discipline. Second, the evolution of the economy is partly driven by unpredictable events (like weather or panics). Third, unpredictability may be an intrinsic feature of a large complex, constantly evolving, system.

What did we learn from the recent crisis that we did not know before?

Perhaps not so much: the crisis is, by and large, a traditional banking crisis. One difference is that investment banks, not commercial banks, were at the center of the problem. Of course, we didn't think the U.S. was still susceptible to a banking crisis.

What are the major challenges confronting macroeconomics?

I think the main questions are still the same: why are asset prices so volatile, what are the sources of economic fluctuations. We don't have good answers to these.

You wrote a piece titled "Disaster Risk and Business Cycles". What's that about?

This paper suggests variation in uncertainty as a source of economic fluctuations. When people think investing is risky, the economy enters a recession and asset prices fall.

You've been seen, especially late at night and on weekends, in a t-shirt saying "Chicago: where fun goes to die". Are you making up for it now?

Life is short! I love economics and I loved the University of Chicago, where I went for graduate school, but you shouldn't sacrifice everything for your job. Call this diversification. So even though I work a lot, I enjoy my vacations, such as sailing in Scotland or Iceland.

A Conversation with Claudia Olivetti

Who or what drew you to economics?

Herbert Simon's work on bounded rationality caught my attention in college. I found it so fascinating that I changed my major in the last year of college. Starting from my Ph.D., Claudia Goldin's work has had a defining influence.

What motivates your work on the role women in the economy and society?

I want to understand the causes and consequences for the changing role of women in the family and in the workplace. There is a dramatic rise in the number of married women working in the US; a notable economic phenomenon of the twentieth century. The trend is particularly prominent for women with young children.

These changes have a myriad of effects on the economy and society, ranging from the care of young children and the nature of the family to the structure of income taxation and labor market flexibility. It has produced a revolutionary change in women's economic role. There are as many explanations for these changes as there are implications. Everything from women's liberation and invention of the vacuum cleaner has been cited as causes. My recent research suggests that medical advances in the early part of the twentieth century, especially those concerning child-bearing, for example the introduction of sulfa-drugs which contributed to the decrease in maternal mortality and morbidity; played a critical role in this process.

Any suggestions for narrowing the "gender gap"?

That's the 1 million dollar question! Based on recent data, approximately 10% of the gender difference in earnings cannot be accounted for by observables like education or experience. Moreover, despite a closing gap with men in education and professional qualifications, women are still largely under-represented at the higher ranks and still bear the lion's share of home responsibilities. My work shows that statistical discrimination amplifies gender differences in earnings because of a woman's unique biological role. It can explain persistent earnings inequality and in the household division of labour across genders.

One important lesson is that gender equality in the labour market is intimately linked to equality in the household division of labour. Policies aimed at reducing gender disparities in earning opportunities are likely to fail if they do not include provisions to reduce women's contribution to home production relative to men.



My work suggests that policies reducing gender disparities in earning opportunities may well be counterproductive. Generous maternal leave policies reinforce the division of labour that underlies the wage disparity. Sweden seems to have moved in the right direction; fathers must take at least 30 days of parental leave. By directly reducing the gender asymmetries in the allocation of parental responsibilities, this policy decreases the potential for statistical discrimination that leads to gender inequalities in wages.

You're not the first Italian female economist who loves teaching and gets stellar evaluations. What's the secret?

Lots of energy and a love for teaching and economics! I guess that the secret is to convey that economics is (or can be) fun.

When you get home, how do you relax?

I play with Dino, my 6-month old boy, and Stella, my doggie! I used to read novels but I guess I'll have to wait a decade or so before I can go back to it. I love mystery\detective\crime fiction, especially by Swedish authors. The Kurt Wallander series by Henning Mankell is something I enjoyed. Once in a while I re-read classics from Dostoevsky, Austen, and James, among others. A few recent Italian books available in translation are "The Solitude of Prime Numbers", "The Worst Intentions" and "Gomorra".

How do you manage to have a wonderful family and a rewarding career? How can one best balance the two?

Well, I had my baby *after* I got tenure, but it was a risky strategy as the tenure clock overlaps with the biological clock. I guess that the secret is to be aware that it is not easy to balance the two but it can be done. Having a job that one really likes helps. A sense of humor and optimism are also invaluable.

Interview by Sambuddha Ghosh

This year in the Master's Program...

The Masters program within the Economics Department offers a wide range of courses and has a highly diverse student body. Applications were up 15% this year and of an increasingly broad international scope. This year we award 88 MA, MAEP, BA/MA and MA/MBA degrees. The rigorous training of the MA programs is much sought after by consulting and financial firms as well as government and non-profit organizations. Continuing a long tradition, some of our graduates will also go on to premier doctoral programs.

A new Masters of Arts in Global Development Economics degree program debuted this year, designed for students seeking a rigorous training in economics supplemented by the exposure to the related disciplines of politics, international relations, public health, infrastructure and economics. The new program prepares students for careers aiding the economic development of lower and middle income countries and in transition economies, including work as policy analysts and decision-makers in government, nonprofit institutions, international organizations, and the private sector. A new Global Development seminar series also began this year as a supplement to the degree program. The guest speakers were Jose Antonio Ocampo (Columbia), Jeni Klugman (United Nations Development Program), Santiago Levy (Inter-American Development Bank) and Rosina Bierbaum (University of Michigan).

Another first came this spring with the launch of an experimental program whereby Master's students assisted advanced PhD students in their research projects, under the overall supervision of their



faculty advisors. In January 60 Master's student applied and 10 were selected as Research Assistants. Each worked closely with their assigned PhD student mentor for roughly 10 hours a week for approximately 16 weeks over which they were paid a stipend by the Institute for Economic Development (IED). This arrangement proved to be mutually beneficial to the PhD students, as well as the MA students who gained valuable RA experience. The program has been quite successful and we plan to continue offering these opportunities into the summer and future semesters.

Funded by IED, a series of career development events during 2009-2010 provided students with job market expertise, including workshops on resume writing and job interviewing as well as a special presentation on the US visa process. Culminating the series was the 5th Annual MA Career Information Meeting, held on October 16th, 2009 at the Photonics Center. The panelists were **John Affleck** MA '00, International Economist – Property & Portfolio Research; **Greg Brown** BA/MA '05, Senior Consultant – StoneTurn Group; **Eric Cheung** BA/MA '07, Sales & Trading Analyst – J.P. Morgan; **Nassim Doumani** MAEP '07, Analyst – Analysis Group; **Nachum Gabler** MAEP '08, Research Assistant – The Frasier Institute, The Cato Institute; **Meghan Gorman** MA '07, Senior Research Analyst – CBRE Torto Wheaton Research; **Michael Kheyfets** BA/MA '05, Analyst – NERA Economic Consulting; **Yu-His Liu** MA '08, PhD Candidate – Suffolk University; **Rebecca Wildner** MA '09, Forecast Analyst – NSTAR Gas and Electric Corp. Each panelist discussed job hunting experiences and highlighted how he or she uses economics skills gained in the Master's Program in their current positions. The formal presentation was followed by a stimulating question-and-answer session. Panelists and audience members then adjourned to a reception where students, alums and faculty exchanged further advice and information.



Another exciting addition to the Career Development series this year was the International Summit for Careers in Economics (ISCE) hosted by Duke University. The event was co-sponsored by IED at BU, and the Master's programs at Duke, Columbia, Johns Hopkins



and NYU as well as corporate sponsors Capital One and the National Association for Business Economics. On the weekend of March 26th-28th roughly 50 of our Master's students joined their peers for a weekend of networking, job hunting and interviews at the beautiful Washington Duke Inn in Durham, North Carolina. IED provided travel grants to 40 students who met with representatives from Capital One, American Express, BB&T, Bureau of Economic Analysis, CIA, Congressional Budget Office, Federal Reserve Bank of Philadelphia, Global Endowment Management, IRS, RTI International and the U.S. Dept. of Housing to name



a few. The event was not only successful in connecting our students with employers but in establishing relationships with other students from sponsoring Universities.

Leading up to the event

members of the Alumni Leadership Council met with students to prepare them for the ISCE and provided crucial advice for interviewing and networking. We hope to continue the event perhaps biannually in rotating locations. Our enhanced placement efforts have already produced some successes. These are uncertain economic times, and the destinies of many of our prospective graduates are still unknown. However, we are confident that they will continue to enjoy excellent placements in the private sector, public service and doctoral programs. If you are interested in working with the department to fill a recruitment need please contact Karen Rodi at econma@bu.edu. Resumes of job seekers can also be found on the Master's program website.



The continued generosity of our alumnae is highly important to the livelihood of our MA programs. In an effort to improve and expand our services for alumni we began the process



of forming an alumni club, based around a core group acting as a Leadership Council. This Council was established to facilitate communications between alumni and current students, independent and in connection with the department. Through their energetic networking primarily on LinkedIn and Facebook a large group of former graduates have already been brought back into contact with each other. Growth and maintenance of this network will increase our ability to connect current students with alumni and allow us to offer further professional and academic support to our students.

This year IED also hosted one informal networking event for alumni and current students on June 19th at Globe Bar & Café on Boylston Street here in Boston as well as one more formal alumni weekend event on October 23rd at the Hyatt Regency in Cambridge. Both were extremely successful and gave alumni an opportunity to reconnect with old friends, faculty and colleagues while establishing new connections with the current students. The next Alumni Night will be held at the BU Castle on May 21st, 2010 at 6:00pm, please email Eleanor Langdon at elangdon@bu.edu if you are interested in attending.

We wish to send a special thank you to all of our active alums who continue to support our students and the department. Graduates, alumni and current students are encouraged to keep us updated as to your whereabouts. Please send us your contact information as it changes so we can be sure to keep you involved with all our upcoming alumnae activities, contact alumecma@bu.edu.

Congratulations to our Graduating Seniors, Master's and Doctoral Students

We congratulate another class of talented and highly qualified students on receiving their undergraduate, master's, and doctoral degrees, and offer them our best wishes!

The Department values our alumni, and appreciates that they are very important for the continued success of our programs and students. We urge them to stay in touch.

We wish to send a special thank you to all of our active alums who continue to support our students and the department. Graduates, alumni and current students are encouraged to keep us updated as to your whereabouts. Please send us your contact information as it changes so we can be sure to keep you involved with all our upcoming alumni activities, contact alumecma@bu.edu.

High Flying

Second Lieutenant Spencer Reese came to Boston University in the Fall of 2006 from Rocky Hill, Connecticut. While at Boston University, Air Force ROTC selected Spencer Reese for an AFROTC scholarship.



How did you get interested in Economics?

AP Economics was one of the hardest courses offered at my high school. Jim Wilson taught the course for nearly 50 years. Known as "Grim" due to his dour expression, he challenged me and my peers. "Freakonomics" by Steven D. Levitt also piqued my interest.

What are your main Economics interests now?

At BU, I took a broad range of courses, from "Economics of Health and Healthcare" to "Economics of Lesser Developed Regions", but my favorite was an "Introduction to Game Theory" with Professor Murat Yilmaz. The problems of poverty and development in the 3rd world are one of my greatest current interests. As the US attempts to "nation build" in Afghanistan and Iraq, where I may deploy to, it is extremely important to understand what works and what doesn't work in national development.

When did you get excited about flying?

I've been interested in flying since I was a kid, when I played fighter simulator video games. I'm really into history (minored in it) and have read a lot about World War II fighter aces. While in high school, I decided to make a career of the military and also that the best way to make a difference was in the air.

What have been your main AFROTC experiences so far?

I was headed to the US Air Force Academy in June 2006 when a one year medical disqualification occurred. Instead of taking a year off from school, I asked BU to take me in (they'd earlier accepted me during the normal acceptance process) and also joined the Air Force Reserve Office Training Corps (ROTC) detachment 355 at BU, known as the Flying Tigers." My freshman year, I attended the orientation program at Westover (MA) air force base and was inducted into the Arnold Air Society, a national, honorary, professional, service organization within Air Force ROTC. Then, in Spring 2008, I was selected for an AFROTC Type II Scholarship and reported to Maxwell Air Force Base, Alabama for 28 days of rigorous "Field Training". I graduated on 1 September 2008 and began classes again at BU the next day. Quite a transition, from every minute of your life scheduled to the freedom of a college student!

What happens next?

On 15 May 2010, I will pin on the rank of a 2nd Lieutenant in the active duty USAF. After about 3 weeks of leave, I'll report in June to Maxwell Air Force Base (AL) for the six week Air and Space Basic Course and then head to Pueblo (CO) for 4 weeks of Introductory Flight School. In October, I'll go to Laughlin AFB (TX) base for Undergraduate Pilot Training: a 54 week course designed to produce the world's best pilots.

What are your long-run plans in the skies?

I plan on making the Air Force a career and serving for 20 years. I hope to fly the F-22 Raptor one day.

College Prize for Excellence

Each year, the Department chooses one or more exemplary undergraduate students for the College Prize for Excellence in Economics. These awards recognize students who have shown great achievement in economics, commitment to the field and a deep passion for learning. This year's recipient is Jeanna Simeone.



Jeanna Simeone grew up just north of Boston in Reading, MA, where her active and competitive nature led her to combine accomplishments in the classroom and in hockey and softball. Although neither of her parents completed college, they stressed the importance of education. For Jeanna, BU provided the challenge of academic excellence while allowing her to stay close to her family.

What got you interested in Economics?

I was introduced to basic economic principles in high school. Although I was intrigued by the way economics can be applied to almost every subject, I came to BU as a Political Science major with no plan to study economics. However, as I began taking Poli Sci classes, I noticed how important economics was to the study of politics. Once I took the intro courses EC101-2, I realized how much I enjoy economics and became a double major.

Tell us a little bit about your related experiences

While participating in the Internship Program in London, I had the opportunity to intern at Roger Tym and Partners, an economic consulting and planning firm. There, my first project was for the London Transport Authority. I developed a report comparing methods that various countries have used to fund their public transport systems. I used Hong Kong, Singapore, Australia and the London CrossRail project as my primary case studies. This report enabled me to apply the microeconomic principles I developed while taking classes at BU in an empirical way. The second project was for the Bath and Northeast Somerset region of the UK, in which I developed a report outlining the effects the current recession had on the region and forecasting the timetable for economic recovery. This report tapped into my macroeconomic knowledge and allowed me to learn how economists in the workforce come up with forecasts.

What are your plans for the future?

Next year, I plan on attending law school: I'm currently deciding between BU Law and George Washington Law. I am very intrigued by the field of Law and Economics and am interested in pursuing it as a career. I will continue to work at Fenway Park this summer, where I have waitressed for the past four years.

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Please visit our web page www.bu.edu/econ for detailed and updated information about our undergraduate, MA and PhD programs, our faculty research interests and publications, and for any news regarding the department.

Boston University's policies provide for equal opportunity and affirmative action in employment and admission to all programs of the University.