

Economics

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DEPARTMENT OF
Economics
UNIVERSITY OF WISCONSIN-MADISON

News for Alumni & Friends of the Department of Economics • Spring 2012

Comprehensive, full-service approach brings appreciation for advisors

From the curious high school senior to the alumnus 30 years out of school wanting to complete their unfinished economics degree, the Economics Department advisors are here to help students at any point on their journey. The demanding walk up Bascom Hill becomes worthwhile once they are greeted by the smiling faces of our academic advisors. Whether it's calming fears about schedule conflicts and graduation or just cracking a joke to brighten their day, Allen Reigel and Susan Hering have all the answers.

Having heard the questions, "What courses should I take?" and "Will I graduate?" several hundred times each week, you would think these two have a pretty dull job. But Susan wouldn't have it any other way. "It's the individuality of our students, and the experience of finding out who that student is, and what they are trying to do with economics that makes this the best job in the world." Students come to the department with double majors in everything from dance to communications. Combine this with a significant international student population and you've got one of the most diverse departments at UW. Allen and Susan are committed to helping students realize that they truly are the backbone of this department, and that they never feel lost among the 40,000 other students at this school.

Having made it through the majority of their academic careers, the stress and fear of unemployment can be unbearable as the clock ticks down to graduation. Luckily, career services coordinator Bethany Nelson is here to calm these fears and steer students on the right path. Whether it's working at Goldman Sachs or for a nonprofit organization, Bethany works to help students' dreams come true. With the diverse opportunities a major in economics offers, Bethany works to meet the varied needs of our students. She hosts resume and

cover letter workshops, holds one-on-one meetings, arranges mock interview sessions, and schedules meetings to discuss successful job and internship applications.

Allen, Susan, and Bethany are there every step of the way for our undergrads, striving to make economics the best department in the world.

Lucy Cashin is a senior majoring in economics and communications. Taylor Luse is a senior majoring in economics and journalism.



Allen Reigel, Susan Hering and Bethany Nelson

A View from the Chair

Economics Matters

As part of our department branding, we have started using the words “Economics Matters.” This is, of course, a play on words. But in a recent conversation, an alum asked, “Why does economics matter?” As usual, our alums pose sharp questions.

Economics matters for the lives of our students. Over 900 students at the University of Wisconsin–Madison have trusted the economics department to shape their college educations by declaring economics as their major. As recently as 2006-07, the department had slightly more than 300 majors. The lousy economy surely has something to do with this increase. But the department is doing many other things right as well, from faculty teaching high-quality courses, graduate students doing a generally excellent job as TAs, to having outstanding advisors in our undergraduate office, and the efforts of Bethany Nelson, our full-time career advisor whose position is supported by alumni gifts. Undergraduates are very smart—if you are not producing a good product, they will not major in your department. The large increase in the number of majors is one indication that economics matters.

Economics matters for the well-being of families and our nation. It is not surprising that students are gravitating to economics. The systematic consideration of objectives, constraints, and the challenge of achieving those objectives in the most efficient way possible is at the heart of sound decision-making in almost every sphere of life. My faculty colleagues are doing fascinating work applying frontier-moving economic analysis to important questions affecting the

economy and society. I give three brief examples.

- This fall Steven Durlauf was named a Vilas Professor—the UW’s most distinguished chaired professorship. In addition to his prolific research on economic growth, model uncertainty, and crime, he is a member of the National Academy Panel of Deterrence and Capital Punishment for the National Academy of Sciences.
- This spring, my colleagues, Marzena Rostek and Marek Weretka, were voted tenure by the department. One piece of their collaborative work studies price setting in financial markets. Economists typically assume traders are unable to affect prices. While a convenient assumption, this patently makes no sense in markets with “large traders” (for instance, investment banks and institutional investors) whose decisions have a major impact on everyone’s terms of trade. Such traders must strategically account for the impact of their trades on the prices and other traders. Marzena and Marek have made tremendous progress developing the underpinnings of dynamically thin markets.
- Stockwell Professor Robert Staiger was hired last year from Stanford, where he was a chaired full professor. Bob’s research examines international trade agreements and trade institutions, asking, among other things, why do governments bother to negotiate trade agreements and, given they do, what do they hope to accomplish in agreeing to a prior set of rules by which negotiations are to proceed?

Whether in life or death, financial markets, or global trading,

economics matters, as all economics alums understand.

Matters, of course, is not just a verb. Economics matters, when matters is a noun, is a way to tell the department’s story to our alumni and friends. The 2011-12 academic year continues to have many rewards. My colleagues, Charles Engel (WARF Named Professorship) and Christopher Taber (Kellett Mid-Career Award), received prestigious campus-wide awards. Our most senior graduate students have just gone through the job market. Our undergraduates continue to do amazing things, such as producing *Equilibrium*, a student-run journal, creating the “Madison Fund” (a microlending organization in Madison), doing excellent work in the classroom, and finding jobs in a very difficult market. We are also fortunate to have amazingly supportive alumni. Individual contributions to the annual fund doubled this last year and the number of first-time donors more than tripled. These gifts are very important to the department. In the last year, we were able to increase services in the undergraduate office, support faculty recruitment and retention, assist graduate student travel and projects, finance the printing of *Equilibrium*, provide scholarships for deserving undergraduates, and support alumni networking and outreach. My colleagues and I are grateful for your support. It makes an enormous, positive difference.

On Wisconsin!

Professor John Karl Scholz is the Nellie June Gray Professor of Economic Policy. He can be reached at jkscholz@wisc.edu



Department the latest beneficiary

Generosity continues to flow as Morgridges fund chair in economics

John and Tashia Morgridge, devotees to philanthropy, have done it again with another series of high impact gifts to the university. This time the Economics Department is the recipient of their zeal to inject sustaining funds into the University of Wisconsin–Madison. Their most recent funding for the Morgridge Chair in Economics cannot be underestimated.

“Endowed chairs are the bricks that lay the foundation for the future of any university department,” says Professor Ananth Seshadri, past Economics Department chair. “What many may not realize is that endowed chairs, once established, are self-sustaining and permanent, providing generation after generation of students with access to the finest scholars in academia through faculty salary and research support.”

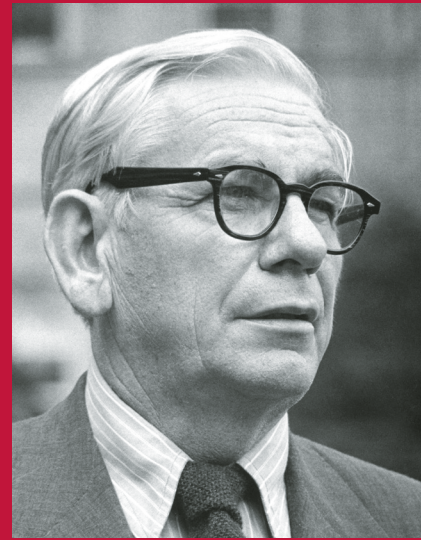
John Morgridge, former Chair and Chief Executive Officer of Cisco Systems, and his wife Tashia also endowed two chairs in computer science and another in geosciences.

The Morgridges’ multi-million dollar gifts have made them lead donors for the Wisconsin Institute of Discovery and the Morgridge Institute of Discovery building, as well as for renovation efforts for the Education Building, among many other gifts in the last several years.

Current chair John Karl Scholz adds, “We are humbled and thrilled to be the latest recipients of the Morgridges’ remarkable generosity to the University of Wisconsin—Madison. Through the support of generous alums, the University and College of Letters & Science, the Graduate School, and the hard work and enthusiasm of our students, faculty and staff, the department is as strong now as any time since I arrived in 1988. The Morgridges’ gift will make a tremendous, positive difference in preserving and enhancing our success.”



John and Tashia Morgridge



Norman Lentburg, News & Publications Service, UW-Madison

Edwin Young, former Chancellor and economist, served in tumultuous times

It's hard to imagine a more challenging period during which to lead the University of Wisconsin, but UW economist professor Hugh Edwin Young did so bravely and effectively as Chancellor during the Vietnam War era.

Young earned his MA and PhD in economics, having later served as chair of the UW Economics Department. After being appointed chancellor in 1968, Young called in the Wisconsin National Guard to quell protests, endured the trauma of the Sterling Hall bombing and oversaw the merged University of Wisconsin System.

He died January 2, 2012 in Madison at 94. Memorials may be sent to the Economics Department. To make a gift, contact Ronald Luskin at the UW Foundation ron.luskin@supportuw.org or go to www.supportuw.org

On the Web

econ.wisc.edu

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Economics Matters is the alumni newsletter of the Department of Economics at the University of Wisconsin-Madison.

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Design: Paula McDermid



Michael Forster Rothbart, University of Wisconsin-Madison

UW's soon-to-be PhDs attract interest in the job market

This fall, 18 bright soon-to-be PhDs from the Wisconsin Economics Department set out on the unknown and terrifying journey known as "the job market." After completing a solid piece of scholarly work known as "the job market paper," their most tedious part of the journey began: sending out applications. Hours upon countless hours were spent completing upwards of 300 applications, while friendships, other responsibilities, and living quarters collected dust. By the time carpal tunnel syndrome subsided, the candidates began to receive phone calls inviting them to interview at the Allied Social Science Associations (ASSA) meetings in Chicago, Illinois in January.

A confident group of 18 arrived in Chicago with hopes that they would impress their interviewers enough to be on the short-list to get a "fly out" invitation for a campus interview. Time is at a premium in these interviews, as they each last only about 30-45 minutes. Once pleasantries are exchanged, the interviewers inevitably say, "Tell us about your job market paper." The candidate then launches into their well thought-out, many-times rehearsed "5-minute spiel." Usually, there are no problems with this, though it certainly is not unheard of for an interviewer to interrupt with a well-posed or off-the-wall question. If this occurs, the candidate has to show that they are quick on their feet, or that they are really good at changing a question they didn't know how to answer into a question they can answer.

Upon returning from Chicago, job market candidates again eagerly waited by the phone for "fly-out" invitations, where they would meet with potential colleagues and present their job market papers. After receiving a "fly-out" request, candidates put on their Sunday best and head to the airport. If impressive enough at the "fly-out," the candidate will receive an offer, and accept it if it is desirable. In the case of an academic offer, they could then start fussing about what is needed to eventually earn tenure.

We have a terrific set of graduate students who continue to interview at places around the world. They have accepted jobs at, among other places, Penn State, Texas A&M, the Bank of Canada, and Tsinghua (arguably the leading department in China) and elsewhere.

Economics Advisory Board is making the department better!

Economics became the first department in the College of Letters & Science to fund a full-time Career and Outreach Coordinator, helping to fulfill the Economics Advisory Board's (EAB) mission of improving the undergraduate experience.



Jillian Walton and Jim Rauh

“One of our main goals as a board is to develop ways to prepare people to compete for the best jobs out there in the marketplace,” says Todd Warnock, Chair of the EAB. “In helping facilitate employment for our own undergraduates, we’ll in turn stimulate employment for others through their efforts,” adds Warnock.

Word is out among undergraduate students majoring in economics as the number of student clients served has increased significantly each year over the past several years. And more innovations are underway, including the creation of three new committees tasked with targeting key goals:

- Jobs – Develop initiatives to help the job placement outcomes for our undergraduates.
- Development – Conceive new ways to engage more alumni in support of the department.
- Branding – Improve communications and messaging for the economics department.



From left to right: Nathan Dau Schmidt, Ashley Klotz, Andrew Tapper, CJ Wilson, Alex Rosenthal



Photo submitted by Todd Warnock

Innovator Todd Warnock at it again

Todd Warnock ('83), Senior Advisor, Roundtable Healthcare Partners, led the way in establishing the Economics Advisory Board five years ago. It has become a model for other boards throughout the College of Letters & Science. About 25 alumni from across the country serve on the EAB.

Another Warnock innovation is the creation of what may be the university's first young alumni board, the Economics Student Association Advisory Council (ESAAC). Nine young and successful alumni are now serving on the council offering advice to student leaders of the ESA.

“Todd has stepped up and done remarkable things for the department. The board started out as a group of successful, high-energy alumni willing to look under the hood and kick the tires of the department,” said Professor Ananth Seshadri, former chair of the Economics Department.

“As they became convinced of the good things that were happening, they engaged more deeply with the department and spread the word to other supportive alums. They are now providing their help with branding, development and jobs.

“And as Todd is fond of saying, ‘given our alumni base, we are just scratching the surface!’ Under Todd's leadership, I don't believe there is another departmental board anywhere in America that provides more value. We are extremely grateful for his leadership,” added Seshadri.

LinkedIn group promotes connectivity and student employment opportunities

One of the most important things we can do in the Economics Department is to help our students to get jobs. The best way to do that is to tap into the goodwill, energy, loyalty and connections of other Badgers. This is the idea behind the UW-Madison Economics Department LinkedIn group.

"Today we are building what should be one of the most active and networked on-line and off-line communities in the world," says John Karl Scholz, UW-Madison Economics Department chair. "It will bring our 13,500 plus UW economics alumni together with current economics undergraduate and graduate students, faculty and staff," adds Scholz.

The network will help disseminate research and ideas, organize local alumni events, and help students find jobs.

Internship opportunities, job postings, mentors, and people willing to organize or attend campus and regional networking events are all part of this communications hub.

"Through LinkedIn, you will gain a wealth of contacts, and we all will benefit from meeting you and learning from your experience and advice," says Professor Scholz.

LinkedIn is easy to join and free. Simply go to www.LinkedIn.com and join. You can provide as much information as you care to share along with an e-mail address. Join the UW-Madison Economics Group by going to "groups," type in UW-Madison Economics. You will be accepted within 24 hours.

For more information, contact Bethany Nelson at banelson2@wisc.edu

Faculty News

Honors for Charles Engel and Christopher Taber

CHARLES ENGEL has received the Wisconsin Alumni Research Foundation (WARF) Professorship, an award for distinguished research contributions by a UW-Madison faculty member. Professor Engel's research focuses on international macroeconomics and international finance. He's currently studying the effects of exchange rates.



Professor Engel has been a visiting scholar at the Federal Reserve Board, four regional Federal Reserve Banks and for the International Monetary Fund. He is the editor-in-chief of the *Journal of International Economics*.

He came to UW-Madison in 2000, having received his PhD from the University of California-Berkeley.



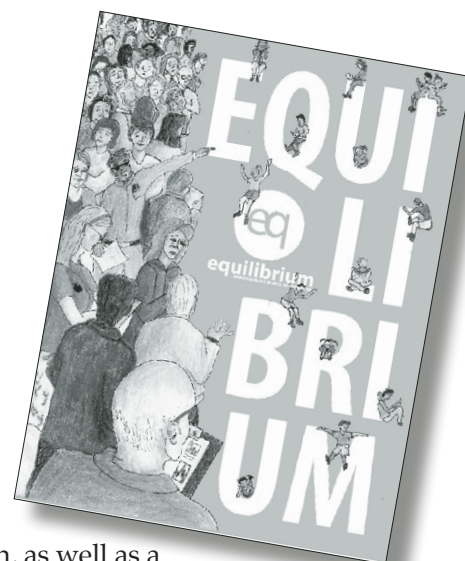
CHRISTOPHER TABER, a labor economist, is the recipient of the Kellett Mid-Career Award. The honor recognizes faculty five or more years past their tenured position, providing support "at a critical stage" in their career development.

Professor Taber, who received his PhD from the University of Chicago, has been on the UW faculty since 2005. He is the Richard A. Meese Chair of Applied Econometrics, the recipient of several fellowships, and the editor-in-chief of the *Journal of Labor Economics*.

2nd edition now available

Efficacy of drunken driving laws among issues highlighted in *Equilibrium*

The popular undergraduate journal of economics, *Equilibrium*, continues to investigate fascinating questions. The next issue looks at what effect drunken driving penalties have on perpetrators. In addition, it will feature a symposium of undergraduate research on education, as well as a discussion about the elasticity of the labor supply.



To get your copy, visit <http://uwequilibrium.com>.

Jobs-Related Networking Focus of Young Alumni

Career success hinges on strong relationships, and that's why the Economics Student Association (ESA) is so excited about the coming year. ESA will focus on fostering new career initiatives and creating a stronger bond among undergraduate economics majors through a variety of events. "ESA's purpose is to be the bridge that connects undergraduate economics majors with professionals, faculty, and other students," explains Andrew Tapper, ESA President.

Early in the fall semester, ESA hosted a career fair prep event with Capital One, the kick-off with Boeing with over 125 students in attendance and general interest talks by alumni Steven Cecchetti, Economic Advisor, Bank of International Settlements (September 29); Jeffrey Lacker, President of the Richmond Fed (October 3) and Stephen Roach, Non-Executive Chairman of Asia for Morgan Stanley (October 13).

ESA will also sponsor economic clubs such as the Federal Reserve Challenge and Equilibrium. In addition, ESA annually organizes networking trips to Chicago and Minneapolis, hosted at the workplaces of Wisconsin economics alumni, as well as a Brewers tailgate social and a graduate school seminar.

For more information, see esamadison.org or atapper@wisc.edu.

ESA Membership Breaks 100

More program opportunities for students generates new members

The UW-Madison Economics Department comes equipped with a world-class faculty and an incredible alumni base. There are resources and opportunities available for undergraduates with interests ranging from research to Wall Street. It is easy, however, for young students to overlook such support amidst the mayhem of college life and the often-overwhelming size of the University. The Economics Student Association (ESA) sees its mission as presenting the doors to such opportunities so that our members may choose which to walk through.

The Economic Student Association Advisory Council (ESAAC) was formed in fall 2011 with the help of the UW-Madison Economics Department and the Economics Advisory Board. ESAAC is comprised of young, prominent UW-Madison Economics alumni, offering ESA guidance and an incredible resource into the professional world.

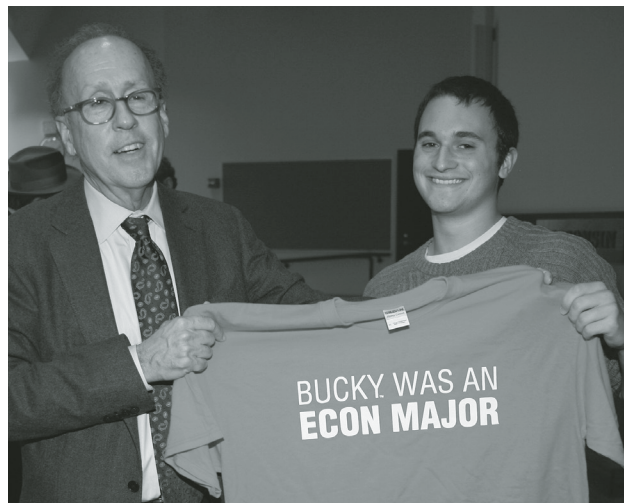
Helping to create a strong bond between alumni and current undergraduates is ESA's primary goal. Not only does this interconnection create a powerful career resource, but also an opportunity for us all to share our pride in graduating from the UW Economics Department. To bolster this bond, ESA and the Department have worked closely this semester to establish a strong networking database through LinkedIn. It has met with quick growth and much success.

ESA hosted some of the largest events in its history this academic year, including the Distinguished Lecture Series with Stephen Roach, of Morgan Stanley, and Jeff Lacker, President of the Federal Reserve Bank of Richmond. ESA also continues to host recruiting events with various employers, organize networking trips to Milwaukee, Chicago and the Twin Cities, offer year-round tutoring services, sponsor the Fed Challenge, and arrange social events for its members.

The ESA Board is proud to announce that ESA membership has grown to over one hundred members, the largest the organization has ever been. With continued devotion to the "Wisconsin Idea" and the UW-Madison Economics Department, ESA will continue to expand its program offering in order to reach as many undergraduate economics majors as possible.

On Wisconsin!

~The ESA Board



Stephen Roach and ESA President Andrew Tapper



Culbertson prize offers graduate student recognition

The Culbertson prize is a gift that will keep on giving. An endowment fund established with a generous contribution from Dr. Frances Culbertson, in memory of her late husband, economics Professor John M. Culbertson, the prize will be awarded annually in perpetuity. It recognizes the PhD student who writes the best second-year paper.

“What a wonderful way to celebrate and reward a student’s hard work and scholarship in economics,” says John Karl Scholz, chair of the Economics Department. Eligible papers may include a wide variety of economic interests.

Professor Culbertson advised both the Federal Reserve System and the House Banking and Currency Committee and was on the UW-Madison faculty, first in commerce and then in economics, from 1958-1989.

Career development role critical to bridging relationships between students and alumni



I am lucky enough to play two roles for the economics department. As the career advisor, I am able to build relationships with students over the course of their college career as I assist them with everything from determining what they can do with an economics major, the graduate school application process or how to ace an interview for their dream job. It’s so rewarding when a student tells me they’ve received an offer from their #1 company or graduate school.

While focusing on alumni relations I’m lucky enough to continue that relationship once these students become alumni and begin their professional careers. In the past year it has especially become evident of the impact that having a career services office has on continuing these relationships. I know I can speak for all of my colleagues that nothing makes us happier than hearing from a former student who wants to give us an update on what he or she is doing, both personally and professionally, or who wants to get more economics students at their organization. I might be biased, but I think we have the greatest students and alumni out there.

Bethany Nelson is Career Development Coordinator for Undergraduates. She can be reached at banelson2@wisc.edu