



Former Faculty Member Endows a Chaired Professorship

Laurits (Lau) Christensen recently established a named faculty chair in the University of Wisconsin-Madison Department of Economics. Christensen, who served on the economics faculty for 20 years, says he made the gift to allow for the recruitment and retention of top-flight professors who are crucial to success.

Christensen, a Green Bay, Wis., native, earned his undergraduate degree from Cornell University and his PhD from the University of California-Berkeley. He came to the University as a 26-year-old, newly minted PhD, and taught economics from 1967–1987. During this very productive time, he published 65 articles — many in leading economic journals — and established himself as an authority on applied microeconomics, economic evaluation, and econometric modeling.

Now chairman of Christensen Associates, a full-service economic and engineering consulting firm in Madison, he specializes in providing creative and timely solutions in response to the complex business problems found in both regulated and unregulated markets.

“Research support from the university was instrumental in my coming to Wisconsin and allowing me to rapidly develop my research program and my career.”

— Lau Christensen

He has had a desire to help the department maintain the excellence it has achieved. Christensen says, “Research support from the university was instrumental in my coming to Wisconsin and allowing me to rapidly develop my research program and my career.”

Previously, he made gifts to establish the Christensen Award, given to a graduate student and faculty member working together in the department. The purpose was to encourage graduate students and faculty members to begin working together on research earlier than they might otherwise. This same objective was important in Christensen’s own career as he started early on research with his

James Gill



faculty mentor at Berkeley.

At its peak, the Economics Department had 50 faculty members. That number has now dropped to 26. The additional faculty presence was the result of research money that was available then. Christensen says his gift’s main goal is to find and keep leaders in the profession. “It’s so important to have a faculty held in high regard”

Lau has been very generous to our department by supporting some of our best graduate students to date. This gift will greatly enhance our ability to compete for the very best economics faculty. It will be a great honor to hold the Christensen Professorship, a reflection of his extraordinary achievements.

From the Chair

It gives me great pleasure to introduce our latest newsletter as we have exciting news to report. Lau Christensen recently endowed a Chair in Economics and we hired Randall Wright, an eminent scholar from the University of Pennsylvania and a world renowned figure in monetary theory. Our programs

are thriving and our undergraduate major is now the second largest in the university!

It is with profound sadness that I inform you about the passing of Mary Claire Phipps '51. Mary Claire was a generous alumna who devoted much time and energy to the advancement of the department. She was a voice of

support and reason and we will miss her enthusiasm and her passion for economics.

We hope this newsletter finds you well. E-mail us at econalum@ssc.wisc.edu to let us know what you’ve been up to. We’d love to hear from you.

— Ananth Seshadri,
Professor and Chair

Economics Department Hires Star Economist

Randall Wright — one of the world’s best known and most prolific researchers in monetary and macroeconomics — joined the University of Wisconsin-Madison Economics Department as a Professor of Economics. Previously, he was the James Joon-Jin Kim Professor of Economics at the University of Pennsylvania.

Wright’s research is widely recognized as among the very best in the field over the past several decades. Nobel Laureate Robert Lucas from Chicago has referred to Wright as “an internationally recognized world leader in all areas of macroeconomic research.”

Wright is perhaps best known for his

work on monetary theory, yet also has contributed significantly in labor economics. He has won several awards for his research, including the Harry Johnson Prize for best article in the Canadian Journal of Economics and the Kenneth Arrow Prize for best article in the Berkeley Electronic Press Journals.



Recognition of Wright’s ability to contribute to economic policy is evidenced through his appointments as a research associate of the Federal Reserve Bank of

Minneapolis, the Bank of Canada and the National Bureau of Economic Research. He is a fellow of the Econometric Society.

He earned his BA in economics from the University of Manitoba in Canada

and his PhD in economics from the University of Minnesota. In 1990, he was awarded an honorary MA from the University of Pennsylvania.

Wright joined Penn as an assistant professor in 1987, after three years with Cornell University. He served one-year stints as a national fellow with the Hoover Institution at Stanford University and as an economist with the Federal Reserve Bank of Minneapolis. In fall 1986, he spent a semester as a visiting assistant professor in the Economics Department of the University of Wisconsin-Madison.

Wright will teach courses in both the Wisconsin School of Business and in the Economics Department in the College of Letters and Science. This hire signifies the closer ties between the Wisconsin School of Business and the Economics Department.

In Memoriam: Mary Claire Phipps

Mary Claire Phipps ’51 was a devoted alumna of the university, serving as an original member of the alumni boards for both the College of Letters and Science and the Department of Economics. Following her father’s example, she endowed scholarships for economic majors and support for the advancement of the Economics Department.

After graduating cum laude she worked for Northern Trust in Chicago and began an evening MBA program at Northwestern University. This experience fostered a lifelong interest in economics and financial investments.

She continued the practice of meeting annually with scholarship students and eagerly listened as they talked about



Mary Claire and Charles Phipps with scholarship recipients

their interests and encouraged them toward their careers. She loved the notes students would send her describing their summer activities or early work accomplishments. She will be deeply missed.

More Than 30 Years Later...



Excerpt from “The 30th Reunion of the 1977 Entering PhD Economics Class at UW-Madison” written by Mark Montgomery MS’79, PhD’82.

In August of 1977, more than 50 would-be economists arrived at UW-Madison to begin graduate study. The weather was exceptionally beautiful, which I foolishly mistook for a good omen. None of us realized that within weeks we would live through two of the most emotionally wrenching events of the late 20th century: the sudden death of Elvis

“What a pleasure it was to see them again.”

and Mike Rothschild’s first midterm. Thirty years later, 21 of us returned to Madison,

some obviously not yet fully recovered from either experience. While many fewer people attended the reunion than entered with our class, pound-for-pound the two groups were about the same size.

So who were those who returned in the summer of 2007? Whenever an army enters into battle, soldiers know that some comrades will never leave the

field. Brave men like Carl Degen, Mark Meitzen, Bruce Chapman, Laurence Kirsch, and Dan Talmo would never make it out of Madison. These guys are all still in town, working for Christensen Associates. “Working for” may be the wrong term. With a ruthlessness not seen since Theory prelims, they squeezed out poor Lau Christensen and installed Carl as (puppet) president. And speaking of seizing power, John Feit remains in Madison, regulating Wisconsin’s 1,100 electric plants for the Public Service Commission.

One of our most promising classmates didn’t even get off campus. Mike Carter is there to this day, slaving away as an Ag Econ professor. It’s said that he is occasionally sighted, Elvis-like, haunting the halls of the old Social Science Building. Others got away, but not very far. Three settled in Minnesota, the only state less hospitable for brass monkeys. Jim Vincent is on the faculty of the University of St. Thomas. Perhaps he was a phone hire and thought it was in the Virgin Islands. Brady Macosko and Bob Eleff are also in the Twin Cities. Bob’s an advisor to the Minnesota House of Representatives.

My wife, Tinker Powell ’78, and I are still Midwesterners. We’re living the kind of life you might choose if, say, you testified against the mob in New Jersey. Our town on the Iowa prairie is so tiny and remote that Hillary only came here once during the whole month before

caucuses. Ironically, a member of our class who ought to be in Iowa — having been raised here and educated at the taxpayers expense — isn’t. How sad that a native Iowan can be seduced away by the balmy opulence of Orange County, California (Hank McMillan, you know who you are). He could have at least done like Mark Correll, who kind of averaged California and Wisconsin to come up with Boulder, Colorado. Mark is at the University of Colorado.

Graduate school seems like long, long ago — and also just like yesterday. This reunion reminded me of the profound questions I pondered in the fall of 1977: Did Elvis really die? Won’t passing prelims make me happy-ever-after? Are Kuhn and Tucker two separate people or one person with a hyphenated name? I still do not have all the answers, but I can say, all facetiousness suspended, that had I started the program with a slightly less wonderful group of friends I might never have finished that first semester.

What a pleasure it was to see them again.

This article was inspired by Montgomery’s “former boss,” W. Lee Hansen, who still lurks around the campus sometimes. To find out who else was there or just to be entertained further, please read the full account of the reunion on the Department of Economics Web site at <http://econ.wisc.edu/77reunion.pdf>.



It’s easier than ever to update your profile in the online Alumni Directory, and it’s the best way to expand your Badger network, enhance your career and keep in touch with your college friends and the Department of Economics. Make sure we have your e-mail address and other contact information by updating your profile at uwalumni.com/directory.

Become a fan of our Facebook page at www.facebook.com/uweconalumni.

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

William H. Sewell
Social Science Building
1180 Observatory Drive
Madison, WI 53706-1393

econ.wisc.edu

Editor:
Bethany Nelson

For gifts information,
visit econ.wisc.edu and click
on the “Make a Gift” icon.

Design:
Wisconsin Alumni Association

Welcome Professor Noah Williams

Noah Williams, a macroeconomist with interests in macroeconomic theory and monetary economics, recently joined the department. He received his BA and PhD from the University of Chicago, spending two years between college and graduate school working at the Federal Reserve Board in Washington. After obtaining his PhD, he spent seven years in the Department of Economics at Princeton University, before joining the UW. He is also a faculty research fellow with the NBER and an associate editor for four different journals. His research focuses on information and uncertainty in macroeconomics. This includes work on the role of learning by the public and

policymakers, showing how imperfect information can lead to large fluctuations in macroeconomic outcomes. These fluctuations help explain the rise and fall of inflation in the U.S. in the 1970s and 1980s, and the recurrent hyperinflation in Latin America in the 1980s and 1990s. Much of his other work has studied the design of monetary policy under model uncertainty, developing different methods to help policymakers cope with the uncertain economic environment they face. In recent work, he has developed theoretical methods for dynamic models with asymmetric information.



Economics Student Association

The Economics Student Association organizes networking trips to Chicago, Milwaukee and Minneapolis in the beginning of the spring and fall semesters. These trips are a great opportunity for economics majors to learn about opportunities for summer internships and after graduation employment.

In past semesters ESA has visited Goldman Sachs, Pricewaterhouse Coopers, Merrill Lynch, the Federal Reserve Bank of Chicago, Robert W. Baird, McKinsey and Company, American Express, Fahrenheight360, Houlihan-Lokey, and the Federal Reserve Bank of Minneapolis.

More information can be found at <http://esa.rso.wisc.edu>.



Get Involved with Students!

Share your knowledge and expertise with students and assist them with their academic and career goals. Contact Bethany Nelson at banelson2@wisc.edu to find out how you can support undergraduates!

We have multiple ways to get involved with the department and we value your continued support.

Researcher Q&A with John Karl Scholz and Ananth Seshadri

What motivates your research interest in retirement resource adequacy?

You can't help but get the impression reading the financial press — whether *Fortune* or *Forbes* magazines or even reporting in the *Wall Street Journal* — that Americans are preparing poorly for retirement. This view seems consistent with anecdotal evidence (we see a lot of activity at the shopping malls) and by low observed personal saving rates, as measured by the National Income Products Accounts (NIPA) ratings. So the prevailing wisdom is that people aren't saving enough. This is also manifest in policy discussions.

We began working with our student, and now friend and Urban Institute colleague Surachai Khitakatrakun, using the rich data provided by the Health and Retirement Study (HRS). We saw an opportunity to take a new approach to assessing the degree to which people are preparing well for retirement by taking seriously the implications of an augmented life-cycle model. The intuition of the life-cycle model is that households want to equate the discounted marginal utility of consumption across periods, meaning, loosely, that they try to equalize the well-being they receive from the last dollar they spend each period of their lives. We augmented the simple life-cycle model to account for the possibility of uncertain earnings, uncertain health shocks in retirement, and uncertain life expectancy. We looked at the implications of that model for what households should be doing to prepare for retirement. Specifically, we used the model to evaluate what households should be saving (and consuming) under any outcome given the three types of uncertainty that we account

for in the model: lifespan, earnings and health shocks.

Once we have the decision rules for household that tell us what they optimally should do, we can compare that to what they actually do. Through procedures established at the University of Michigan and the Social Security Administration, we were able to get actual earnings realizations that households in the HRS had. With the optimal decision rule for any realization of earnings and the earnings that households actually received, we can calculate the household's optimal consumption (and saving) in each period, which then allows us to calculate their optimal wealth holding at the time we observed them in the HRS in 1992.

When we do that exercise, we find two very interesting things. The first is that the HRS cohort born between 1931 and 1941 was overwhelmingly at or above their optimal wealth target in 1992. That was a surprise given the gloom and doom scenario commonly portrayed in the financial press. The second is that the outcome of that model fits the data remarkably well. This is somewhat at odds with at least one current of thought in the literature that suggests people's behavior is not forward-looking, as our behavioral model would suggest.

Are younger people saving less?

A question arises as to whether it is just that cohort — born and raised during the Depression — who is saving well. Is this behavior somehow unique to them? There's a strong presumption out there that younger people are behaving less responsibly than their elders. So the work we currently report on looks at a broader range of age groups in the HRS. This is where the value of the HRS is really manifest. We were able to compare

across several birth cohorts to see if the results from our earlier work still hold. We looked at two generations born before the original HRS cohort, the original HRS cohort, and two generations born after, the so-called War Babies (born 1942 to 1947), and the Early Baby Boomers (born 1948 to 1953). And our benchmark year is 2004, rather than 1994. When we examine the implications of the augmented life cycle model for this broader set of households, we find that our earlier results still hold.

What impact do children have on household savings?

It turns out that children have an important and underemphasized role in understanding the distribution and dispersion of net worth in our society. We can illustrate the finding by giving the example of two couples, who are otherwise identical, but one has five kids and the other has no kids. The couple with five kids is eating peanut butter, and the couple with no kids is going to restaurants. That has really important implications for accumulation of retirement resources. It takes far fewer resources to maintain the living standards of the husband and wife with the five kids after the kids have left the house than it does for the couple with no kids. Children literally eat up a large share of household resources. Once they have left the nest, the wealth needed to maintain the living standards of the adults remaining in the household is substantially less than what is needed for the childless couple. Given the current generosity of the Social Security system, it is rational for a (low or middle income) couple with five kids to not accumulate wealth for retirement.

A longer version of this article appeared in the fall 2008 edition of the University of Michigan Retirement Research Center's quarterly newsletter.

Alumni Updates continued

He opted for a half-time appointment at Wayne State last year and took on a new part-time position as co-chair of the Minority Entrepreneurship Research Center at the University of North Carolina, Chapel Hill. He lives in Asheville, N.C., with his wife, Beth '71.

Ken Dau-Schmidt '78 went on to receive a PhD and JD from the University of Michigan and currently teaches the economic analysis of law at Indiana University-Bloomington. He has three children with his wife, Betsy. Nicholas completed his BA at UW-Madison. Ellie is applying to various colleges this year, including UW-Madison. Middle child, Nathan, is currently studying economics at UW-Madison, was president of the ESA and received the Brittingham Fellowship to study economics in Helsinki.

Les Levinson '77, formerly the co-chairman of the Economics Students Association, lives in New Jersey with his wife (a 1978 UW-Madison grad) and two daughters. He is a partner and head of the New York securities and corporate practice at WolfBlock LLP, a 325-attorney law firm.

Joseph C. Miller PhD'70 has been retired officially from Indiana University for the past six years. He continues to teach overseas, most often at the Copenhagen Business School and Thammasat University in Bangkok and to publish research papers. While in Bloomington, Ind., he and his wife, Ruth, enjoy outdoor activities and visiting with their grandchildren and their parents. He also plays tuba in a community band, "which is great fun," he writes.

Timothy M. Smeeding PhD'75 is director of the Institute for Research on Poverty and A & S distinguished professor of public affairs and economics in the Robert M. La Follette School of Public Affairs at UW-Madison.

1980s

Laura Baumann '89 got married on September 27 at Lake Tahoe. She is currently an attorney in the Elections Division of the California Secretary of State's office in Sacramento. Her position involves recalls, recount procedures, putting propositions on the ballots, how to be a candidate, and numerous elections legal issues. Previously, she worked in the Corporate Filings Division.

Steve Boucher '88 was promoted in April 2008 from assistant to associate professor in the Department of Agricultural and Resource Economics at UC-Davis.

Rob Claassen '88 went to UW Law School and makes good use of his econ background as a corporate lawyer. He moved to Paul Hastings a year ago, where he chairs the structured products and derivatives practice worldwide for the firm and has been very busy with the recent economic on-goings, analyzing and restructuring complex financial products. He splits his time between the New York City and Palo Alto, Calif., offices.

John Gardne '81 is president of Wonderware Midwest, Inc., in Brookfield, Wis., and Minnetonka, Minn. He's been married for 25 years to Karen and has three children: Erik (22, at University of Minnesota), Joe (21, at University of Iowa) and Caitlin (15).

Myunghoon Lee PhD'82 worked for the Federal Reserve Bank of Cleveland, the World Bank, and the Bank of Korea and has been a professor of Economics at Korea University. He and his wife, Yoon, have two sons, Jacob and Daniel, both UW alumni. Myunghoon is currently taking advantage of his sabbatical to visit Europe for a research project on housing policies of Korea, Japan, and OECD countries. His itinerary

covers London, Paris, Copenhagen, Oslo, Stockholm and Helsinki.

Blair Orr PhD'88 is professor of forest economics at Michigan Technological University and was recently appointed director of Peace Corps programs (peacecorps.mtu.edu). His daughter, Olivia, is Michigan Girls Nordic Skiing 2008 state high school champion.

1990s

Chris Barrett PhD'94 writes, "My oldest child is a university freshman; since my students are my son's age, I guess I'm now officially middle-aged! My family and I continue to enjoy life in Ithaca, N.Y. And Cornell graciously awarded me an endowed chair earlier this year, so things go well on the professional front as well."

Pete Furrer '99 is a litigation associate at the law firm of Foley & Lardner LLP in Milwaukee. He has been at the firm since 2003. He married Aimee Barney in April 2009 in the Dominican Republic.

Rebecca Page Johnson '96 completed her master's degree in applied economics at Cornell University in 2001, and spent a few years teaching economics at Ithaca High School. Currently, she is a PhD student in the School of Education at Syracuse University studying education policy and school finance. She has one daughter named Elizabeth.

Greg Konezny '93 currently lives in Edina, Minn., with his wife and three sons and has worked at Deephaven Capital in Minnetonka, Minn., since 2003. Deephaven is a hedge fund managing about \$3 billion. His focus is on technology stocks.

Jim O'Neill '94 was named vice president of product development at National Geographic in the Evanston, Ill., office. He will be developing educational materials for students and teachers in grades 6 through 12.

Scott Ubersox '97 lives in Chicago with his wife, Carly (Winer), and daughter, Marin. He has had an active role in Chicago's commercial real estate industry for 10 years, with the Transaction Services Group at Grubb & Ellis Company. His focus is on strategic planning for office tenants in the Chicago CBD.

2000s

Pedro Albuquerque PhD'01 and family moved to Minnesota in 2007. He is an assistant professor at the University of Minnesota-Duluth. The family is having

a great time enjoying the beautiful shores of Lake Superior.

Aaron Halbe '04 graduated from the University of St. Thomas MBA program with an emphasis in finance and investments. He currently works at AmeriChoice, the Medicaid division of United Health Group, as a financial analyst.

Josh Koeck '03 worked as a commercial banking representative at First Business Financial Services before becoming a specialist in February 2007. He also worked closely with Treasury

Management to forecast the financial environment of geographically relevant commercial banking segments. He is currently enrolled in the Applied Security Analysis program at the University of Wisconsin-Madison. This past August, Josh got married to Anna Rabinovich '04, a UW alumna.

Johnson Lo '07 is in the Master of Entertainment Industry Management program in the School of Public Policy and Management at Carnegie Mellon University.

Want to contribute to the *Economics Matters* newsletter?
Contact Bethany Nelson at banelson2@wisc.edu with news, articles or ideas.

Your Help Matters!

When you think of the University of Wisconsin-Madison, you probably think of a public university supported by the state of Wisconsin. Due to a decline in available state funding, we must seek other sources of support to maintain the excellence of our programs. That is where we look to our alumni for help. Please consider making a tax-deductible gift to the University of Wisconsin Foundation for the benefit of the Economics Department. To make a gift online, visit <http://www.econ.wisc.edu> and click on the "Make a Gift" icon. Or, complete the following form and mail it with a check or credit card information to the University of Wisconsin Foundation, U.S. Bank Lockbox, PO Box 78807, Milwaukee, WI 53278-0807.

I/we wish to support the Economics Department at the University of Wisconsin-Madison with my/our contribution of \$_____.	<input type="radio"/> Enclosed is a check made payable to the UW Foundation/Economics Department. (If applicable, please enclose your agency/company matching gift form.)
I/we wish to designate my/our gift to: _____.	Please charge my: <input type="radio"/> Visa <input type="radio"/> MasterCard <input type="radio"/> American Express
Name _____	Card Number _____
Address _____	Expiration Date_____
City_____ State_____ ZIP _____	Cardholder Name (please print) _____
Phone _____	Cardholder Signature _____
E-mail _____	

Thank you for supporting the UW-Madison Department of Economics.



ECONOMICS DEPARTMENT ON THE WEB

econ.wisc.edu

uwmadisonconomics.wordpress.com



twitter.com/UWMad_Econ



facebook.com/uweconalumni

Alumni Updates

Due to the large number of alumni updates we received, we were not able to print them all in this newsletter. Some updates that appear in this newsletter were edited for length. All updates can be found on the Department of Economics Web site.

1940s

Marianne Epstein '43 has been living at St. John's On the Lake, a retirement community on beautiful Lake Michigan in Milwaukee. She is very involved with many charitable organizations, helping to raise funds for social concerns that affect children and the environment. She was honored with the Leave A Legacy award by the Association of Professional Fundraisers on November 12, 2008.

1950s

Richard S. Blattner '56 is Commissioner in the City of Hollywood, Fla., and currently serves as Vice Mayor.

Pat Hart '57 joined a local insurance company after graduating, spending almost 40 years in four different job positions. For the last 14 years, he and

his wife have traveled and volunteered.

Three of his five children graduated from UW-Madison and two others graduated from UW System schools. He writes, "I enjoyed my days in Madison, and am thankful for the education I received. Two of my instructors went on to become UW presidents. They were Fred Harvey Harrington and Edwin Young."

1960s

Hussein Abdallah PhD'66 is a private consultant on energy and petroleum economics. His most recent paper "The Future of U.S.-Arab Relations: The Case of Oil" appeared in the 2008 autumn issue of *Arab Insight*, Washington, D.C.

P. Stephen Prestegard '63 worked for the same bank holding company

continuously for 40 and a half years before retiring and moving out of the Madison area. During his tenure in Madison, he graduated from the UW Graduate School of Banking, and was a guest lecturer for the James Grasskamp MBA School of Real Estate. His two children both graduated from UW-Madison. Upon retirement, he formed his own estate consulting business which he operated for four years until he fully retired.

1970s

Timothy Bates PhD'72 has been working as Distinguished Professor of Economics for the past 16 years. Before that, he was professor and chairperson of the Urban Policy Analysis graduate program at the New School for Social Research.

Continued on page 6