



College of Letters & Science

UNIVERSITY OF WISCONSIN-MADISON

Economics



News for Alumni and Friends of the Department of Economics

Spring 2013

Why Economics?

Economics is not just a course of study; it is a way of critical thinking that can be applied to any field.

— Wendy Yeong, May 2013

The economics major equips students with the analytical, communication, and problem-solving skills important for success in a broad range of professions.

— Joel Cohen, May 2013

Studying economics gives insight not only into society's financial underpinnings, but into the most basic incentives that motivate us as human beings.

— Cole Dreier, December 2015

ECONOMICS DEPARTMENT



ON THE WEB

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Notes from the Chair

People make a great university. Reputations are based on the scholarship of the faculty and the quality of our teaching. Great universities attract great students, allowing for challenging, fast-paced classes. Students also learn from peers, so outstanding students benefit others they interact with. A less outwardly visible, but similarly critical ingredient is staff, including lecturers, academic and career advisers, payroll specialists, grant administrators and others who manage issues that inevitably arise in a large, complex organization.

Every day, interacting with staff, student and faculty colleagues,

and Colin are Badger alumni. Our new hires have blended beautifully with the rest of our department.

My new assistant professor colleagues, Javier Bianchi and Jesse Gregory, are also terrific additions. Both taught undergraduate and PhD courses this academic year. Both already have papers in the *American Economic Review*, a leading journal in economics. Javier's paper is on debt crises; Jesse's paper is on empowerment zones.

We worked this winter to hire one person to join the faculty this fall. We also tenured four colleagues. Last spring we granted tenure to two dynamic economic theorists, Marzena Rostek and Marek Weretka.

I am reminded that the Economics Department has great people. In the past year we have faced more than the usual amount of turn-over. Tammy Herbst-Koel is our new department administrator: the chief operating officer for our \$8 million enterprise. Jennifer Buelow is our new career adviser. Rori Costello is our new undergraduate program coordinator. Colin Rohm just joined our undergraduate advising team. Jennifer, Rori

In January, we voted to grant tenure to Amit Gandhi and Dan Quint. Amit is a scholar of industrial organization and applied econometrics. Dan is an applied theorist writing on industrial organization, law and economics, and economic history.

When I write "People make a great university," it may not be obvious that those people include you. Even if we execute perfectly internally with our teaching and research, our long-run success depends critically on our alumni. For those who had a good experience and are in a position to give back, please consider a gift to our annual fund, or a specific-purpose gift that reflects your passion. Another form of giving is to help one or more students with jobs, internships or mentoring. Trust me when I write that your support makes an enormous, positive difference in the successes we are having in the department.

On, Wisconsin!

John Karl Scholz, Chair

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UNIVERSITY COMMUNICATIONS

Want to contribute to the *Economics Matters* newsletter?

Contact Jennifer Buelow at jabelow@wisc.edu with news, articles or ideas.

Demand Grows for Economics Major

Spring commencement is fast approaching, and Vikki Han, like many of her fellow seniors at the University of Wisconsin-Madison, is eager to begin charting her career path.

The sluggish job market won't help matters, but Han is nonetheless confident that she'll land a fulfilling position somewhere. As an economics major, she feels she has plenty of options. It's more a matter of choosing the right one.

"I'm having a challenging time figuring out what I want to do after graduation, but not because I don't feel like I have the tools or I'm not equipped with the right sort of education," says Han, who is also majoring in Chinese. "More so because I feel like I can do so many things with what I've learned."

Students are flocking to economics like never before. Many, like Han, are attracted to the versatile set of analytical and applicable skills that often prove valuable in the job market.

"This is going to give you a broad background," says Joel Cohen, a senior and the president of the Economics Student Association. "You will have a business background, but more general than the business school, as in you're not focusing on one specific area of business like accounting, marketing or finance. You're getting more of a broad range."

Six years ago, there were roughly 300 economics majors. That number grew to 987 declared majors in spring 2012, and the department expects to surpass 1,000 majors by the end of this semester.

The major's growth now places Economics in the top five most popular majors on campus.

Department Chair John Karl Scholz believes the turbulent economy and stagnant job market have forced



Economics Department Chair John Karl Scholz welcomes members to the first Economics Student Association (ESA) meeting of 2013.

"It's taught me how to think differently and solve problems. It's not just math, and it's not just the economy. It's a lot more than that." — Vikki Han '13

students to think more pragmatically when making academic decisions.

"The character of economics hasn't changed that much," he says. "I think the tough economy makes those issues perhaps a bit more salient."

Scholz also points to two internal factors as reasons for the major's increased popularity.

First, he notes that the department works hard to match faculty members with compatible courses. For instance, Econ 101, one of the department's two introductory courses, requires an instructor who is well suited to teaching a 450-student lecture.

"My colleagues take their teaching very seriously. When we provide a good, rigorous classroom experience, students are more likely to take additional economics courses," he says. "I think that's mattered."

So too, Scholz believes, has the quality of the department's staff. He calls the group, including undergraduate adviser Susan Hering, "as good at what

they do as anyone in the university."

The department has also taken strides in career advising, hiring a career coordinator with support from the Economics Advisory Board in 2008, and it has tapped into its alumni network — its LinkedIn group has more than 2,400 members — to help provide students with job postings, internship opportunities and mentoring sessions.

Students like Han are using those resources. Shortly after declaring the major, she found herself in a panic: Would the course load prove too difficult? What would she do for a career? Han visited the undergraduate advising office, where then-career coordinator Bethany Nelson — Jennifer Buelow now holds the position — talked with her about the range of possible careers, from business, banking and finance to international trade to public policy. And there are plenty of others.

Han may not have settled on one path just yet. But she knows she has options, thanks to her economics education.

"It's taught me how to think differently and solve problems," she says. "It's not just math, and it's not just the economy. It's a lot more than that."

SARAH MORTON, L&S

A Masterful Innovation

Department Creates New Master's Program

Like every public university, UW-Madison is under pressure to innovate to reduce inefficiencies and achieve greater self-sufficiency. The idea is to use our collective creativity and comparative advantage to ensure the value of a UW-Madison degree and leverage our status as a world-class university.

The Economics Department is starting a new master's program this fall as part of UW-Madison's Educational Innovation initiative. There is considerable demand (and need) for high-quality master's degree programs in economics. While a few programs exist around the country, there are limited numbers of high-quality terminal master's programs.

The master's program will train students to either pursue a PhD or

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prepare them for high-quality private- or public-sector jobs.

The rationale for our proposed program is clear: it is very difficult to assess the preparation of aspiring PhD candidates, particularly those with nontraditional backgrounds or those who come from foreign institutions. A high-quality master's degree program will give students valuable preparation for PhD programs and credentialing that will give them access to programs

they otherwise would have little chance of joining. Our department is well positioned to initiate a program that can compete well nationally and internationally for excellent students, and provide outstanding return on our students' investments.

The first class of students will join us in the fall. Demand for our program has been strong, with more than 300 applications received to date, despite not having had a great deal of time to advertise.

We are excited about this new opportunity to educate and train more economists. We also believe that the new master's program will have a positive influence on our undergraduate and PhD programs. Stay tuned for more on the new master's program in future newsletters.

Moving Up

There are several credible rankings of economics departments. In one important measure from the National Research Council (part of the National Academy of Sciences), UW-Madison Economics ranked #8. A widely circulated measure comes from *U.S. News & World Report*. In its recently released rankings, UW-Madison Economics is #13, tied with Michigan. In the prior *U.S. News* rankings from 2009, we were tied for #14. When broken down by specific sub-areas in the department, we were #6 in International, #8 in Labor, #8 in Industrial Organization, #10 in Public Economics and #10 in Econometrics. We are gratified by this recognition, and we are doing all we can to keep getting even better.



BRYCE RICHTER, UNIVERSITY COMMUNICATIONS



Economics Advisory Board member Todd Warnock speaks to Economics Student Association members.

Give Back by Helping Students

It's not always what you know, but whom.

UW-Madison Economics alumni are successful, and current students want to learn about how alumni discovered and established their career paths.

In the highly competitive fields that Economics students are drawn to, it is imperative that students network to learn more about companies and organizations and to get insider suggestions about the hiring process.

In the Economics Career Development Office (ECDO), we focus on the importance of networking and show students how to navigate the University of Wisconsin-Madison Economics LinkedIn group to find alumni and students who are working in fields they are interested in pursuing. Students can then reach out to alumni to ask questions and receive career advice.

You can get involved and help connect with Economics students by joining our LinkedIn group. There are several other ways in which alumni can help today's students: you can conduct mock interviews, talk to student groups, host job shadows and participate in speed networking.

And if your organization has internship opportunities, the ECDO can assist with marketing them to Economics students.

To get more involved with the ECDO, contact Jennifer Buelow, career and outreach coordinator, at jabuelow@wisc.edu.



Introducing Jennifer

Jennifer Buelow is the new career and outreach coordinator in the Economics Department. As a UW-Madison graduate, she looks forward to helping fellow Badgers to meet their career goals. Jennifer assists Economics students with career development via resume and cover letter reviews, job and internship search guidance, interview preparation and networking. Additionally, she works with the Economics Advisory Board, Economics alumni and the Economics Student Association (ESA).

ESA Continues to Grow

The UW-Madison Economics Student Association is looking to build on its success after yet another record-breaking semester. The club recently surpassed its goal of having 120 active members, hosted its most well-attended spring kickoff event and organized three networking trips to major cities in the Midwest.

In addition to upcoming events with Robert W. Baird, UBS, William Blair, CUNA Mutual, Ameriprise Financial and several UW-Madison professors, ESA added many new events. These include a student-led Coffee Shop Economics discussion series, an Internship Panel discussion event for students seeking summer internships and events with nonprofit organizations such as Teach for America.

ESA also continues to offer free tutoring services to students in introductory economics courses, and it is in the final stage of publishing its third issue of the Economics Department's undergraduate journal, *Equilibrium*. This year's issue will include interviews with Miami Marlins President David Samson (BA'90, Economics) and former Economics Department Chair Ananth Seshadri.

With continued devotion to the Wisconsin Idea and the UW-Madison Economics Department, ESA will continue to expand its program offerings in order to reach as many undergraduate Economics majors as possible. For more information, please visit esamadison.org or email our club president, Joel Cohen, at jhcohen4@wisc.edu.

On, Wisconsin!

— The ESA Board

Emeriti Corner

Glen Cain

"I retired in 1995, 32 years after receiving my PhD at the University of Chicago. Afterward, I maintained an informal attachment to the Institute for Research on Poverty, and more recently, I have had two activities with a connection to economics. One is my association with Wisconsin Cares, Inc., a policy-oriented research group of retired UW-Madison faculty from law, health and the social sciences. The second is organizing the scholarly materials left by Arthur Goldberger for their submission to the UW-Madison library archives." Email: cain@ssc.wisc.edu

Lau Christensen

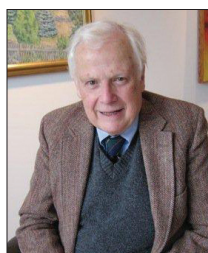


"I grew up in Green Bay. When I left for Cornell University in 1959, I thought my days as a Wisconsinite were over. I went

from Cornell to Berkeley, where I received my PhD in 1967. The UW Economics Department made me an offer I couldn't refuse — including generous support for my research from the Wisconsin Alumni Research Foundation via the Graduate School. I joined the faculty in 1967, expecting to be in Madison a few years, but I am still here — loving Madison's good life. I was on the faculty until 1987, when I left to be chairman of Laurits R. Christensen Associates, an economic research and consulting firm that I founded with two others. Over the years we have specialized in issues related to the electric power industry, the U.S. Postal Service, other transportation and energy industries and litigation involving intellectual property." Email: LAU@LRCA.com



Donald Hester



"After 32 years of enjoyable and challenging teaching in Madison, I became an emeritus professor in 2000. Since then, I have published

two books, five essays in the *New Palgrave Dictionary of Economics* and seven other articles on topics ranging from the Greenspan Federal Reserve chairmanship to China's balance of trade surpluses. I am beginning new projects that examine the dissonance between financial innovation and regulation. These projects analyze the distributional consequences of financial repression, which results from monetary policies that keep short-term interest rates below the rate of inflation. Since retiring, I have done some teaching and lecturing in Italy, and have advised Wisconsin

undergraduates participating in the Chicago Federal Reserve Challenge Competition." Email: ddhester@wisc.edu

Burton Weisbrod

"After 26 years at UW-Madison, I moved to Northwestern in 1990. For the first five years, I served as director of its public policy research center, now called the Institute for Policy Research. I then returned to research and teaching in Northwestern's Economics Department. My research focuses on public- and nonprofit-sector economics, particularly in health care and education, but my new book, in progress, *The Perils of Pay for Performance: Not Just 'a Few Bad Apples'* (under contract with Stanford University Press), extends beyond those industries to police, charities, museums, the federal judiciary and others." Email: b-weisbod@northwestern.edu

Addenda:

The Fall 2012 issue of *Economics Matters* included brief bios of Ed Feige, Lee Hansen, Bob Haveman, Don Nichols and Jeff Williamson. Except for Don, their email addresses are, respectively: elfeige@wisc.edu, wlhansen@wisc.edu, haveman@lafollette.wisc.edu and jwilliam@fas.harvard.edu

We lost Bob Baldwin, Art Goldberger, Don Nichols and Ed Young recently. All four were central to the development of the Economics Department since the 1950s.



A Worthwhile Investment Your Gifts Make a Difference

The financial model for the University of Wisconsin-Madison is changing. In 1988, the year the current chair came to campus, the state provided 35.4 percent of the budget. In 2011–12, the state provided just 15.3 percent of the budget.

Like other states, Wisconsin faces major fiscal challenges, so it is unlikely that UW-Madison will receive substantial additional state support. Tuition increases make up a portion of the funding shortfall, but with appropriate concern about college affordability, there are limits to addressing funding shortages with tuition increases.

UW-Madison is remarkable in many dimensions. In *U.S. News & World Report* rankings, 16 departments in the College of Letters and Science, including Economics, were in the top 20. Other rankings have our Economics Department as high as #8 in the country. To maintain this quality for future students, we rely on alumni support.

Alumni like you are stepping up to the challenge. Last year, we set a record for alumni participation in giving

to the Economics Annual Fund, with 441 contributions totaling \$140,500. This is roughly equivalent to the return on a \$3 million endowment!

These resources are allocated strategically in people. To give just a handful of examples: We invested in a student-organized research workshop for our PhD students. We partially financed an academic adviser position, both to better serve the exploding number of majors and to retain an exceptionally valuable staff member. We invested in start-up and retention packages to keep our best people. We supported some of the activities of our fabulous student organization, the Economics Student Association.

It is easy to think that a \$50, \$100, or even a \$1,000 gift cannot do much. But when many people give, we can combine gifts to do great things.

We invest these gifts to enhance the quality of the undergraduate experience and improve the quality of our graduate education. By retaining great professors and staff, we spread the influence of economics beyond the department. For example, we now teach

Economics 100, a non-mathematical, introductory economics course, to hundreds of students who will take only one college economics course. Your gifts to the Annual Fund for scholarships and other targeted purposes allow us to innovate, strengthening the Economics Department at UW-Madison every day.

Thank you for your support.

Get Involved with Students!

Share your knowledge and expertise with students and assist them with their academic and career goals. Contact Jennifer Buelow at jabuelow@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.

Economics ■■■■ matters



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Interview with Associate Professor Marzena Rostek

Could you tell us a little about yourself?

I was born in Poland. After three years at the University of Warsaw, I received my master's in Belgium and the Netherlands, a PhD from Yale and landed my first job here at UW-Madison six years ago.

What drew you to economics?

The possibility of better understanding behavior — of individuals, societies or markets — and the type and variety of methods used in economics. I was hooked from my first days in college.

You teach a popular game-theory course. What do you find exciting about teaching undergraduates?

How, every Tuesday and Thursday, we arrive at new insights together in the classroom — I never just give away even the most subtle concepts. How, after a stimulating lecture, I find

myself rewriting the assignment solutions one “last” time. How I can see my students becoming more creative in their approach to problems through economics and game theory.

Can you talk about the implications of your work?

My current research explores the potential for market decentralization to improve efficiency and welfare. In particular, creating dark pools and other private exchanges, which operate along with public exchanges, improves liquidity in all exchanges. In contrast to centralized markets, even changes in market structure that lower liquidity may increase efficiency.

What are the best things about the economics department at UW-Madison?

People here genuinely care. This is true about faculty, students and our



incredible staff team alike. On the way to lunch, we chat about new ways to make teaching, research, admissions and recruiting even better. This level of caring and energy is addictive.

What are our biggest challenges?

Continuing to remain ahead of the changes in the economy, in the job market for our graduates and in the state of knowledge, and to be constantly watching for new funding and hiring opportunities.