



College of Letters & Science
UNIVERSITY OF WISCONSIN-MADISON

Economics matters



News for Alumni and Friends of the Economics Department

Fall 2018

LBJ signs Medicare into law in 1965, a program that originated from research by UW Econ alumna Dorothy Rice.

Read more about the impact of UW Economics alumni around the world in this issue.

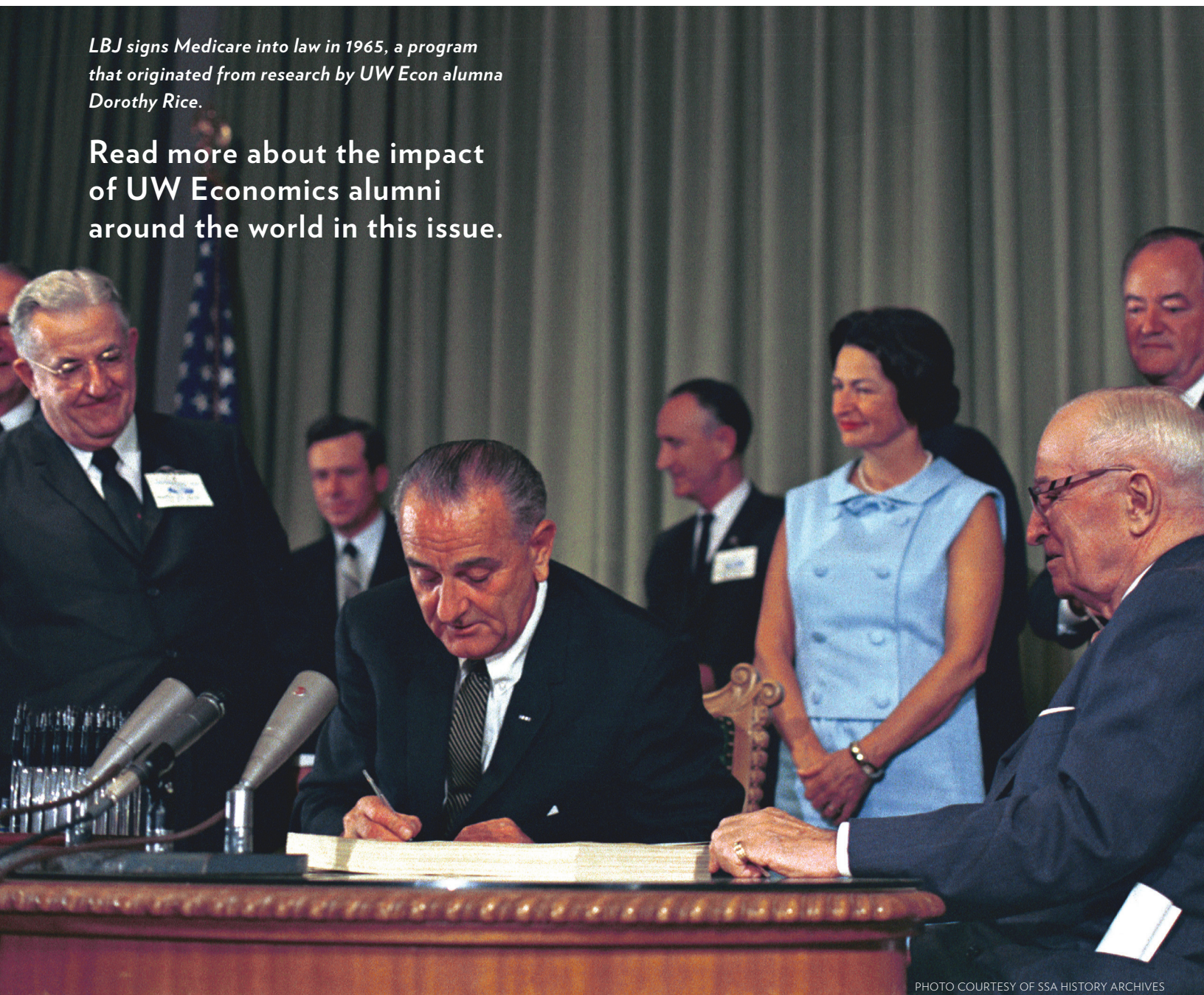


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Letter from the Chair



The start of a new school year is an exciting time in the Department of Economics as we prepare for students to return to campus.

Economics continues to be one of the most popular majors at UW–Madison with 1,200 undergraduate students expected this year, in addition to an increasingly popular master’s program and a thriving PhD program.

As we grow, we welcome new faculty and instructors to teach our students. We hired senior faculty from Michigan, Cornell, and Penn State. In addition, we hired a lecturer from Grinnell College. Hiring new faculty would not have been possible without your support for which we are very grateful. Apart from bringing in new ideas to strengthen our research profile, you will read about some of the interesting courses being offered by our newest hires. From Behavioral Economics to the Economics of Machine Learning or Data Analytics, our classes are in demand because they reflect new research areas in the economics discipline as well as the knowledge needed to excel in a modern workforce.

We are also proud to feature the accomplishments of our alumni. I always enjoy hearing about what you, our alumni and friends, are doing and learning about the impact Wisconsin Economics alumni are making on the world. You will read about alumna Dorothy Rice, whose research was instrumental in developing Medicare, and about alumnus Carlos Urzua, who was recently named Mexico’s Minister of Finance. We are proud to be a top-ranked economics department but are even more proud of our people. We have world-class faculty, outstanding students, and notable alumni, all achieving great accomplishments in their own areas.

It is in large part because of your generous donations that we have been able to grow and thrive as a department. Your gifts, of any amount, combine to make a large impact. Thank you for your involvement, your interest, and your many contributions. I hope you enjoy this edition of *Economics Matters*.

On, Wisconsin!

Ananth Seshadri
Chair, Department of Economics
Todd E. and Elizabeth H. Warnock
Distinguished Chair in Economics

ECONOMICS MATTERS

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From the Dean's Desk



Every year, I wait eagerly for the results of the Chancellor's Distinguished Teaching Awards. The honor has been given out since 1953 to recognize the university's finest educators. The vast majority—at least nine out of twelve every year—go to L&S faculty.

I'm always humbled and a bit surprised. After all, we have only 39% of the faculty at UW–Madison. But in Letters & Science we care about great teaching because we teach 64% of undergraduate credit hours (and 57% of all the credit hours taught on the UW–Madison campus). Moreover, knowledge-creation and outstanding teaching often go hand in hand.

It is a myth that great research comes at the expense of great experiences in the classroom. Many of our internationally-known scholars can be found working with undergraduates in labs and in archives, organizing first-year interest groups, and developing innovative teaching methods. We call these “high-impact practices,” and they happen across the college, in large lecture classes (where one professor implemented small but important changes in the way he

called on students, ensuring that all had a voice), and smaller courses (like the Shakespeare course that visited the Chazen Museum to view relics from the bard's era).

Our faculty bring talent, passion, imagination, humor, and empathy into their classrooms every day. If you could see, as I do, the notes from our graduating L&S seniors recalling their favorite professors, you would understand that not only do our faculty create knowledge, but they also change lives. I couldn't be more proud of what they do.

Your support of our teaching and learning efforts is greatly appreciated. Visit ls.wisc.edu/about/our-faculty to find out more about teaching and learning in L&S. And visit allwaysforward.org/ls to support our work.

On, Wisconsin!

John Karl Scholz
Dean & Nellie June Gray
Professor of Economics
College of Letters & Science



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Alumni Spotlight



Wisconsin Economics alumni continue to make a difference in their communities and beyond. Alumni featured here used their economics expertise to make changes on a global stage.

Economics Alum to Take Office as Mexico's Finance Minister

Mexico's recent election makes it official: Dr. Carlos Urzua is set to be the country's next Finance Minister. On July 1, 2018, Lopez Obrador was elected the new President of Mexico and had previously selected Urzua for the role of Finance Minister. Dr. Urzua graduated from the Economics Department at the University of Wisconsin–Madison in 1986.

Since his time at UW–Madison, Urzua has worked as an economics professor at Tecnológico de Monterrey and as the Secretary of Finance for Mexico City from 2000–2003. As the secretary of finance for Mexico City, Urzua managed the country's largest and wealthiest city. Now as the Finance Minister, he'll take on an entire country's economy. While his career in academia and public service has prepared him for the task, he's also accomplished impressive writing feats and is an award-winning poet.

Last spring, Urzua visited the UW–Madison campus to present his work, "The Challenges of the Mexican Economy." During his stay, he also visited with the Madison International Trade Organization.

President-elect Obrador and Dr. Urzua will take office on December 1, 2018.



ISTOCK FERGREGORY

Alumna Dorothy Rice Leaves a Lasting Legacy on Federal Healthcare Policy

In the late 1930s, Dorothy Rice began her career at Wisconsin Economics thanks to her brother, Joe, who was a fellowship recipient. Speaking of her time at UW, Dorothy exclaimed, “It was the best thing that ever happened to me... I was exposed to the greatest people at Wisconsin.” A few years later in June of 1941, Dorothy graduated from the university. Eventually, Dorothy would work as a professor at the University of California-San Francisco. She passed away last spring in Oakland, California.

Her fulfilling career in economics and healthcare took hold in 1964. It was then that Dorothy’s research began to pave the way for the creation of Medicare. In her 1964 report, Dorothy found that nearly 8.5 million elderly people in the United States did not have health insurance. In large



part sparked by these findings, Medicare was created to guarantee health coverage to elderly citizens. Specifically, Dorothy’s research focused on the significant costs of aging, including the value of time loss due to illness and the economic impact of disease, thus prompting the beginnings of the Medicare program.

From a young age, Dorothy knew she wanted to work for the federal government. Throughout her career, she worked at the Department of Labor, the National Center for Health Statistics, and the University of California-San Francisco, among other places.

A healthcare economics pioneer, Dorothy also worked during World War II as a researcher for the Social Security Administration. Her methodologies and analysis techniques are still commonplace today.

Dorothy’s legacy of excellence in research and health economics is upheld by the Dorothy Pechman Rice Center for Health Economics, which was established 18 years ago. The Center aims to train health economics professionals, conduct research, and disseminate health economics information to community groups.

Virginia Schumacher Orton Student Award in Economics

The Virginia Schumacher Orton Student Award in Economics was recently endowed to commemorate Virginia Schumacher Orton, a woman who truly valued education. Born in Potosi, Wisconsin, in 1923, Virginia pursued a major in Economics at the University of Wisconsin–Madison. She eventually graduated in 1944. After she finished school, Virginia went on to work for IBM in Chicago, where she put her business and financial skills to use instructing women how to use electronic typewriters.

The student award in economics was endowed by Virginia’s daughters, Sandra Turner and Dianne Orton. To honor their mother’s background, the



award is specifically geared toward women and students from rural areas. Virginia placed great value on higher education, and all of her

children graduated from college with undergraduate degrees. Turner and Orton both hope that this student award will encourage young women to pursue fulfilling careers in economics like their mother. According to Virginia’s family, “She challenged us to work hard in school and instilled in us a confidence that we could be anything we wanted to be when we grew up. It is our hope through this scholarship that other women will be able to pursue their dreams in the field of economics like our mom did.”

For more information about student awards or making a gift to Wisconsin Economics, visit <https://econ.wisc.edu>.



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The Economics of Sports

From basketball to swimming and everything in between, sports is big business in the United States and examining sports through using economic principles can be a fascinating exercise. Thanks to funding from the Juli Plant Grainger Institute for Economic Research, the Economics Department created a new sports economics class that is now in its second semester. The course, taught by top instructor David Johnson, is quickly becoming one of the most popular in the department.

“An economist’s toolkit has much to offer to those interested in how the sports world operates,” says Johnson. The course examines the economics behind major professional and intercollegiate sports teams and franchises, specifically looking at the organization of leagues, competitive balance, cooperative and collusive behavior, measurement of productivity, sale and resale of tickets, and more. The course synthesizes several fields in economics, most notably industrial organization, public finance, and labor economics. Students learn how basic economics can explain the growth of the overall sports industry. Johnson says that students have really enjoyed the course and learned a lot, adding that “student response to the course has centered on their newfound appreciation for how the elemental concepts they learn in Econ101 can come alive when applied to the sports world.”

Certainly one course highlight for students was a visit from Barry Alvarez, Athletic Director at UW–Madison. Students enjoyed a lively 75-minute discussion with Alvarez, asking him questions ranging from the demise of baseball at Wisconsin to how he manages the competitive market for coaching talent.



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Top: College Gameday live from Bascom Hill

Middle: UW Athletic Director Barry Alvarez speaks to members of the new Economics of Sports class

Bottom: Merchandise sales is just one aspect of the Economics of Sports that is examined in class

Alvarez even shared that he had spoken with other Big 10 athletic directors who told him that Wisconsin’s football success was in part due to Alvarez and his staff “having better judge of talent in recruiting” than many other programs. The course will continue to be offered each spring and summer to Badgers interested in examining their passion for sports through an economics lens.

Faculty Research: Students Believe Choice of Major Can Impact their Future Family Life



This fall, UW–Madison welcomed 6,610 new freshmen to campus and before they graduate in 2022, each of those students will need to choose a major. But how do students choose a major and what factors do they take into account when doing so?

New research by Economics Department professor Matthew Wiswall attempts to address that question. “I have always been interested in college major selection and how it is related to gender,” says Wiswall. “Even though there are now more men than women in college across the country, there are still vast discrepancies in major choice.”

In 2010, Wiswall and his co-author, Basit Zafar, associate professor of economics at Arizona State, surveyed more than 500 students about how they thought their college major choice would affect their future earnings, employability, marriage prospects, and ability to raise children. The results suggest that students believe their choice of major will not only affect their future earnings, but will also have important consequences for their future family.

Both men and women believed that majoring in science or business would increase their future earnings as well as their likelihood to be employed full-time. Both men and women also believed that majoring in science or business would reduce their likelihood of having children by age 30, as compared to if they were to major in the humanities. Women also independently felt that majoring in science or business would reduce their chances of being married as opposed to if they majored in the humanities.

“This research confirms that people actually take these issues into account, and the data suggests that women are far more cognizant of it than men,” says Wiswall.

Wanting to understand how accurate the students were in predicting their future careers and family lives, Wiswall and Zafar conducted a follow-up survey in 2016 with the same group of participants who were then approximately 25 years old.

They found that college students were pretty good at predicting their future lives, as there was a strong relationship between predictions and the realizations of

those predictions six years later. Those who anticipated higher earnings actually had higher earnings than their peers who did not anticipate higher earnings. Those who thought they would be working full-time were more likely to be working full-time.

According to Wiswall, one of the main contributions of this study is that it provides proof of concept that someone’s beliefs can foreshadow their actions. “This has large implications for policies around family leave and subsidies for child care, and I’d like to explore this idea further.” He adds that it would be interesting to survey high school or middle school students to see where these beliefs come from. Wiswall’s research is currently under revision for the *Journal of Political Economy*.



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New Course Offerings

We continue to develop new and innovative classes. These are two new undergraduate classes being offered this year.

MARKETS AND MODELS

When economists don't know the answer, we like to shrug and say, "The market will decide." This implies the market is a single, coherent, impartial entity. But a market is just a way to allocate a scarce resource, and different markets vary widely. This class will investigate different "types" of markets and how theoretical economic models can help us understand them.

DATA ANALYTICS FOR ECONOMISTS

The modern world generates massive amounts of data. From business and economic data to social media, major league sports, and the health care industry—all generate and use data extensively. This course is an introduction to modern data analysis using Python. In this hands-on course, students will learn how to conduct analyses and create useful (and beautiful!) visualizations that will provide data-driven answers to relevant questions.



UNIVERSITY COMMUNICATIONS (2)

Students work together on problemset solutions in class. The Department of Economics is introducing several new classes this fall.