

MICHECON NEWS

Fall/Winter 2010/2011

for University of Michigan Economics Department alumni and friends



Left: USAID Administrator Rajiv Shah, '95econ gives the 2010 Economics commencement address in Rackham Auditorium this past May; **Center:** former RSQE Senior Research Specialist, Lecturer and Advisor Janet Wolfe (in blue dress) celebrates Thanksgiving with fellow Peace Corps volunteers in Liberia in 1971; **Right:** Second-year PhD student Johannes Norling helps fix a meal while serving as a Peace Corps volunteer in Ghana (2004-2006).

1960-2010

Economists Extend Hands and Hearts Abroad

The young presidential candidate and the young US AID administrator visited campus 50 years apart, but their messages were uncannily similar.

A half century after John F. Kennedy stood on the steps of the Michigan Union and challenged U-M students to give two years to volunteer service in foreign countries; Rajiv Shah, '95econ, stood at the podium in Rackham Auditorium and encouraged 2010 Economics undergraduates to consider a career in economic development at US AID.

And in 2010, as in 1960, U-M economics students and graduates have enthusiastically reached out to help those in disadvantaged countries.

John Krauskopf, '65econ, was one of the students in the audience during the early morning hours of October 14, 1960 at the

Michigan Union. "On the campus, the 'Peace Corps' was a main topic of discussion for days, and it pushed other political issues to the side," remembers Krauskopf in *Pursuing Love, I Discovered the Peace Corps*. "We students, the audience for JFK's remarks that night, were annoyed by certain Republican politicians and some of the pundits who reacted by making fun of the youth service idea. Some people were inspired into action and organized support through petitions and by spreading the word to other campuses. For me, on the other hand, the idea simmered quietly and was a topic of many late night conversations with Tom Robinson, my roommate, another person who was present that night and who responded to Kennedy's idea." (

Krauskopf would join the Peace Corps and serve in Iran (1965-67), teaching English as a second language to jr. high school

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From the Chair



Dear Friends, Colleagues and Alumni,

This is my last turn at writing the chair's note in the newsletter, as Joel Slemrod will be taking over as Department chair in the summer of 2011. Joel has been a member of our Department for more than 20 years, and has an international reputation as a scholar of public economics, with dozens of

seminal articles and books to his record. I greatly look forward to working with Joel over the next year to make the transition to his chairmanship as smooth as possible. He's a fantastic economist, and he's going to be a wonderful Department chair. Although there is still a good bit of the year to go, this is a good time to take stock of the positive things that have happened in the Department during the last three and a half years that I have served as your department chair.

Our alumni base continues to grow. Viewed against the backdrop of these challenging economic times, the support and loyalty

of our alumni – the commitment of time, money, and encouragement – is appreciated more than ever. The Economics Leadership Council has also expanded and its members continue to provide critical feedback and support of our programs.

Economics continues to be one of the most popular concentrations in LSA. In addition to providing the core curriculum (microeconomics, macroeconomics, and econometric methods) that is essential to a rigorous training in the discipline, we provide a rich offering of topics courses, some specialized for our concentrators, and some for those taking just a course or two in economics. We have embarked in a number of new directions in our undergraduate curriculum, from financial literacy, to the economics of Jane Austen, to the economics of entrepreneurship. The Michigan Economics Society, boasting more than 500 members, works closely with the department in providing extracurricular opportunities for students interested in economics.

We have begun an expansion of our Masters of Applied Economics. Under the leadership of Professor Miles Kimball we are strengthening the curriculum, building our connections with professional schools on campus, and growing our number of students. The MAE builds on the core strengths of our faculty in applying state of the art methodology to real-world economic issues. We also have over 100 doctoral students in residence, working on a broad range of fundamental research programs in advanced economics.

Michigan stands as one of the few public universities that has been able to support a sustained recruitment agenda through the recession. In the last three years, we have added 10 faculty to our numbers, with expertise in development economics, economic history, labor economics, industrial organization, macroeconomics and econometrics.

I want to acknowledge those who have helped me over the last three years. There are too many to individually list in this narrow space but my sincerest thanks to: the staff, who put in long hours to keep the Department functioning and our students and faculty happy; my colleagues, who continually push me to advocate on behalf of the Department; the University and College administration, for making the Department a budget priority; the students, who keep asking the tough questions, demanding the best we can offer, and rewarding us with their passion; the alumni, and in particular John Sweetland, for your continued belief that what we teach our students and what we are learning through our research is essential for the betterment of society; and finally, my family, for putting up with a mom and a wife who has too many things on her plate. Gabe, I owe you many hours of reading Harry Potter without interruptions for phone calls and email.

Linda Tesar, Department Chair and Professor

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The MICHECONomic Outlook

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2011 U.S. Economic Prospect: Policy Uncertainty

The 2011 U.S. economic prospect looks like more of the same—anemic real economic growth, sticky-high unemployment, a cautious consumer, and unwinding of the financial crises of 2007–09. More than usual, the shape of macroeconomic policy out of Washington will be decisive in determining how weak, or how strong, the U.S. economy will be and whether the U.S. can work out of its short-term cyclical situation and deal with its longer-run difficulties.

How the midyear elections go and the composition of Congress will be one determinant of what happens on policy. How President Obama reacts to the election results in his choice of advisers and own vision for the U.S. is another. What fiscal policies emerge, both on taxes and federal government outlays—will be paramount. And, how those policies may, or may not, affect the economy is a fourth key element.

The so-called “Bush Tax Cuts” will expire at year end, imposing a hefty and sizable tax increase on households and businesses, potentially enough to push the U.S. economy back into recession. It seems inconceivable that Washington will let all of these taxes rise for all families and all individuals. The Deficit Commission’s report (due on December 1) will affect the shape of the broader macroeconomic fiscal policy outlook and its impact on the economy, jobs, and deficits. The composition of the policies set and legislated—assuming a Washington not in gridlock—will be defining for the course of the economy ahead.

Monetary policy also will provide a critical component of the U.S. economic prospect next year and for 2012, likely moving toward more stimulative quantitative easing through use of its balance sheet and new focus on long-term interest rates so as

to impact the economy—a revolutionary approach for the U.S. central bank.

However, the lags in response of the economy to aggressively easy monetary policy likely will be longer than ever before, a consequence of having reached the zero bound on short-term interest rates, the necessity of caution and much greater savings for households in order to reliquify household balance sheets, the compromised financial system and tough new regulations that raise the cost of capital and diminish risk-taking by financial intermediaries, and a fading of the fiscal stimulus put into place in February 2009, the American Recovery and Reinvestment Act—which will take steam out of the economy’s momentum.

Although having emerged from the Great Recession, the U.S. economy prospect remains one of difficulties and dangerous turns, in what appears to be a long process of rehabilitation and return to health which could extend beyond even the 2012 election.

**Diane C. Swonk, AB '84 econ;
AM '85 applied econ**

Senior Managing Director and Chief
Economist

Mesirow Financial
Chicago



Shifting Roles: In our Dysfunctional Dance with China

For much of the post World War-II period, the U.S. has played the role of “consumer of last resort,” first to the war-torn economies of Japan and Europe—later to the developing economies of Latin America and Asia. Perhaps the most difficult and complex—and symbolic of global imbalances that we face—of those relationships is that with China. The fiercest of Asian Tigers is not only one of our greatest competitors, and actually helped to feed our addiction to debt by bidding down the cost of credit in the mid-2000s with its massive treasury bond purchases, but is also one of our largest export markets. Most economists both at home and abroad agree that some sort of a rebalancing of our relationship is not only necessary to the long-term health of the U.S., but also that of China. Indeed, China will never wield the economic or political power it desires if it can’t rely more upon domestic de-

mand for its own growth. But change is not easy--we have to be willing to give up our addiction to debt and consumer spending, and rely more upon investment and exports for growth (which has already proven politically untenable), while China must do the exact opposite--stimulate consumption over investment and exports. The composition of growth in the U.S. must look more like that of China, and China must look more like us, if we ever hope to bring our worlds back into balance. A revaluation of the yuan against the dollar would represent a step in the right direction for China, but is only a small step. It takes two to tango, and we too will have yet to step up to the plate, and revise our dance moves to stay in this competition.

**Matthew D. Shapiro
Lawrence R. Klein
Collegiate Professor**

University of Michigan
Department of Economics



Stimulus: Income Delivery of Primary Importance

Recent fiscal policies have aimed to stimulate household spending. In 2008, most households received one-time economic stimulus payments. In 2009, most working households received the Making Work Pay tax credit in the form of reduced withholding; other households, mainly retirees, received one-time payments. In recent research with Joel Slemrod and Claudia Sahm, we quantify the spending response to these different policies. In particular, we examine whether the spending response differed according to whether the stimulus was delivered as a one-time payment or as a flow of payments in the form of reduced withholding. Based on survey responses we find that the reduction in withholding led to a substantially lower rate of spending than the one-time payments. Specifically, 25 percent of households reported that the one-time economic stimulus payment in 2008 led them to mostly increase their spending while only 13 percent reported that the extra pay from the lower withholding in 2009 led them to mostly increase their spending. These results suggest that the form of stimulus payments to households matters. If the goal is to boost consumption spending, better to give cash disbursements directly to households.

**David W. Berson, MPP '79;
PhD '82 econ**

Senior Vice President,
Chief Economist and Strategist

The PMI Group, Inc.



Housing Growth: Modest in 2010, Somewhat Stronger in 2011

Housing activity remains extremely weak, caught between the third consecutive jobless recovery, the expiration of the second homebuyer tax credit (which moved sales into the months before it expired), and the hangover from record home price declines and unsustainable mortgage products (which have resulted in nearly 25 percent of all homes with a mortgage being underwater). Still, there are signs that the housing market has bottomed out -- with purchase applications in the weekly Mortgage Bankers Association survey edging upward (into early-September) and an increase in the August reading on pending home sales from the National Association of Realtors. The strength of the recovery in the housing market will ultimately depend upon: the magnitude of job growth, the level of housing affordability, the strength of the expansion in household formations, and "animal spirits" (i.e., do potential homebuyers feel positively about their purchase).

We project modest gains in home sales over the remainder of 2010, with somewhat stronger increases in 2011 as the economy grows more quickly.

**Linda L. Tesar
Chair and Professor**

University of Michigan
Department of Economics



International Trade: Expert-led Recovery Unlikely for US

One of the striking aspects of the recent recession is the collapse in international trade. While U.S. output fell by about 4 percent in real terms, peak to trough, exports declined by 21 percent and imports by 24 percent. This is a larger decline in trade relative to output than in any previous post-war recession. Trade fell across industrial categories and across U.S. trading partners. In a recent set of working papers with co-authors Logan Lewis (a Michigan doctoral student) and Assistant Professor Andrei Levchenko,

we explore a number of explanations for this large decline in trade. We find little evidence that access to trade credit played a significant role, despite the turmoil in global financial markets. Rather, we find that goods that are used as intermediate goods in a large number of other sectors experienced larger trade declines. We also find support for compositional effects: sectors with larger reductions in domestic output had larger drops in trade. Given that our trading partners are experiencing a similar slump in economic activity and the dollar continues to be bolstered by a flight to safety on the part of global investors, it seems unlikely that the U.S. will experience an export-led recovery.

Christopher House
Associate Professor

University of Michigan
Department of Economics



Policy Makers:
Looking for Effective Stimulus Measures

The NBER recently announced that the recession ended in June 2009 – more than a year ago. However, job growth in the U.S. is still alarmingly low and the unemployment rate is still at 9.6 percent. It is therefore not surprising that policy makers are still looking for effective measures to stimulate the economy.

Unfortunately, there are few options left. The federal funds rate has been essentially zero for almost two years. Long-term rates are also extremely low by historical standards. While low rates encourage investment and employment, there is little more the Fed can do. The Fed has tried to persuade markets that it will keep short-term rates low for an extended time in the hopes that long-term rates will fall further. It can also announce that it will target higher inflation in the future to push down real interest rates now. These actions work by influencing expectations and beliefs. If the market believes the Fed will keep its promises then such statements might work. If the market doesn't, they will fail. Fiscal policy is also running out of options. The last round of stimulus (part of the American Recovery and Reinvestment Act of 2009) had only a limited effect relative to the hopes of its proponents. Nor am I hopeful about the recent proposed round of investment tax incentives in the form of a 100 percent "bonus depreciation" allowance. The main problem is that many businesses have already written off their investment under current tax law. Like monetary policy and fiscal policy, the tax depreciation code is already providing as much incentive as possible for these businesses. A better option would be a direct investment tax credit like the one in place prior to 1986.

James Hines, Jr
Richard A. Musgrave Collegiate
Professor of Economics

University of Michigan
Department of Economics



Transfer Pricing Enforcement:
Panic is Unwarranted

The current practice throughout the world is to require business operations to keep separate accounts, on the basis of which taxpayers determine how much income they earn in each location, and what their accompanying tax obligations should be. Prices used for intercompany transfers are known as "transfer prices," and their use makes it possible to determine how much income is earned in each location, and therefore how much tax is owed.

There is a general sense that, in practice the U.S. tax base is eroded by the transfer pricing practices of taxpayers whose actions are influenced by the high U.S. tax rate. However, the plain fact is that we do not know how much tax revenue the U.S. may lose each year from transfer price manipulations.

It is important to understand U.S. transfer price enforcement in the context of competing nations, and to appreciate that any efforts we make now or in the future are apt to influence the competitive position of the United States. Many potential reforms to U.S. tax rules that wrest greater tax revenue from international investors in an inefficient manner would, if unaccompanied by other changes, distort the pattern of business ownership and further reduce business activity in the United States.

Taxpayers should certainly pay the taxes they owe, and the current separate accounting system with arm's length pricing is the appropriate standard by which to judge tax obligations.

With greater resources the IRS could undoubtedly do an even better job of enforcing our transfer pricing rules, but in any case panic is unwarranted, and likewise unwarranted are other broad reforms such as the introduction of formula apportionment or other arbitrary deviations from the arm's length standard.

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students and faculty.

Janet Wolfe, who recently retired from the Department where she was a senior research specialist with the U-M Research Seminar in Quantitative Economics, a lecturer, and an advisor to hundreds of economics concentrators, was a Peace Corps volunteer in Liberia from 1969 to 1971. “I taught mathematics and science at W.V.S. Tubman High School in Monrovia and at Bishop Ferguson High School in Cape Palmas, says Wolfe, who noted that the experience motivated her to switch her area of graduate study from physics (her undergraduate major) to economics.

Currently a second-year PhD student in economics, Johannes Norling was a Peace Corps volunteer in Ghana (2004-2006) where he taught mathematics, economics, and physics at a secondary school in a rural village in the Volta Region of Ghana near the border with Togo.

“I was struck by the stamina of many of my neighbors,” says Norling of his experience, “not the stamina to climb a mountain or run a marathon, but the stamina of adults to put in a full day of labor at the farm in the hot sun; the stamina of children to carry load after load of water from the well; the stamina of students to attend classes, do chores at home, and then return to school to study at night, even while many of them cared for children of their own. I believe that this capacity to endure is no greater or less in the US or in any other country, but by living in an environment foreign to the one I was used to and in which much of daily life takes place in close quarters and outdoors, I was able to better see and recognize it.”

In his commencement address to the 2010 Economics graduates, Shah noted the many persons at the University who had helped in the aftermath of the Haitian earthquake. He also recognized the volunteer work of three members of the graduating class, Benjamin Arnold, Nancy Cao, and Charles Wolcott, citing their contributions as “proof that economists have heart.”

Arnold volunteered with Maximo Nivel in Cusco, Peru for a month between his sophomore and junior years working construction at an orphanage. He also spent a month volunteering and researching the economic struggles of a recycling center on the Caribbean coast, during his semester abroad with ICADS in Costa Rica.

Cao has dedicated her time to the student group Operation: Educate Children to fundraise for various education projects to benefit underprivileged communities. This July, she volunteered at an elementary school in Bogota, Colombia, in a neighborhood where many of the families have been displaced by conflict.

Wolcott volunteered as part of a micro-finance research project in which surveys were administered to the people in 35 villages surrounding La Union, Honduras. Students at a local Honduran school served as translators for the project. This past May, Wol-



Graduates Benjamin Arnold (far left); Nancy Cao (third from left); and Charles Wolcott (far right) with Rajiv Shah, '95econ, who acknowledged their economic development volunteer work in his speech.

cott co-led a group of 16 U-M students back to LaUnion to assist with construction of a kindergarten room for the school that had provided the translators.

Excerpts from the Department's 2010 Undergraduate Celebration Commencement Address

By USAID Administrator Rajiv Shah, '95econ

On the way here this afternoon, I took a detour to the Michigan Union--to have a look at the bronze plaque beside the steps. The one that commemorates that night--almost 50 years ago--when JFK came to this campus and called for students to devote their lives to helping less fortunate people in the farthest corners of the globe lead better lives.

For the first time in decades, the number of chronically hungry people has climbed to more than one billion. We know that children who are chronically hungry during their first two years never catch up – especially in the critical area of brain development. And we know how to address this problem – invest in local agriculture, improve sanitation and health systems, expand the availability of safe drinking water, and provide immunizations for common diseases.

I just returned from Afghanistan where I saw these interventions working to help communities get back on their feet. We have more than 400 staff in Afghanistan.

Many will spend weeks, months and even years away from friends and family.

That's not easy.

And the pay, well it's ... okay. But nothing compared to what any of you could earn on Wall Street.

So why should you do it? Why do we do it?

Well, consider the benefits. I'm not talking about our 401k or our health plan, though they're not bad. I'm talking about the feeling we take home at the end of the day.

The feeling that – if we do our job right – we can protect thousands of parents from experiencing the death of a child, we can help millions of mothers turn two-acre plots into farms that feed their families, we can assist eager learners all over the world.



Almost everything that we do is shaped by the work of economists like you.

How? Well, take the work of Saul Hymans. He was my adviser. Back when I was studying here, Professor Hymans was known as the Michael Jordan of macroeconomic modeling. To a relatively nerdy student like me, his modeling was more dazzling than Jordan's jump shot.

The handiwork of

Professor Hymans, who recently retired, made me realize that econometrics offered powerful insights into how to support economic growth and smooth out business cycles. His work on growth helped people keep their jobs and lead better lives.

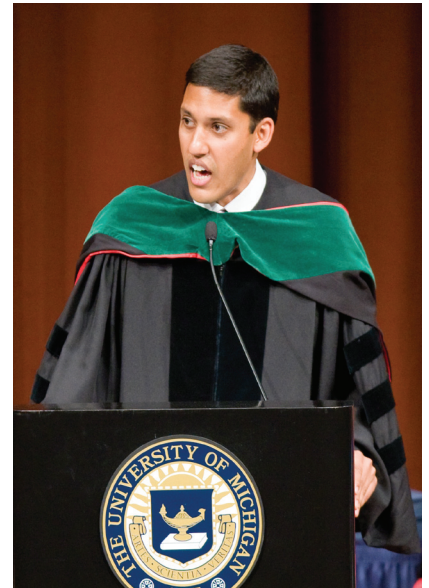
Behavioral economics is also producing results that we are putting right to work.

Based on studies that showed higher usage when chlorine tablets were distributed at the tap (rather than in local kiosks and shops as is common practice), we insisted that the truckers delivering water to Haitian earthquake victims distribute disinfectant tablets at each stop. As a result, the percentage of people in Port-Au-Prince who get chlorinated water is higher today than it was before the earthquake. This victory for public safety would not have happened without the underlying work of economists.

I am determined to make our development work as evidence-based as the best economics.

So, you see, the degree you are about to receive can be used to dramatically change the fate of vulnerable people throughout the world.

Or you can use the knowledge, influence, and affluence that you acquire through your business career during your retirement — like my previous boss Bill Gates.



People like to mock economists for being heartless. You've all heard the old joke: We know the price of everything, and the value of nothing.

Well, your class is proving them wrong.

I was so proud to learn how Wolverines helped in the aftermath of the Haitian earthquake – raising funds and donating supplies.

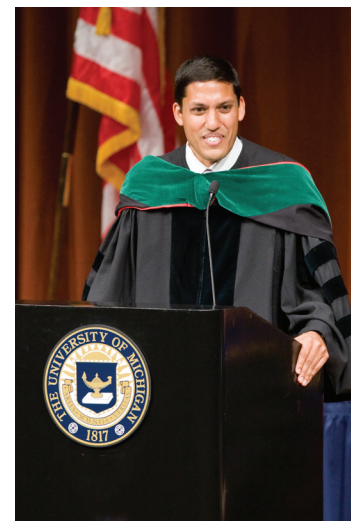
And I've heard that many of you used your school vacations to volunteer abroad. What you all have already done, as undergraduates, proves that economists have heart.

That plaque at the Union reminded me, reminds us all, that our country is not just a place between two oceans, but also an idea: The idea that all people are endowed with the right to life, liberty and the pursuit of happiness.

And that we each have the power to make that idea a reality in even the most remote reaches of the world.

I feel so fortunate to have a job where I get paid to go to these places, and to meet, learn from, partner with, and serve these communities.

I wish you all the same sort of good fortune. Congratulations!





Professor Steve Salant (far left), Department Chair Linda Tesar, and Professor Dan Silverman congratulate honors and award recipients at a pre-commencement reception held in their honor.

Undergraduate Awards, Honors

Also at commencement time, the Department recognized undergraduates who received awards and honors. The 2010 honorees were:

Sims Honors Scholarship: Connor Field, Daniel Hubbard, and Kevin Todd

David Bunzel Scholarship: Daniel Hermes

Harold Osterweil Memorial Prize: Corinne Land, Zachary Stangebye, and Jing Hao Tham

Ferrando Honors Prize: Xuan Liang

John Elliot Parker Memorial Prize: Kevin Todd and Xiwen Wang.

Highest Honors: Xuan Liang and Jing Hao Tham

High Honors: Daniel Hermes, Zachary Stangebye, and Xiwen Wang

Honors: Tanatas Bumpenboon, Jonathan Fox, Daniel Hubbard, John Lister, Jameson Toole, Shailesh Reddy, and Kevin Todd.

2010 PhD Placements

Omar Alshangeety
McKinsey & Company
Middle East Office

Kate Anderson
Carnegie-Mellon
Tepper School of Business

Aneeqa Aqeel
Lake Forest College

Ginger Smith Carls
Thomson-Reuters

Sabine D'Costa
London School of Economics
Geography Dept. and, Spatial
Econ. Research Center

Osborne Jackson
Northeastern University

Shanthi Ramnath
U.S. Treasury Department
Office of Tax Analysis

Laura Kawano
U.S. Treasury Department
Office of Tax Analysis

Brian Kovak
Carnegie-Mellon
Heinz College

Zoe McLaren
University of Michigan
School of Public Health

Ryan Michaels
University of Rochester
Department of Economics

Rahul Mukherjee
Graduate Institute of
International and
Development Studies
Geneva

2010 Fellowships/Awards

Robert V. Roosa
Dissertation Fellowship
Logan Lewis

Mark and Lindsay Harms Scholars
Christian Proebsting and
Adam Dearing

Verne and Judy Istock Scholar
Award
Prachi Jain

James A. Miller Fellowship
Gaurav Khanna

James A. Miller Scholars
Christopher Boehm and
Edward Fox

Moore Dissertation Prize
Todd Pugatch

Rackham Merit Fellows
Adam Dearing, Michael Gelman,
Prachi Jain

Peter and Julie Borish Fellowship
Awards
Enda Hargaden and
Daniel Schaffa

Gail Roggin Wilensky Fellowship
Chenyu Wang

Sasakawa (SYLFF) Fellows
Sreyoshi Das and Yun Chen

Rackham Pre-Doctoral Fellowship
Todd Pugatch

Rackham One-Term Fellowship
Sebastien Bradley

Outstanding GSI Award
Brendan Epstein

Faculty News

Department Welcomes Four New Faculty



Dan Ackerberg is the Kempf Professor of Economics. Prior to his appointment at Michigan, Ackerberg was an Associate Professor of Economics at UCLA. His field

of expertise is industrial organization (IO) with a particular emphasis on the statistical analysis of structural models of firm and consumer interactions at a micro-level. Ackerberg's research contributions range from the analysis of online auctions, the estimation of firm production functions, the impact of advertising on consumer demand, to the study of land contracting in medieval Europe. In addition to his substantive contributions to core issues in the field of IO, he has made numerous contributions to applied econometric and computational methods.



Assistant Professor **Manuela Angelucci** completed her PhD at University College London in 2005. Her

main field is development economics. Her work covers a number of topics including migration, consumption, risk-sharing, domestic violence, social networks, microfinance, and mental and physical health.



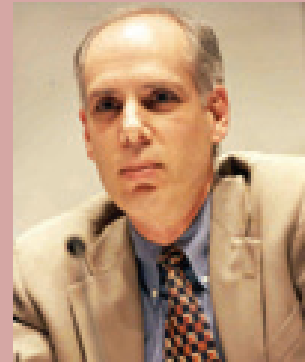
Assistant Professor **Jeremy Fox** does research in industrial organization. His research in telecommunications focuses on the economics of geographic

The home of Department Chair Linda Tesar and her family will appear on the big screen as "Aunt Kate's" house in Wes Craven's *Scream4*, to be released in spring of 2011. "They used every corner of the house--put up wallpaper, painted, brought in furniture," said Tesar. "Then the filming started and there were literally dozens of people in the house. It was fascinating to watch the filming process. At the end of the month, they undid it all, moved our stuff back in and the house looks better than ever."



Slemrod Named Next Dept. Chair

Economics Professor Joel Slemrod will be the next chairman of the Department of Economics. His appointment begins July 1, 2011. Slemrod is also the Paul W. McCracken Collegiate Professor, Ross School of Business, and director of the Office of Tax Policy Research.



Slemrod studies and writes about tax policy. In 1984-85 he was senior staff economist at the President's Council of Economic Advisers, and has been a consultant to the U.S. Department of the Treasury, the Canadian Department of Finance, the South African Ministry of Finance, the World Bank, the OECD, and several corporations. He has been a member of the Congressional Budget Office Panel of Economic Advisers, and has testified before the Congress on domestic and international taxation issues. He is co-author with Matthew D. Shapiro, and Claudia R. Sahm of

"Household Response to the 2008 Tax Rebates: Survey Evidence and Aggregate Implications", and with Jon Bakija on *Taxing Ourselves: A Citizen's Guide to the Debate over Taxes*, now in its fourth edition. Slemrod is editor of *Does Atlas Shrug? The Economic Consequences of Taxing the Rich*.

He holds a B.A. from Princeton University and a Ph.D. from Harvard University.

scope from larger coverage areas in the wireless phone industry, and how government regulation affects coverage areas. He also studies the role of human resource quality in firm productivity. He examines the benefits to automobile suppliers from different portfolios of supplier contracts, focusing on the gains to specialization. New work is studying the effects of advertising on consumer demand. He also develops econometric tools used in industrial organization, including non-parametric estimators for distributions

of consumer preferences from data on consumer product choices.



Assistant Professor **Shaun McRae**'s research is in industrial organization and energy economics. In his research, he studies the effect of unreliable electricity supply on low-

income households, and how government policies influence investment in electricity distribution networks in Latin America. He also investigates the extent to which firms exercise market power in wholesale and retail electricity markets. McRae teaches energy and environmental economics at an undergraduate and graduate level.

Honors, Appointments

Senior Lecturer **Jan Gerson** (Ph.D. 1981) was a guest at the University of Nagoya in Japan where she taught a special summer lecture introductory microeconomics class and served as an educational consultant. The theme of her faculty seminar was quality teaching.

John Bound Receives Collegiate Professorship

Professor John Bound has been awarded a Collegiate Professorship at the University. He has chosen to name the award in memory of the late George E. Johnson.



Bound

Bound is one of the world's leading experts in labor economics. In addition to his seminal contributions to the field of labor economics, he has made significant contributions to econometrics, public economics, the economics of education, health economics, and disability policy. The interdisciplinary focus of his work is seen in his publishing papers in the flagship journal of six distinct fields of economic research. His network of coauthors reflects his value as a colleague and a mentor. He has also held administrative appointments in both the Department of Economics and the Population Studies Center.

After completing his dissertation at Harvard, Bound came to Michigan in 1986. He was attracted to the level of collegiality and the high quality research environment at Michigan, as well as the ability to interact with leading scholars in other disciplines.

His CV shows a remarkable volume of publications in high-quality journals. While the volume of work is impressive, what makes his work distinctive is the breadth and impact of his work. As is often true of researchers who go on to make substantial interdisciplinary contributions, Bound began by establishing a strong and diverse publication record within his main field. His first major paper dealt with the effects of the Disability Insurance program on labor supply. Another important early paper focused on competing explanations

for the increase in inequality in earnings that was observed beginning in the early 1980s. Bound's influence on econometric practice led to his being selected as a Fellow of the Econometric Society in 2004.

During the last five years, Bound has also studied a range of important issues in the economics of higher education. Bound has also published work in the flagship journals in public health, demography, gerontology, and epidemiology (as well as economics and statistics). Most of the interdisciplinary work focuses on disparities

in health outcomes and on health declines among older people.

His contribution to the literature on race differences in health outcomes has emphasized the fact that these disparities vary both by age and by place.

In the Department of Economics, Bound has held the role of director of graduate studies, head of graduate admissions, and served as chair of countless search and tenure review committees. He has served on more than 35 dissertation committees. In addition, he often organizes the Department's research seminar in labor economics.

George E. Johnson, emeritus professor of economics, died March 30 at the age of seventy in Washington, D.C. Johnson attended the Babson Institute where he earned a Bachelor of Science in 1960. He then attended San Francisco State College and the University of California, Berkeley, where he earned his Doctorate in 1966.

Professor Johnson joined the faculty at the University of Michigan as assistant professor in 1966 and was promoted through the ranks to professor in 1975. He was a visiting scholar at the Labor and Industrial Relations Section of Princeton University and also studied emerging labor markets as a visiting fellow at the University of Nairobi. While on leave from the University, Professor Johnson served as the Director of the Office of Evaluation in the U.S. Department of Labor in 1973-74, and as a Senior Staff Economist on the Council of Economic Advisers in 1977-78.

During his professional career, Professor Johnson wrote widely cited papers on a range of policy-related topics. His earliest work focused on labor unions, including important papers on strikes and on the effects of unions on the wages of both union members and other workers. He then studied returns to schooling, emphasizing school quality as well as number of years completed. Another series of papers looked at lifetime earnings among academics, and promotion patterns of female faculty. In other work, he assessed the potential impact of more



Johnson

sweeping affirmative action proposals and cautioned that standard estimates of the effects of job-retraining may overstate their true benefits.

More recently, he turned his attention to the growing wage inequality and declining real wages of those at the bottom of the wage distribution, studying the consequences of both technical change and increased international trade. In recognition of his many contributions to the field of labor economics, he was elected a Fellow of the Society of Labor Economists in 2006.

During his years at Michigan, Professor Johnson taught courses in macroeconomics, human resource policy, benefit-cost analysis and policy modeling, as well as graduate courses in labor economics and human capital. Several thousand undergraduates took his introductory course in macroeconomics, and many went on to major in economics. His wry sense of humor was always present and lifted the spirits of colleagues and staff and was especially appreciated on cloudy winter days.

Memoriam

Economist **F. Thomas Juster**, a former direc-

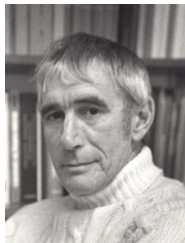
tor of the University of Michigan Institute for Social Research (ISR), and the founding director of the landmark U-M Health & Retirement Study, died in Ann Arbor, Mich., on July 21. He was 83.

Over his long and distinguished career, Juster made major contributions to the assessment of household savings and wealth, and to the measurement of time use in American families.

His contribution to the measurement of time use in U.S. households resulted in the still widely cited 1985 book co-edited with U-M economist Frank Stafford, *Time, Goods, and Well-Being*. The survey the book was based on was the first national work to use scientifically valid methods to collect time use data using time diaries.

Juster received a B.S. degree in Education from Rutgers University in 1949. He went on to earn a Ph.D. in Economics from Columbia University in 1956.

He is survived by his wife Marie of Ann Arbor; children Thomas (Sarah Kruse) Juster of St. Petersburg, Florida; Susan Juster of Ann Arbor; Arnold (Netta Berlin) Juster of Ann Arbor; and Maria (Eric Anderson) Juster of Wellfleet, Massachusetts; grandchildren Rachel Garrison, Jane Juster Mayfield, Matthew Juster Mayfield, Mario Juster Kruse, Sofia Juster Kruse, and Charlie Juster Anderson; and his sisters June Juster Kulp and Rosalie Juster.



Harold M. Levinson, emeritus professor of economics, died July 5th at the age of 91 in Sarasota, FL. Levinson came from his native

Boston to Ann Arbor in the late 1930s to attend the University of Michigan, where he earned his AB degree in 1941, his MBA in 1942, and his Ph.D. in Economics in 1950. Professor Levinson joined the economics faculty at Michigan as an instructor in 1947, was promoted into the professorial ranks in 1950 and retired as a full professor in 1983. His doctoral dissertation, *Some*



Effects of Unionism on Wage Trends and on the Distribution of the National Income, 1914-1947, set the agenda for much of his subsequent research which focused on the economic implications of organized labor both in specific industries and the nation as a whole. He served as acting chair of the Department in 1961-62.

Aside from leaves of absence for public service and research activities, Professor Levinson spent his entire academic career in Ann Arbor and was the Department's dominant figure in applied labor economics during the 1960s and '70s.

Professor Levinson published his research findings on labor relations and collective bargaining in a number of important industries including motor vehicles, the building trades, the steel industry, and the transportation sector of the economy as a whole. By the 1960s he had begun the process of weaving his decades of research activity into a coherent narrative. The result was his major volume, *Determining Forces in Collective Wage Bargaining*, published by John Wiley and Sons in 1966.

During his years at Michigan, Professor Levinson taught courses in labor economics at every level of the Department's offerings, from undergraduate surveys to specialized courses in labor theory, collective bargaining, and human capital for undergraduate majors and doctoral students.

He was also a most enthusiastic, rigorous, and successful teacher of the Principles of Economics which he taught with delight to several generations of undergraduates.

Peter Steiner, an internationally recognized scholar of economics and law, who guided LSA through turbulent economic times as dean in the 1980s, died June 26 at his home in Ann Arbor. He was 88.

Steiner came to U-M in 1968, with a dual appointment as professor of economics and professor of law. He created the joint J.D. and Ph.D. law and economics program. He served as chair of the Department of Economics from 1971-74 and as dean of LSA from 1981-89. He retired in 1991.

As state support of the university eroded — falling from 58 to 48 percent of the general fund during his tenure —



he began a program of private fundraising in LSA. He also established the College's student merit scholarship program. He and his wife, Patricia, endowed a scholarship, which today supports four students each year.

..Steiner was born July 9, 1922, in New York City. He received his AB in economics, *magna cum laude*, from Oberlin College in 1943, as a member of the U.S. Navy's V-7 program. He received his Ph.D. in economics from Harvard University in 1950. He was a professor of economics at the University of California, Berkeley, from 1949-57 and the University of Wisconsin, Madison 1957-68.

He is survived by his wife, Patricia, four sons, two daughters, six grandchildren and three step-grandchildren.

Katherine Terrell, professor of business economics and public policy, died from respiratory complications Dec. 29 in the Dominican Republic. She was 59.

Terrell, who taught at both the Stephen M. Ross School of Business and the Gerald R. Ford School of Public Policy, was an expert on the impact of government policies and the effect of globalization on wages, employment, income inequality and firm performance in emerging market economies. Her research and teaching focused on countries in Central and Eastern Europe and Latin America, where she grew up.

Terrell was married to Jan Svejnar, who also teaches at the Ross School and the Ford School, where he heads the International Policy Center. The two collaborated on several academic journal articles, books and other research. They are the parents of two grown children, Daniel and Laura, both U-M graduates.

In addition to her research, Terrell consulted with many international organizations, including the World Bank, the Organization for Economic Cooperation and Development, and the European Bank for Reconstruction and Development.





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