

Economics Newsletter

*Latest news from the
department and our alumni*

Apr. 1, 2013



Inside

- Prof. Jim Adams speaks about his time with UM alumni
- Where did our econ shirt go over break?

Spring is here!

We hope you've been enjoying the sunshine as much as we enjoy keeping you informed about UM Econ! This is our fourth monthly **Economics Newsletter**, created to keep you connected to the department and our alumni. In addition to the newsletter, stay in touch via Facebook and Twitter!



<http://www.facebook.com/umichECON>



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Faculty *in the* News

Prof. Jim Adams Discusses Euro and Relevant U.S. History with Alumni in London

Standing more than 500,000 strong, it is not hard to believe that Michigan's alumni base has spread itself all over the world. And while the University has always had alumni abroad, the pool of internationally based alumni has been growing rapidly in recent years. In an effort to stay in touch with our increasingly scattered alumni, LSA Dean Terry McDonald and Assistant Dean for Advancement Peggy Burns decided to schedule alumni events in various cities around the world, and their first stop was London. Hosted by alum Lord Mark Malloch-Brown (MA '76), over 200 Michigan alumni gathered at the House of Lords for a chance to reconnect with each other and with LSA. Dean McDonald and Assistant Dean Burns wanted the event to remind alumni what it was like to be on campus discussing the major events of the day. Given London's status as an

international financial hub, the obvious topic was the euro. Cue Professor Jim Adams.

Thurnau Professor of Economics Jim Adams, scholar of the European economy, among other topics, has been invited to speak about the euro on and off campus countless times. However, this event, catered to a European-based audience, was slightly different. "I thought it was going to be a little bit like bringing coals to Newcastle," remarked Prof. Adams, using an old idiom referring to the historical English economy that relied on the sale of coal. "My challenge was: What can I possibly say that would be of interest to and different for these people who live and breathe the euro all the time? So I chose to focus on the euro as viewed from the United States, in two different respects. First, as viewed in the press and by American (*cont'd on next page*)

Faculty, *continued*

economists, and second, as viewed through the prism of American history, and what American financial history might have to say about the current Euro crisis.”

Fascinatingly, many facets of American financial history are relevant to the situation in Europe today. As an example, Prof. Adams considered the Articles of Confederation, the forerunner of the U.S. Constitution. Under the Articles of Confederation, states were free to tax interstate commerce. Suffering from deficits after funding an expensive revolutionary war, states “levied serious tariffs on the movement of goods between states. Of course, that was interfering with the development of a single economy in the US,” explains Prof. Adams. The Articles of Confederation also prevented the federal government from levying its own taxes without unanimous consent of all states. This rarely happened, leaving the federal government starved for revenue and

deep in debt. “It’s a very interesting story in the context of Europe today, where the taxation policies of the European Union require unanimity among the member states.”

Prof. Adams gave another example in the face of a common economic argument that Europe does not satisfy the requirements for using the same currency throughout the region – that it is not an optimal currency area. To that, Prof. Adams posed the question, “When did the U.S. first start using a single currency? Was the U.S. an optimal currency area at that time, and if not, how long did it take before we became one?” Prof. Adams explained that while the U.S. arguably adopted a single currency in the 1860s, the U.S. was certainly not an optimal currency at that time. “It’s not really until the 1930s, with the New Deal and the growth of the importance of the federal budget relative to the state budget, that the U.S. truly becomes an optimal currency area. So the U.S. existed for 70 years with a single currency while not being an optimal currency area.” Of course, Prof. Adams recognizes that 18th century America is not directly comparable to present-day Europe. “Still,” he says, “it does give some food for thought on the degree to which relatively simplistic arguments about optimal currency areas and monetary unions should be considered.”

Beyond this food for thought, the alumni had the chance to network, reminisce with old friends, and even reconnect with Prof. Adams – among the 210 alumni, 10 were his former students. “I enjoyed immensely the opportunity to reconnect with my own former students, some of whom I haven’t seen for 25 years,” he said. Overall, Prof. Adams thought the event to be a success, concluding it was “a way of building on shared experiences [at Michigan] for the next step in life, and maturing together in a community as opposed to individually. I got the feeling that these alumni couldn’t wait for the next event of this sort.”



Prof. Slemrod



Prof. Hines



Prof. Stafford



Prof. Wolfers



Prof. Stevenson

Faculty, *continued*

- Profs. **Adam Stevenson** and **Justin Wolfers** were quoted in the Washington Post on the economic consequences of same-sex marriage
 - [“Why fiscal conservatives should love same-sex marriage”](#)
The Washington Post, March 27, 2013
- Prof. **Frank Stafford’s** research on 401(k)s was featured in Fortune
 - [“More employees are raiding their retirement accounts”](#)
Fortune, Feb. 27, 2013
- Prof. **Wolfers** on income inequality and Paul Ryan:
 - [“The Great Debate: Income inequality is increasingly permanent”](#)
Reuters, Mar. 22, 2013
 - [“Is Paul Ryan an Inflation Nutter?”](#)
Bloomberg, Mar. 12, 2013
- In light of events in Cyprus, Prof. **Jim Hines** spoke with NPR on tax havens
 - [“What Makes a Good Tax Haven?”](#)
NPR, Mar. 28, 2013
- Professor and Department Chair **Joel Slemrod** was awarded the 2013 Richard Musgrave Visiting Professorship. Congratulations, Prof. Slemrod!

Where
in the
World
is our
ECON
Shirt?

Alta, UT



Chicago, IL



While some showed their shirts off in the snowy mountains of Utah and the stunning city of Chicago this spring break, others stayed and worked in the fishbowl, truly living up to the shirt's mantra.

Take a photo of yourself wearing your shirt around campus and elsewhere, and we might just post it on Facebook!



Alumni All Over

Department of Economics 2012 Commencement Ceremony

CLASS OF 1980

Kenneth Buckfire is CEO, Managing Director and co-founder of Miller Buckfire, a subsidiary of Stifel that delivers strategic advice on complex financial issues. Miller Buckfire was chosen in January to advise the City of Detroit on its financial restructuring. He was currently profiled by the Honors Program. Check out the full story here:

<http://bit.ly/16WLhcA>

CLASS OF 1995

Lea-Rachel Kosnik is an Associate Professor of Economics at the University of Missouri – St. Louis. Her areas of expertise are environmental economics, energy economics, and behavioral economics. She recently spoke at Indiana State University on river-basin regulation and small-scale hydropower

Have exciting news to share? Let us know what you're up to! Send an update to Olga Mustata at omustata@umich.edu. If you are interested in contacting any of our alumni, you can email Olga for contact information. We look forward to hearing from you!