



FACULTY

Taking the Long View

As LSA's Department of Economics looks to the future, one professor looks back, gathering 100 years of big data on life to improve it.

by Susan Hutton

YOU CAN'T CAPTURE EVERY ASPECT OF life in LIFE-M, but you can collect an awful lot.

Led by Associate Professor of Economics Martha Bailey, a team of researchers is aiming to create something called the Longitudinal Intergenerational Family Electronic Micro-Database, known around campus by its friendlier name: LIFE-M.

The LIFE-M project will pull data from literally millions of vital records of health, demographic, economic, and family-structure information from the last 100 years. Together, this data can capture and illustrate the ways that lifestyles and lives changed across the 20th century, and



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give researchers information they need to more accurately understand why those changes occurred.

What's clear right away, says Bailey, are the important gains in quality of life that people have made in that time. People live longer. Disease and disability are no longer the inevitable consequences of old age. Many more people have access to education than they did 100 years ago, and literacy is thankfully the norm.

Such data also provide insight into significant social and cultural shifts, such as access to education for African Americans, women's entry into the paid labor force, and changes in economic inequality. Getting a century-long look at all of these trends allows researchers to understand when progress is being made and when regressions have occurred.

“Are the last 30 years anomalous,” asks Bailey about current trends in income inequality, “or are we returning to the norm of 100 years ago? LIFE-M's perspective on

the 20th century is invaluable for research and for formulating public policy.”

The project came together in a flash, says Bailey, though it wasn't clear how it would be funded. LIFE-M initially received support exclusively from funds from around U-M, including the Michigan Institute for Teaching and Research in Economics (MITRE) fund. Other University support followed, and Bailey and her team were able to begin building LIFE-M with around \$200,000. Now, a \$2.1 million dollar grant from the National Science Foundation (NSF) will allow LIFE-M to



Professors Martha Bailey (left) and Dominick Bartelme (right) both embrace the Department of Economics and its open-minded approach. “We’ve been doing interdisciplinary work for years,” says Bailey. “People don’t realize how different U-M is because that curiosity and rigor are the lifeblood of this place.”





aggressively expand its scope.

“It’s tough proposing something that hasn’t been done,” Bailey explains, “because the assumption is that it can’t be done, that the idea is too big. If I hadn’t had the proof of concept that the MITRE fund facilitated, I would not have gotten the NSF grant.”

/ THE NEXT LEVEL

Such groundbreaking work falls neatly into the department’s storied history. Over the last 100 years, the Department of Economics has set a high standard, with faculty and alumni working as part of such elite public policy bodies as the World Bank, the President’s Council of Economic Advisers, and the Board of Governors of the Federal Reserve.

They have also produced a slate of distinguished alumni, including a Nobel laureate, a Rhodes Scholar, and numerous eminent research scholars at leading universities around the world. With a long-standing 100 percent job placement rate for graduate students, the department continues to be a vital place for

cutting-edge scholarship and world-shaping policy work.

With a major renovation of the department offices in Lorch Hall and eight recent faculty appointments, the department is aggressively building on a very strong foundation by improving its physical space and growing the breadth of economic areas of study that it offers. Combining a strong core of economic theory, a full repertoire of applied economic specialties, and a vigorous interdisciplinary ethic, the department hopes to probe both the depths and fringes of the field in a way few economics departments across the country can.

“Over time, the personalities and the specific interests of the faculty have changed, but the flavor of the department has remained remarkably constant,” says Jim Adams, the Shorey Peterson Professor of Industrial Organization and Corporate Finance, an Arthur F. Thurnau Professor, and the Chair of the Department of Economics.

“Michigan Economics is known for the breadth of its expertise, for its eclecticism and tolerance in both methodological and political orientation, for its receptivity to interdisciplinary approaches, and for its commitment to sedulous and sober analysis of problems that affect real people.”

“We cover a pretty broad range of applied work, but there is always a willingness to talk to each other across field boundaries,” agrees Associate Professor C. Hoyt Bleakley. “There are also many opportunities to interact with scholars in other units who confront similar questions in different disciplines.”

“We’re part of a truly great arts and sciences college that has excellent departments, many of which are in the top three of the nation,” affirms Professor Justin Wolfers. “Deans at other universities talk about cross-disciplinary work, but they have no real way of doing it. We do.”

/ WHERE IT COUNTS

Thanks to alumni, LSA’s Economics Leadership Council, and friends of the department, the Department of Economics has funds to support undergraduate, graduate, and faculty research. That includes MITRE, which was funded by an anonymous donor and has provided

THE PARLANCE OF HIGH FINANCE

From credit default swaps to carry trades, economic terms in the news can be confusing. See if you can spot the fake financial term in each of the following lists of otherwise actual economic nomenclature. Answers are at the bottom of the page.

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|----------|---|----------|---|
| 1 | <p>A. Reflation
B. Stagflation
C. Playflation</p> | 3 | <p>A. Synthetic Collateralized Debt Obligation
B. Mordenkainen Market Trial
C. Bespoke Tranche Opportunity</p> |
| 2 | <p>A. ISDA License
B. Torque Floor
C. R-Word Index</p> | 4 | <p>A. Exotic Financial Instrument
B. Unclaimed Corpse Indicator
C. Default Commodity Swizzle</p> |

1. C. 2. B. 3. B. 4. C.

A proud alumnus, Bartelme calls his time at U-M a “profound intellectual awakening.”

hugely important support for a number of projects, including LIFE-M.

“The research funding and teaching package is very supportive,” says Assistant Professor Dominick Bartelme (A.B. ’08). “It allows us to focus on research as well as on quality teaching. It has personally enabled me to experiment more in the classroom.”

Such investments return dividends for everyone. Ambitious research relies on support at all levels, and, says Bailey, students are the bedrock. “The graduate and undergraduate students on my team are extraordinary,” she says. “They have skillfully done much of the preliminary behind-the-scenes work we needed for our analysis, and this has been crucial to our success.” ■



GIVING COUNCIL

One of the Economics Leadership Council’s original members reflects on the ELC’s role in developing a flourishing Department of Economics.

Since 1996, LSA’s Economics Leadership Council (ELC) has funded four of the department’s five endowed faculty chairs and raised funds for the department chair to spend however he or she sees fit. “I’ve known a number of chairs,” says **John Sweetland** (A.B. ’58, M.A. ’59; pictured at right), who created the first endowed chair in International Economics in 1997 and endowed the Shory Peterson chair. “They know more about running an economics department than we ever will.”

In addition to Sweetland, the ELC also counts Gail Wilensky (A.B. ’64, M.A. ’64, Ph.D., ’68), a senior fellow at Project Hope; Allen Sinai (A.B. ’61), the CEO of Decision Economics; and David Berson (A.B. ’82), a senior vice president and chief economist at Nationwide Insurance, among its members. “The Council is really set up to be a helpmate to the chair and to offer aid however the

chair wants,” Sweetland explains. “We’re governed by the trust that flows between the chair and the ELC and the friendship that comes from working for the same cause.”



It’s a rewarding arrangement matched only by seeing ELC’s ultimate effects. “It’s one thing to give money for a scholarship or a chair, but when you can help a young student assimilate into the economics world — that’s an art.”