

The Econ Exchange

NEWS AND NOTES FROM THE DEPARTMENT OF ECONOMICS

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Berkeley Electronic Press Teams with Nobel Prize Winner to Launch the Economists' Voice, A Major New Journal of Economic Analysis and Opinion

By Greg Tananbaum
(greg@bepress.com)

The Berkeley Electronic Press today (9/20/04) announced the launch of *The Economists' Voice*, a major new journal of economic analysis and opinion found exclusively at www.bepress.com/ev.

The electronic journal is edited by Joseph Stiglitz, a Nobel Laureate professor at Columbia University who has been both Chairman of the President's Council of Economic Advisers and Chief Economist at the World Bank. Co-Editors are Aaron Edlin and J. Bradford DeLong, both of whom are professors at UC Berkeley and held senior positions in the Clinton Administration.

The Economists' Voice is a non-partisan forum for economists to present innovative policy ideas and engaging commentary on important policy issues of the day. Readers will include professional economists, lawyers, policy analysts, policymakers, and students of economics. Articles are short, 600-2000 words, and intended to contain deeper analysis than is found on the Op-Ed page of

the Wall Street Journal or New York Times, but to be of comparable general interest. Regular columnists with voices from across the political spectrum will write several "Columns" each year. The "Features" section welcomes submissions from any professional economist and is peer reviewed.

Regular Columnists are an all-star cast. They include three Nobel Laureates, three former chairmen of the President's Council of Economic Advisers from both parties, two winners of the John Bates Clarke Medal for best economist under forty, a founder of Law and Economics and judge of the 7th Circuit Court of Appeals, three who held senior posts in the White House or Treasury Department www.bepress.com/ev/columnists.html.

The first issue contains articles by Judge Richard Posner on the fair use of intellectual property, Joseph Stiglitz on both political parties' flip-flops on deficits, J. Bradford DeLong on the mysteries of international capital flows, and John Donohue evaluating Clinton's claim of adding police while removing guns from the street, while Bush has done the opposite.

Why The Economists' Voice?

As Nobel Laureate Stiglitz explains, "The Economists' Voice provides a unique platform for economists to discuss the pressing national and international issues of the day. The involvement of so many prominent economists lends credence to my belief that our publication fills a glaring need. Anyone with an interest in public policy—or even those just curious about the debates among economists—will find *The Economists' Voice* an innovative and useful source for information. Students and teachers will find it a valuable complement to their texts and lectures, helping bring the subject alive."

Although much of what economists write is "inside baseball" - written for a small audience of specialists - economists have much to contribute to the public debate on a wide range of policy issues. Professors Stiglitz, Edlin and DeLong believe that anyone concerned about the central issues of the day, whether they are students, policy makers, or other citizens, would benefit from hearing economists debate what should be done about problems from budget balancing to global development, from intellectual property to

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This past semester in the Department of Economics has been a busy one for us. We welcomed four new faculty members (two of which you will learn more about in this issue of *The Econ Exchange*) and the Department had its first external review since 1988. We also hosted Nobel Laureate Robert Fogel, who spoke twice on campus in the Hitchcock Lecture Series. Amartya Sen, the 1998 recipient of the Nobel Prize in Economic Sciences, will visit Cal as a Hitchcock Professor in early February. A reminder about his lectures is in this issue.

The external review was long overdue. Three faculty members from Princeton, MIT, and UC San Diego visited our Department this Fall for a day of marathon interviews with faculty, staff and students. The review committee concluded that our Department has been extraordinarily successful over the past fifteen years. We have achieved prominence as a leading research department (two Nobel Prizes in the past four

years and several other major awards for our faculty) and we are the only economics department at a public university that is ranked among the best in the world. The review committee praised our efforts to create a productive and congenial environment for research and teaching. But the review committee also noted that the Department has too few faculty to meet the demands for economics instruction at Cal and has inadequate financial resources to support its graduate students.

For a number of years our Department has functioned under the strain of insufficient teaching faculty and advising support for its large student population. We have also struggled to support our graduate students, though they continue to impress us and their employers with their outstanding research and teaching. Over the past several years we have added more than a dozen new junior and senior faculty and have made great strides in extending our teaching and research programs in many fields of economics, including public finance, labor, econometrics, political economy, and microeconomic theory. The Department now offers sufficient courses during the academic year and the summer to meet the needs of our majors and other students. But we need more faculty to expand the breadth of our undergraduate course offerings and to reduce class sizes.

The external review provided an opportunity for our students to share their views about their economics education. Our recently energized Undergraduate Economics Association brought together a number of current and former Cal undergraduate economics majors to meet with the review committee. The graduate student association did the same. The committee members were impressed indeed. We are heartened by the enthusiasm and energy of our students and by the positive stories they tell about their education at Cal. Pleased as we are by the responses of our students, we know there is more

to be done and we will continue to work to enrich our students' education experience.

A few other notes before I close. In the lead article of this issue you can read about the recent launch of *The Economists' Voice* by the Berkeley Electronic Press. This important new journal of economic analysis and opinion is edited by Nobel Laureate Joseph Stiglitz and co-edited by two of our own faculty: Brad DeLong and Aaron Edlin. The initial release of the journal this past September drew a readership of 30,000 text downloads as of mid-November. The editors are enthusiastic that this new electronic journal will fill a perceived void by providing more rapid release of prominent economists' opinions on critical policy issues than paper-based journals can do. Another September high note was the award of the 2004 H.C. Rechtenwald Prize in Economics to Oliver Williamson for his contributions to the development of transaction-cost theory and institutional economics.

On a sad note, we continue to mourn the loss of Grace Katagiri, who was our Department's information technology manager and the manager of the Econometrics Laboratory and the new Experimental Social Science Laboratory. Dan McFadden, with whom Grace Katagiri worked throughout her professional life, has contributed this issue's *Econ Echoes* column in Grace's honor. The Department created the Grace Katagiri Fund to support graduate students and initiatives in behavioral and applied microeconomics. We hope to raise an endowment so that, through its proceeds, Grace Katagiri's influence on the Department of Economics can continue for many years to come.

My thanks to all of you for your continued interest and support, and I send my best wishes for a happy and peaceful holiday season.

ALUMNI UPDATES...

Trigg R. Splenda (B.A., 1998) is the owner, along with four others, of the MOLOKAI BAR on the Brazilian island of Florianópolis. He will welcome your visit to the MOLOKAI and provide you with grand island stories and perhaps a free Brazilian liquid spirit.

Note from the Editor: Alumni, please submit your Alumni Updates to alumni@econ.berkeley.edu on the following schedule: October 1 (for Fall edition), and April 1 (for Spring edition).

You may also use this email for address changes or to inform us that you wish to be dropped from the mailing list. Thanks.

THANK YOU TO OUR FRIENDS

The Department of Economics gratefully acknowledges the alumni, friends, and organizations who have made pledges and donations to the Economics Annual Fund, Centennial Fund, and other initiatives, from August, 2004 through November, 2004:

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Minoru and Patsy Sugita
Charles and Joan Sung
Grace M. Takamatsu
James T. and Jean S. Tominaga
Joachim K. Winter
Seichi Yatsushiro

Econ Echoes...

*a column of recollections
of Economics at Cal*

“Econ Echoes” (a title coined by alum Dr. Richard E. Jay, PhD '53) is a new column in The Econ Exchange. Alumni (of any vintage), friends, faculty, and students are invited to write original essays which recall special occasions or people in the Department of Economics—Commencement, a favorite faculty member or course or fellow student, or an event—for publication under their own byline in the semi-annual Econ Exchange.

Please send your entries no later than October 1 (for Fall issue) or April 1 (for Spring issue) to the Editor, The Econ Exchange, Department of Economics, 549 Evans Hall, #3880, University of California, Berkeley, CA 94720-388 or email alumni@econ.berkeley.edu. Essays should not exceed 500 words and selection is at the discretion of the Editor. Please remember to include your name, degree, and degree year with your submission, if you are an alum.

Remembering Grace

by

Daniel McFadden, E. Morris Cox Chair of Economics

In 1970, Grace Katagiri received a bachelor's degree in English from Berkeley, and decided that she liked campus life well enough to stay on for a year or two. She was hired as a secretary by a research group in the Department of Economics run by Gerard Debreu, Roy Radner, and Dan McFadden. In those days, the primary work of secretaries was typing, and Grace proved to be a whiz, dexterously switching the IBM Selectric balls that technical typing required. It quickly became clear that Grace was a person of great intelligence and energy, a quick learner who soon mastered the intricacies of grant accounting and other administrative tasks. She soon had a reputation as a master of the Berkeley bureaucracy, someone who knew exactly whom to contact and cajole to get things done.

In 1973, Dan McFadden organized a major research program in applied microeconometrics, the Urban Travel Demand project, and Grace agreed to become its manager. For four years, this project occupied a floor of an office building in downtown Berkeley, with visiting faculty, a small army of staff and research assistants, its own mini-computer, and data and estimation methods that broke new ground in microeconometrics. All this was managed superbly by Grace, who not only handled all the administrative routine, but also recruited and looked after the employees, was a full participant in the research program, and the editor of its reports. For a while, the project employed not only Grace, but also her mom who was an even better technical typist than Grace, and her sister Iao, who eventually went on to graduate school at Harvard and to become the chief administrative officer of RAND Corporation. Other illustrious alumni of the project include Professors Ken Train (Berkeley); Charles Manski (Northwestern); Ken Small (UCI); Steve Cosslett (Ohio State); Cliff Winston (Brookings); Tim Hau (Hong Kong); Dr. Antti Talvitie, who subsequently became the transportation minister of Finland; Jerry Berkman, the author of Berkeley UNIX; and John Gage, one of the founders of Sun Microsystems. Grace instilled a level of energy and can-do spirit in this group that led to research breakthroughs on many fronts, and ensured the success of the project's vision of making microeconometrics a powerful tool for applied policy analysis.

In 1976, a transportation engineering consulting firm, Cambridge Systematics, established a branch in Berkeley with Dan McFadden as a principal and Grace as its office manager. Over the following fourteen years, Grace once again took on the task of managing a research facility and its personnel. Over most of this period, Dan McFadden was on the faculty at MIT, and Grace took on even more responsibility for project management and substantive project research.

In 1991, Dan McFadden returned to Berkeley as the E. Morris Cox Professor of Economics, with a commitment from the Berkeley administration to fund a computational laboratory that would make the Economics Department pre-eminent in applied microeconometrics. Grace agreed to return to the campus and direct this laboratory. Under her supervision, a laboratory and computer center were designed and installed, creating an environment with the right software and data resources to make large scale microeconomic analysis by faculty and graduate students feasible. Grace became an expert in information technology management, and used her ability to work with people and with bureaucracies to assemble a world-class facility at a small fraction of the cost of later imitators. Through her training and tough love for generations of students, she made the Econometrics Laboratory (EML) part of the Berkeley woodwork, a facility that enabled people to get their computing done without hassle, an environment where good econometrics programs were automatically maintained and documented, computer storage and processing power was adequate to handle the most demanding tasks, and users knew what they were doing. Through careful, active management, Grace was able to stay ahead of demand, and make sure the EML was at the forefront of computing technology. Her legacy in the EML has been to make Berkeley one of the best places in the world to do applied econometrics, and its computing environment the envy of the profession.

See MCFADDEN page 11

Welcome to new Economics graduate students: Advice from Nobel Laureate George Akerlof

This semester, George A. Akerlof, Koshland Professor of Economics and 2001 Nobel Laureate in Economic Sciences, welcomed the Department's incoming graduate students with the following words of advice and inspiration about the field of economics and how it is practiced at Cal. He closed with some essential questions for economists to ask about the world in which we live.

It is a great pleasure for me to be the first person to give you an official welcome to the graduate program in economics. I have been at Berkeley for almost 40 years, so I have some perspective on the program. In my opinion, the program is in great shape. The basic courses in theory, econometrics and economic history are popular and well taught. In addition, there are not only good courses, but even depth in every single field. So I think that this is an opportunity and these courses are an opportunity.

I remember meeting a graduate student in history who had taken the economic history courses, which she had found extremely good, because she said that they were very different from the standard graduate course in history, which is a seminar. The same is typically true in sociology, anthropology and psychology. Our economics courses try to give you an overview of their respective fields.

There are two basic requirements of the program:

1. The first is the course and field requirements.
2. The second is that you write a dissertation.

I want to emphasize that both of these requirements are complementary. The aim of a PhD program is to teach you how to do research. I am sure that most of you are at least a little

bit worried at the moment about how you will choose a research topic. I know that I had the same concern when I entered graduate school. One of our students once told me that learning how to do research is like learning a skill.

It is like riding a bike. You concentrate on the idea of riding a bike, and then somehow-at some moment-you suddenly see how to do it.

In the first two years I would like you to try to understand two things:

1. I want you to learn the economics literature sufficiently that you understand what questions have, and what questions have not, been answered. You get that from having an overview of the respective fields, and that is why our taught curriculum is so very helpful. It tells you what practitioners in the field view as to what questions have been answered and also what is the appropriate method for answering them.
2. The second purpose of the courses is that you see what constitutes a research contribution. I want you to try to put yourself in the position of the author, consider what her basic idea may have been, and then see what techniques she used to make it into a paper. I want you to think about what you need to do to ride the bike (to do research) and to try to do it yourself as much as possible.

In other words, I want you to approach this program actively.

Here is an alternative attitude toward

the program. It is to take the approach that now you are here, and you are going to go on a roller-coaster ride and take these courses. Your job is simply to sit there for two years and hang on tight. You are going to take those courses and do extremely well at them. In this view you will be dumped out on the thesis-writing platform two years from now and you will then proceed from there.

I want you to be much more active than that. I want you to have the attitude that what you are trying to do is to do research yourself, and while you are taking these courses you are going to constantly be trying on for size how they might relate to research that you want to do.

In my experience research questions rarely come from direct reading of the existing literature. If they were so clearly there they would be done already. A much more usual way to find a research question is from some kind of triangulation. For that purpose you have to bring your own concerns to bear, and the more you care about them the deeper will be the research that you will do.

Research questions then typically come by two routes, both of which are likely to be complementary. First, they come to you because you have some problem that you want to see answered. Second, they often come from some observation about the real world that is inconsistent with the theory or the existing evidence. You suspect that you have a good idea when you know that your way of looking at the question could not have been answered in the literature. Here is where the advantage of those courses comes in. You may know, for example, that an observation that you have seen in the newspaper is inconsistent with David Card's opinion of labor demand elasticities.

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David Ahn: A young theorist decides that “East or West, the Bay Area is Best!”

A new faculty profile



Born in Korea and raised in San Jose, David Ahn is happiest in the Bay Area; in fact, he has managed to spend all but four years of his life in America right here. The missing four years were spent on a full scholarship at Emory University in Atlanta, Georgia, where David earned his B.A. *summa cum laude* in mathematics and political science, Phi Beta Kappa, as well as an M.A. in political science, with a thesis in international conflict studies. Ahn says he always knew that he wanted to be an academic, but an early interest in physics was undone by his incompetence at lab work. Luckily for him (and us) a political science class at Emory on Kenneth Arrow's possibility theorem sparked an interest that grew into a passion. When asked “Why economics?” Ahn responded that “Economics demands obsessively careful research to reach conclusions. It demands a certain scientific humility, because demonstrating empirical regularities in human behavior is so difficult.”

Ahn headed back home to the Bay Area to undertake his Ph.D. studies, choosing Stanford's graduate business school for its strong theoretical program. Last June, he received his Ph.D. in Economic Analysis and Policy with a dissertation entitled “Ambiguity without a State Space: Theory and Applications”. The month before, he was whisked off on the *Review of Economic Studies* European tour, which celebrates the scholarship and strength of the year's six best graduates. [Besides David Ahn, three other newcomers to Economics also participated in the *RES* tour: postdoctoral fellow Alexandre Mas, and Adam Szeidl and Yuliy Sannikov, whose new faculty profiles will appear in the Spring 2005 issue of this newsletter.] He gave presentations of his dissertation research at Humboldt-Universität zu Berlin (Germany), Nuffield College (Oxford University, UK), Hebrew University (Israel), and Universitat Autònoma de Barcelona (Spain). After graduation, he moved to San Francisco's Potrero Hill and began his position at Cal as assistant professor in the Department of Economics, one of a group of five excellent young microeconomic theorists in this department.

Ahn defines himself as a decision and game theorist, and his current research develops mathematical theories of individual and group decision-making. His primary question is “How do people make decisions when they have vague or ambiguous information? Can you create reasonable theories which take this into account?” Ahn is working on two projects. The first, in decision theory, treats the distinction between *risk*, which involves probabilities with well-defined quantitative odds—such as the actuarial risk a 60 year old non-smoker will have a heart attack, and *ambiguity*, which involves uncertainties where the exact probabilities are poorly defined—such as the likelihood of terrorism. He developed a new model of ambiguity that does not require the decision maker to list all the possible contingencies, which are often unknown in decision problems with high uncertainty. The second project, in epistemic game theory, treats the layers of ambiguous beliefs that arise in games with incomplete information: “What do I believe about what you believe about what I believe . . .” He showed that even if higher-order beliefs about others' beliefs are ambiguous, it is still possible to collapse all these layers to “first-order” beliefs on a single, general space.

For David Ahn, staying in the Bay Area, near family and friends, was a natural choice. Coming to Cal proved to be natural, as well. He says that “Cal supports a unique culture of pure research, really prizing its remarkable disciplined departments. The Department of Economics values fundamental theoretical research across fields. Here, academia is more than a job; faculty are genuinely excited about research just for the sake of answering questions—not for professional advancement or fame. There is a real joy in their work, which is obvious to the students.” He enjoys that his colleagues in Economics have lives outside of the department and is happy to be in such a supportive place for junior faculty. He also appreciates the diverse student population, and finds the atmosphere on campus “charged and energetic.”

During his first semester of teaching, Ahn has already brought a fresh perspective to the Department. In a change from past practice, Ahn is teaching the cross-listed Math/Econ 103 class as a rigorous math class, with definitions, theorems, and proofs. He finds that the students are highly motivated and definitely keep up with the pace and material. He is also excited to teach graduate classes in theory and mathematical economics.

David describes himself as a “foodie” and loves discovering new and excellent restaurants in the Bay Area, accompanied by friends and his wife, Karen, a genetic counselor at Kaiser Oakland. He is also a lifelong “rabid Giants fan,” and is planning a trip to spring training in Arizona. In the off-season, he attends jazz concerts and collects jazz records. And he enjoys being at home in the Bay Area all year round.

Enrico Moretti: Application is the real attraction

A new faculty profile

Labor economist Enrico Moretti says that, for him, becoming an economist was a “long and troubled road”. When one looks at his *curriculum vita*, it may be difficult to believe this: He graduated *Summa Cum Laude* in Economics from Bocconi University in his native Milan, Italy, and received his Ph.D. in Economics from Cal in 2000. During Moretti’s undergraduate years, he grew unhappy with the European approach to economics, with its emphasis on theory and lack of real world application. At the same time, he became more strongly attracted to environmental issues and decided to pursue a graduate degree in environmental science. He was accepted to the Energy and Resources Group at Cal and arrived ready to pursue this dream. However, a providential graduate course in economic models taught by George Akerlof proved to be the making of this economist. Akerlof insisted that economic models should be simple and able to describe the world—a vastly different kind of training than he had received in Italy. Moretti was drawn to the descriptive power of models and the applied nature of economics, as practiced in the United States. He rethought his choice of environmental science and transferred to the Department of Economics.

Moretti specializes in labor economics and econometrics, which are the most applied subfields in economics. He is attracted to the power of applying real data to real issues with policy implications. The ability to collect data about existing organizations and utilize that data to test economic models creates the “real world” scenario lacking in Moretti’s earlier economics training. He is currently involved in a series of projects on intergenerational transmission of human capital—the success or failure of several generations of the same family to become economically upwardly mobile—to try and clarify the reasons for the rising inequality in the United States. His three projects in this area address: 1) the effect of maternal education on child outcomes; 2) the intergenerational transmission of health (at birth) in three generations, from grandmother to mother, and on to her children of any gender (as well as horizontally between aunts and cousins in the same family); and, 3) long run trends in the intergenerational transmission of longevity. Early results show that there is a strong correlation between economic power and difficult birth outcomes from generation to generation. Importantly, this correlation is significantly stronger for disadvantaged individuals. Moretti’s initial conclusions are that wealthier and more educated Americans are able to “buy themselves out of health shocks”, such as low birthweight, due to their increased access to healthcare and/or better lifestyles. Moretti is collecting data from the Mormon Church in order to study historical changes in these areas due to health care and nutrition, for example, but he is also studying the rise of institutions that may also have impacted these changes, such as the advent of the Social Security Administration and the creation of WIC and other welfare programs in the 1960s.



Another area of interest of Moretti is urban economics. In a new research project Moretti, together with David Card, investigate the effect of corporate headquarters on local economies, in terms of jobs and the creation of new firms (ie., agglomeration economies), as well as potential benefits such as increased charitable contributions in the urban area.

Upon completion of this Ph.D., Moretti accepted a junior faculty position at UCLA, and during his four years there, returned to Berkeley for one quarter as a Postdoctoral Researcher. He decided to return to his alma mater due to the strength of the applied microeconomics group at Cal—the labor economists, econometricians, and public finance economists. He is also particularly impressed by the strength of the junior faculty who have arrived since his graduation four years ago.

Moretti says he is also happy to be back in the Bay Area so that he can once again pursue his interest in backpacking in Marin County and the Sierras. He is also a longtime bird watcher, and particularly loves to visit the Central Valley during the winter months. Although he was an avid birdwatcher in Europe, this passion has also taken him as far away as India and Peru.

Faculty News & Notes



Pranab Bardhan was a Visiting Fellow at Trinity College, Cambridge, UK during June and July 2004. In August, he gave a series of lectures on institutional economics of development at the Foundation for Advanced Studies in Economic Development in Tokyo, Japan. During 2004, he continued his work as Co-Director of the MacArthur Foundation-funded Research Network on Inequality and Economic Performance, which continued its research projects and organizational meetings in places such as Prague and Beijing. In late September, a conference organized by development economists was held in Professor Bardhan's honor at Harvard University; the conference papers will be published as a special journal issue. Finally, his book *Scarcity, Conflicts, and Cooperation* was published by MIT Press in November.



Kenneth Chay reports that his paper, "The Impact of Air Pollution on Infant Mortality: Evidence from Geographic Variation in Pollution Shocks Induced by a Recession" (with Michael Greenstone) received the Kenneth Arrow Award for the best paper in health economics in 2003. The article was published in the *Quarterly Journal of Economics* in August 2003.



In August, **Stefano Della Vigna** was named a 2004 Distinguished Research Mentor in the College of Letters & Science at Cal. Terry Strathman, Program Director of the Office of Undergraduate Research (URAP), which made the award, said in her congratulatory letter, "Your encouragement of undergraduate researchers has been truly extraordinary, as those who nominated you are eager to note". DellaVigna was honored in a ceremony on September 23rd and received a monetary award to support his current research interests in psychology and economics.



Bronwyn Hall was a keynote speaker at the World Intellectual Property Organization conference on the Use of Patent Data in Geneva in October. In December she traveled to Marseilles to give an invited lecture on "Market Value and R&D" at the 15th EC-squared meeting, whose topic this year is the econometrics of industrial organization. For the past three years, Professor Hall has served on A National Research Council-STEP Board committee on Intellectual Property. In April, the committee released its final report, "A Patent System for the 21st Century". The report focuses on how well the system fulfills its mission of encouraging research, innovation, and the dissemination of knowledge, and how it is adapting to rapid technological and economic changes. The report is available at <http://www.nap.edu>.



Edward Miguel's most recent publication is "Economic Shocks and Civil Conflict: An Instrumental Variables Approach" (with Shanker Satyanath and Ernest Sergenti), which appeared in the *Journal of Political Economy*, 2004, 112(4). He continues as Associate Editor of the *Journal of Development Economics*, and is the recent recipient of a multi-year (2004-07) grant from the National Science Foundation for a project entitled "Health, Education, and Economic Development".



In August, **Maurice Obstfeld** received the biennial Bernhard Harms Prize from the Kiel Institute of World Economics of Kiel University, Germany. He also presented five lectures while there. The month before, he traveled to Tokyo to present the keynote address on "Globalization, Macroeconomic Performance, and the Exchange Rates of Emerging Countries" at the Bank of Japan's annual research conference. Along with Professor Christina Romer, Professor Obstfeld was inducted into the American Academy of Arts and Sciences, the Cambridge-based society founded in 1780 by John Adams and other New Englanders hoping to nurture the new country's intellectual, artistic, political and commercial dynamism. (An early member was General George Washington, 1781).

Faculty News & Notes



Business and Economics Professor wins German Economics Prize

by Kathleen Maclay, Public Affairs (September 22, 2004)

Oliver Williamson, an emeritus professor at the Haas School of Business and Department of Economics, is the 2004 recipient of the H.C. Recktenwald Prize in Economics for his contributions to the development of transaction-cost theory and institutional economics.

Previous recipients were Edmond Malinvaux of France, Nobel Laureate Joseph Stiglitz of Columbia University, Princeton University economist Paul Krugman, and economist Paul Romer of Stanford University.

The premier German prize in economics was established by Hertha Recktenwald in honor of her husband, internationally recognized political economist Horst Claus Recktenwald, who died in 1990. Recipients are selected every two years. Williamson will accept the honor in ceremonies to be held Nov. 3 at the Nuremberg Castle in Nuremberg, Germany.

Williamson is known worldwide as an expert in anti-trust, regulatory, and transaction-cost economics. (The latter combines economics, law, and organization theory to study complex contract and economic organization.) His work is said to have influenced everything from electricity deregulation in California and investment in Eastern Europe to human resource management in the technology industry.

Williamson, who also had an appointment in Berkeley's School of Law (Boalt Hall), has called his own work a blending of the extremes of both soft social science and abstract economic theory.

The Edgar F. Kaiser Professor of Business Administration is the author of several books, including an economics classic, *Markets and Hierarchies: Analysis and Antitrust Implications* (1975) and, 10 years later, *The Economic Institutions of Capitalism: Firms, Markets, Relational Contracting*. The latter is one of the most frequently cited works in social science research.

Williamson served as a special economic assistant to the head of the antitrust division of the U.S. Justice Department from 1966 to 1967 and has consulted for the National Science Foundation and the Federal Trade Commission. He has received eight honorary doctorates from universities around the world.

He is a member of the National Academy of Sciences, a fellow of the American Academy of Political and Social Science, a fellow of the American Academy of Arts and Sciences, and a fellow of the Econometrics Society. He also was the 1999-2001 president of the International Society of New Institutional Economics. In 1995 he served as chair of the Berkeley Division of the Academic Senate.

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outsourcing, from health care reform to how to provide old age security.

The Economists' Voice creates a forum for readable ideas and analysis by leading economists on vital issues of our day. To read the inaugural issue, please visit the journal's website at www.bepress.com/ev.

Editor's Note: Professor Edlin made this comment following the initial release of The Economists' Voice: "Readership has been extremely high with 30,000 full text downloads so far. We are all very enthusiastic about having a substantial impact on policy debates."

The **Undergraduate Economics Association** has greatly expanded both its outreach efforts and its event programming. The Association's well-organized and lovely website (<http://www.ocf.berkeley.edu/~uea>) is linked to the Department of Economics' website and provides a welcoming and informative venue for current and potential undergraduates to transcend the major's application procedures and prerequisites and learn more about the life of an undergraduate in the Department. The site offers complete membership information by answering questions such as "What are our goals?" and "Why should I join UEA?" and then hammers home its strongest selling point: a list of twenty-three Fall 2004 Association events ranging from study group-forming socials to meetings of committees formed around special interests, such as marketing, professional affairs, marketing, and academic affairs. The UEA also sponsors workshops that highlight life after an Economics B.A., including career fairs, resume writing workshops, graduate school forums, and professor luncheons, which encourage students to find out more about the field by having a meal with their faculty. The Association also organizes fun events, such as a new majors' party and a Halloween social. As of early November, the UEA had already posted a half-dozen events for Spring 2005, which include Telebears (course enrollment) advising and an office tour of the Federal Reserve Bank in San Francisco. UEA President **Catherine Chen** reports that the ten-year old, ASUC-sponsored, association currently boasts 200+ members and generally recruits around 50 new members annually. The UEA only offers a lifetime membership, so once a member, always a member.

Welcome to Cal...Here's Your Free AEA Membership!

Welcome to Economics! The Department wishes to acknowledge and thank Sherman and Ellen Shapiro for their continuing generosity to incoming graduate students in Economics. For the second year, the Shapiros have offered complementary memberships in the American Economic Association for all new (Fall 2004) graduate students in the Department. This is a very tangible way to help students immerse themselves in their chosen field and to feel welcome at Cal.

David Yves Albouy has just been elected as a Graduate Fellow of the American Academy of Political and Social Science (www.aapss.org). Election to the AAPSS results from Departmental recommenders, including the Graduate Committee Chair.

Adi Ayal reports that he has two new publications: "Law and Economics vs. Feminist Economics: an eternal feud or a misunderstanding among friends?", in *10 Democratic Culture 2004* (forthcoming) and "The economic basis for the restrictive trade practice law", in *Law and Economics of Israeli Antitrust Law* (Gal and Perlman, eds., 2004, forthcoming).

Fernando Machado Goncalves spent Summer 2004 in Washington, DC, on an internship at the International Monetary Fund's Policy Development and Review section. He participated in a project on domestic debt in low-income families.

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In recent years, Grace took on additional challenges. Continuing her habit of eagerly acquiring new facts and methods, she learned all about internet surveys and experiments, becoming a named researcher along with Dan McFadden on projects for NIH that exploit this new technology to learn more about the economic status, preferences, and beliefs of the elderly. She also organized XLAB, the new experimental facility for economic and social sciences designed to support behavioral economics, experimental cognitive psychology, and marketing.

In addition to her lifelong dedication to research management, and to the faculty, students, and staff with whom she worked, Grace was dedicated to her husband Brad, and their interests in racing, softball, wrestling, and wine. She was a dear friend of many current and former staff and students, and a lifelong collaborator with Dan McFadden in his research program. More than any other person, her efforts made possible the Nobel Prize awarded to McFadden for the development of applied microeconometrics. One of the high points of Grace's career was the year 2000 Nobel ceremony, where she was an honored guest. Her spreadsheet for calculating wearing apparel for this event epitomizes her meticulous, economical approach to management, and will always be famous among Berkeley staff.

In July 2004, Grace died of pancreatic cancer. Her first thoughts upon learning of this affliction were who would look after her husband Brad and who would maintain the Econometrics Lab. She was a dedicated, intelligent, selfless person who cared about the people with whom she worked, and about their goals in economics research and education. She was always ready to devote the extra hours and extra effort to get the job done. She was a "can-do" person who would always find a way to accomplish the task at hand. She contributed to the lives and the research of generations of faculty and students. She was an outstanding member of the university community and the economics department team, and an example to us all for dedication, motivation, effectiveness, and willingness to get the job done.



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So here is my advice:

The most important thing that you can do in your first two years of this program is to keep—or to develop—a passion about some important economic problem. If you do so, you will be constantly on the lookout for ways to solve your problem, and also for ways in which it has not been fully answered. You should put yourself actively rather than passively into this research process.

I finally want to add that there are a surprisingly large number of questions out there that need to be answered. I can name at least six big ones right off the top of my hat:

1. Why do we have an economic theory that suggests that we should do nothing (or almost nothing) about global warming?
2. Why should we have an economic theory that says that it is correct to give a dividend tax to the richest people in the US? Is the public finance literature ambiguous about the desirability of such policies? If so, why should there be any ambiguity? How could we try to decide if such policies are right?
3. Why do we have a macroeconomic theory that basically says that monetary policy cannot even stabilize the economic system?
4. Why do we have a theory of contracts and organizations where there is no role for the concept of leadership?
5. Why do we have a system of justice in the United States with such huge disparities between black and white? What can be done to correct these disparities?
6. Why do we have a world in which 1 billion people live in countries that are quite rich, while the rest of the world faces problems of severe disease and hunger? Why are we so inhumane as to allow millions of people to die of AIDS while we spend billions of dollars on armaments, or on luxuries that we barely need?"

UNIVERSITY OF CALIFORNIA, BERKELEY

The Econ Exchange

NEWS AND NOTES FROM THE DEPARTMENT OF ECONOMICS

The Econ Exchange is published semiannually for alumni and friends of the Department of Economics, University of California, Berkeley.

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THE ECON EXCHANGE

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A Brief Reminder... Hitchcock Lecture Series continues on campus in February with...

Amartya Sen

Lamont University Professor and Professor of Economics and Philosophy, Harvard University

In his native country of India, Amartya Sen has been called the "Mother Theresa of Economics." He has made invaluable contributions to research on fundamental problems in welfare and economics. His work ranges from empirical studies of famine to poverty and globalization. Sen is widely recognized for his ability to join economics and philosophy which is reflected in his work through ethics and a sense of common humanity. In 1998, he won the Nobel Prize in Economic Sciences for his work in "social choice theory", the philosophical foundation backed by mathematics which supports all of Amartya Sen's work.

Wednesday & Thursday

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