

# The Econ Exchange

NEWS AND NOTES FROM THE DEPARTMENT OF ECONOMICS

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## Professor Janet Yellen Appointed President & CEO of the Federal Reserve Bank of San Francisco

By Media Relations,  
UC Berkeley  
12 April 2004

Professor Janet L. Yellen has been appointed president & chief executive officer of the Federal Reserve Bank of San Francisco, according to George M. Scalise, chairman of the San Francisco Federal Reserve Board of Directors. Yellen is the Eugene E. and Catherine M. Trefethen Professor of Business at the Haas School of Business and Professor of Economics at the University of California, Berkeley.

She will assume her new position on June 14, succeeding current president and CEO Robert T. Parry, who last September announced his

intention to retire at mid-year after serving 18 years. Scalise said the appointment was made by the directors of the Federal Reserve Bank of San Francisco and approved by the Board of Governors of the Federal Reserve System in Washington, D.C.

Calling the appointment "brilliant", UC Berkeley Chancellor Robert Berdahl said, "We are very happy for Janet. She has been an outspoken advocate for fiscal responsibility. The Federal Reserve System will benefit from her leadership, as has this University and her students." The Federal Reserve Bank in San Francisco is the head office covering nine Western states, making it the

largest district within the Federal Reserve System.

Yellen has served on the Haas School faculty since 1980. She previously was on leave to

serve on the Board of Governors of the Federal Reserve System from 1994 to 1997 in Washington, D.C. and as chair of President Clinton's Council of Economic Advisers from 1997 to 1999.

"I'm honored to have been chosen for this key position, and I look forward to meeting employees and community leaders throughout the highly diverse states that comprise the



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I have much to report since our last edition of the *Econ Exchange*. We graduated over four hundred B.A.s and twenty-seven new Ph.D.s at May's annual Commencement Ceremony. Although I have had the pleasure of attending many of our graduation ceremonies, I continue to be moved by our exuberant students with their degrees (almost) in hand and by their friends and families who are thrilled to see their dreams realized. Our graduation speaker, former California legislator and University Regent William T. Bagley, added a personal touch as a long-time alumnus of our Department. Bill spoke about the importance of the UC System and Cal, and about the bygone days when a Cal education cost \$50 a semester and the University of California could welcome promising students of even the most modest means. He deplored the state's withering financial commitment

to its premiere system of higher education and entreated our graduates to be active politically and to fight for the future of their alma mater and its students. I second Bill's feelings about Cal. Berkeley is a special place and we need to work hard to keep it that way.

As is traditional at Commencement, I gave our recent graduating class a report on the Department's condition. A leading indicator of the health of an academic department is its ability to renew itself by attracting



*Commencement  
Speaker William Bagley,  
B.A., Economics, 1949*

excellent new faculty. Over the past four years, we recruited thirteen outstanding new faculty members. They turned down many competing offers to come to Berkeley. Several new faculty members have joined our Department starting Fall 2004. David Ahn is a microeconomic theorist from Stanford who works on consumer decision theory. Enrico Moretti is a labor economist and Cal graduate. Enrico recently taught at UCLA, and will join our group of labor and applied economists. Yuliy Sannikov is a specialist in game theory, also from Stanford. (Despite our differences with Stanford, we have no objections to hiring their best and brightest!) Adam Szeidl is a microeconomic theorist with particular interests in public finance. Adam comes to us from

Harvard. We also welcome Alexandre Mas, a labor economist from Princeton. Alex's main appointment is in the Haas Business School, but he will also be working with colleagues in Economics. And Seema Jayachandran, a development economist from Harvard, will join us as a Robert Woods Johnson fellow.

You will learn more about our new additions in subsequent issues of this newsletter. For now, I will limit my boasts to a brief anecdote. Each year, *The Review of Economics Studies* sponsors a global speaking tour that features the best research by new assistant professors. This year, four of the six junior faculty on the *RES* tour have appointments at Berkeley! We are very proud of our new faculty and proud of our efforts to attract them to Berkeley. They will carry on the tradition of excellence that is the Berkeley Economics Department. I welcome them to the Department and to the Cal campus.

This past year we continued our program to interact with Department alumni and friends on important issues of research and policy in economics. We held a symposium on "California's Fiscal Crisis", organized by Burch Professor Alan Auerbach, which included talks by several experts on the economics and politics of the State's finances. An explanation of the budgetary "numbers game" sparked some lively debate among speakers and the audience.

Our outreach programs are part of a larger effort to engage

*See CHAIR, page 10*

# ALUMNI EXCHANGE

## ALUMNI UPDATES...

**James Fabe (BA, '74)** completed his MBA at UCLA in 1998, and in addition to practicing dentistry in Beverly Hills, uses his financial management skills as a consultant to dental practices throughout the United States. He has worked as a dentist in Israel and Switzerland, where he was able to pursue his passion for skiing. More recently, he has enjoyed helicopter and glacier skiing in Canada and South America, and invites Econ alumni to join him for a game of golf when in Los Angeles.

**Paola Giuliano (Ph.D., 2003)**, now an economist with the IMF, has received the 2004 Young Economist Award from the European Economics Association. The award honors the ten best papers submitted to the annual EEA Congress by economists under the age of thirty, or who are no more than three years beyond their Ph.D. defense.

**Ken Raust (B.A., '82)** has spent the last eight years as a the controller for CLC Associates, a full-service architectural and engineering firm in Greenwood Village, CO. Specializing in retail, CLC is in the middle of an aggressive expansion that has seen offices open in Spokane, WA, Salt Lake City, UT, and Phoenix, AZ. Ken writes that he enjoys "living in the Rocky Mountains and just bought a condo near the Colorado ski areas. Boulder is a big Berkeley-wannabe!!"

**Miguel Angel Rodriguez (Ph.D., '66)**, former president of Costa Rica, has been elected Secretary General of the Organization of American States.

**Stephen Weiler (Ph.D., '94)** is now Assistant Vice President and Economist at the Federal Reserve Bank's Center for the Study of Rural America in Kansas City, MO. After eight years at Colorado State University, Weiler is very excited by this opportunity to combine his rural and regional economics applied research interests in a unique context.

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

## THANK YOU TO OUR FRIENDS

*The Department of Economics gratefully acknowledges the alumni, friends, and organizations who made donations to the Economics Annual Fund, Centennial Fund, and other initiatives, from December, 2003 through July, 2004:*

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Lloyd and Lassie F. Ulman  
Harold M. Williams '82 and Jeanne L. Rush

### The Grace Katagiri Fund:

Daniel and Beverlee McFadden

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# U.P.C.O.M.I.N.G. E.V.E.N.T.S.

*The Department of Economics and The Graduate Council will bring two eminent economists to campus as Hitchcock Professors during Fall, 2004 and Spring, 2005. Each will give two lectures in the Charles M. and Martha Hitchcock Lectures series. In the past, distinguished scholars such as Linus Pauling, Enrico Fermi, Robert Oppenheimer, and Stephen Hawking have served as Hitchcock Professors. All lectures are free and open to the public.*

## Robert W. Fogel

*Charles R. Walgreen Distinguished Service Professor of American Institutions, and Director of the Center for Population Economics, Graduate School of Business, University of Chicago*

Robert W. Fogel is widely recognized for his important contributions to economic science that further the understanding of long-term technological and institutional change. His early work focused on railroads and economic growth in American history. Since the late 1980s, Fogel's principal research has focused on explaining the secular decline in mortality and the changing pattern of aging over the life cycle in the United States. In 1993, he was the recipient of the Nobel Prize in Economic Sciences for "having renewed research in economic theory and quantitative methods in order to explain economic and institutional change."

**Tuesday & Wednesday  
November 16-17, 2004  
International House, 4:10PM (each day)**

## 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  
February 2-3, 2005  
International House, 4:10PM (each day)**



## Econ Echoes...

*a column of alumni  
recollections*

*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) 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 The 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](mailto:alumni@econ.berkeley.edu). Essays should not exceed 250 words and selection is at the discretion of the Editor. Please remember to include your name, degree, and degree year with your submission.*

Clark Kerr's contributions to labor economics and industrial relations reflect a strong sense of the relevant and the important—an instinct for the intellectual jugular and not the capillaries. This attribute is in limited supply in the academic circles in which some of us have traveled; in Kerr's case it was honed and nourished by long experience as a mediator and problem solver in disputes between labor and management—particularly during the second World War when he served as a "scholar-participant" and Vice Chairman of the 12th Regional War Labor Board.

His blend of sophistication and pragmatism led him to reject analyses that he regarded essentially as triumphs of ideology and dogma over experience and facts on the ground. In the book *Industrialism and Industrial Man*, Kerr and his co-authors John Dunlop, Frederick Harbison, and Charles Myers, rejected the Marxist theory of economic development as an internally generated progression from pre-capitalist to capitalist and then socialist orders, with trade unions functioning as agents of the proletariat in the struggle against capitalism. Instead, what Kerr and his colleagues observed in the postwar years was the spectacle of communist countries beginning to decontrol and even privatize sectors of their economies, while capitalist countries were increasing the size of their public sectors as social security programs proliferated. They claimed to have detected convergence—although this was a stretch—rather than progression. As for trade unions and labor problems, the latter "are endemic in any system of industrialism and not in capitalism alone".

While Kerr's "bottom line" was "fidelity to reality", he refused to follow those institutionalists who rejected neoclassical economic analysis and its central assumption of "rational", maximizing behavior. Yet he distrusted analysis that generates counterintuitive conclusions; and when John Dunlop, his great friend, co-author, and comrade-in-arms, produced an "economic theory" of union wage behavior that was essentially an application of standard monopoly theory, Clark dismissed it as "ingenious, interesting—and nonsense!" Clark, with Arthur Ross and Lloyd Fisher at the Institute of Industrial Relations, put forward a competing "political theory" according to which union wage policy is determined not by wages and employment alone but also by such nonstandard variables as "coercive wage patterns" and uncompensated increases in the cost of living. Dunlop's theory became a prototype for economists in the mainstream; but the approach followed by Clark will, I am sure, gain increasing recognition by the growing group of behavioral economists whose work on our campus is led by George Akerlof and Matthew Rabin.

I should like to add that Clark's concept of a "multiversity" of diverse interests continually in need of wise mediation by its administrators clearly reflected his scholarly and professional experience. But even wise and gifted mediators can fail on occasion—especially when neither side wishes to negotiate in "good faith" and particularly when both sides regard the moderate peacemaker as the real enemy. That is pretty much what happened to Clark when, as he said, he was "fired with enthusiasm" from the presidency. But when our University lost a great president, the cause of higher education in the country gained a great leader.

**by Lloyd Ulman, Professor Emeritus, Economics  
and Industrial Relations**

**(Delivered at Clark Kerr Memorial , February 10, 2004)**

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# Shachar Kariv: An Experimental Economist

*A new faculty profile*

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While transitioning from his five-year stint in the Israeli Army to a full-time job at Israel's Office of the Prime Minister, Shachar Kariv found himself with a little time on his hands on Monday and Wednesday afternoons. In search of something unrelated to his day job, he searched for a class to take at Tel Aviv University. The one course that fit his schedule was "Principles of Economics". Kariv was attracted to economics, but not particularly. He was also drawn to mathematics and law, but no classes in these fields were available on those afternoons. So Kariv attended the elementary economics class, found that he was proficient at it, and decided to focus his undergraduate studies on economics. Whereas most young Israeli men spend three years in the military, Kariv's extended service meant that he began college at a slightly older age, and so to compensate, he "optimized given constraints"—working full-time (and missing classes as necessary) while studying hard enough to complete his B.A. and M.A. in four years.

Like many before him, Kariv became deeply interested in economics because it addressed real-world questions but used mathematical tools to explain and test hypotheses. While working on his master's degree, he spent two years as a researcher at Bank Hapoalim, Israel's largest bank. This experiment with the "real world" did not provide any opportunity to pursue his fascination for both the theoretical and practical aspects of economics. He says that "economics gives an interesting set of tools to think about important problems that other social scientists do not have the opportunity to examine." In his desire to move beyond interpreting others' data, Kariv decided to embark on a Ph.D. in

economics, and like many Israelis, was encouraged to go to the United States. However, his earlier "optimizing" behavior of working full-time and studying efficiently in his spare time meant that his economics professors did not know him well enough to provide the strong references he would need to be admitted to a very top American Ph.D. program. Instead, he went to New York University, an



experience which would provide him with professional direction and his intellectual passion.

In his second year at N.Y.U., Kariv began working with Douglas Gale and Andrew Shorter. His paper (with Boaçhan Çelen, Columbia Business School), "Distinguishing Informational Cascades from Herd Behavior in the Laboratory" (2004), modeled uniform social behavior based on laboratory experiments. The laboratory's controlled environment provided a clean test of his herd behavior theory and this early work offered new directions for further research combining theory and experiments. Kariv's current research

focuses on the idea of "social networks" using graph theory in areas such as Bayesian learning and financial contagion. He has found that economic outcomes are dependent on the structure of the networks involved and is utilizing concepts from sociology which discuss connections and cooperation between individuals. He intends to expand his incorporation of mathematical and computer science tools into the social sciences, especially economics. Future plans include additional work on networks, social learning, fads and fashion, and epidemics, all utilizing theory and laboratory experiments. He hopes to teach a course on experimental game theory at the undergraduate level and to teach theory to graduate students. So far, he has found the intellectual level of the undergraduates he has taught to be extraordinarily high; he has even presented problems from doctoral field exams to his upper division game theory class!

Kariv finds economic research to be addictive, and can be found hard at work in his office early each morning. He is, however, equally addicted to his family life, and so spends his free time with wife Hilla and young daughter Danya, only returning to his research when his family has gone to sleep for the night. Kariv says he is delighted to be in Berkeley, where the Department's strong sense of community is matched only by the strength of its interdisciplinary approach to the field. He finds the environment especially nurturing for junior faculty to grow and flourish in, and says he finds himself in great company among five superior junior faculty in microeconomic theory at Cal.

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# Pierre-Olivier Gourinchas: Building Bridges to Understanding International Development

*A new faculty profile*

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Pierre-Olivier Gourinchas was initially trained as a math and physics major. A student at France's prestigious *École Polytechnique*, he did not encounter economics until his last year of college, when he got the opportunity to work as a research assistant. While he was briefly tempted by a career in biology, he discovered that he loved economics research and its combination of strong theoretical modeling, creative empirical analysis, and social implications.

After graduating from *Polytechnique*, he joined the *Corps des Ponts et Chaussées* (National School of Bridges and Roads) in Paris, which, despite its original focus on civil engineering, has become over the years a hothouse of U.S.-trained French economists. Along with his classes in bridge building and geology, his advisor encouraged him to pursue as much economics as he desired. Eventually, he decided to get a Ph.D. in the U.S., at M.I.T.

Gourinchas' early intellectual interests were in international macroeconomics. In these early years of the European Union, many questions relating to international macroeconomics—European integration and the prospects of a monetary union, for instance—were actively studied at M.I.T. by Olivier Blanchard, Rüdiger Dornbusch, Ricardo Caballero and Paul Krugman.

Gourinchas attended Rudi Dornbusch's legendary "international breakfasts", where graduate students presented their work on Thursday mornings between 8:00 and 9:00am. Blanchard, dynamic and intellectually impressive, particularly influenced Gourinchas' thinking. In one of the essays of his dissertation, "Essays on Exchange Rates and Consumption", he and Jonathan Parker from Princeton showed that one can understand life-cycle patterns of household consumption reflecting two opposing motives: a life-cycle saving motive (smoothing consumption over time) and a precautionary saving motive (saving for a rainy day). Another essay addressed a

long-standing puzzle in international finance regarding the co-movements of interest rates and exchange rates and argued that markets misperceive news about the future conduct of monetary policy.

Gourinchas' recent work addresses the sustainability of the external balance of the U.S. In a new paper with Helene Rey at Princeton, he shows that exchange rate movements redistribute wealth between countries and can, in the case of the U.S., stabilize the external debt. Their work



has important implications for the predictability of exchange rates.

Gourinchas is also currently collaborating with Olivier Jeanne of the International Monetary Fund on a project on financial integration for emerging countries. In their initial research, they provided an upper bound for the welfare gains from financial integration for emerging countries, using standard neoclassical growth models. Their surprising conclusion is that—within the confines of the models typically used to argue in favor of financial integration—those gains are typically small.

Gourinchas and Jeanne are now working on a model which analyzes whether and how financial integration can help improve social infrastructure and discipline the government. Working on two levels, the researchers are building a model in which capital

mobility interacts with property rights, as investors are deterred by the uncertainty created by a lack of guaranteed rights of ownership and the potential for the "grabbing hand of the government". A common argument, which they are investigating, is that if emerging countries can discipline unruly governments and create a balance between the rule of law and fairness, opening markets will ultimately attract foreign investment and stimulate growth. Gourinchas points to the cases of Indonesia and Malaysia, where differences in government stability and approaches to controlling two export-led economies may have created a strong Malaysia but a weak Indonesia.

Being at Cal seems natural to Gourinchas, he says. The Department, which has always been strong in international economics, is dynamic and active, with colleagues such as Maury Obstfeld, Barry Eichengreen, Brad DeLong, and Chad Jones, as well as Andy Rose and Richard Lyons over at the Haas School of Business. He has found many people to share ideas with. In addition, Cal's Department of Economics boasts a number of other fairly recent transplants from Princeton, where Gourinchas taught before coming here, including Chang-Tai Hsieh, Ken Chay, David Lee, and David Card. Cal has also embraced Gourinchas' wife, who is now an assistant professor in the Department of Sociology.

Aside from conducting his research and teaching international monetary economics courses, Gourinchas has already taken on some graduate student supervision in his one year here. He also enjoys the diversity of the undergraduate population he has met at Cal, and says that his top students here are quite extraordinary and promising. However, life at Cal also possesses attractions other than teaching and research: the beautiful weather in the Bay Area makes it easy for Gourinchas, his wife, and two young daughters to spend considerable time outdoors doing what they love most—visiting parks, picnicking in the Marin Headlands, and traveling in the area.



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# *Faculty News & Notes*

*The Review of Economic Studies* sponsors a global tour featuring its selection of the most stimulating new Ph.D. dissertations in economics. Last year Assistant Professor **Raj Chetty** was on the tour. This year, four of the six members of the RES tour will be at Berkeley during the coming year, either as faculty in Economics or as postdoctoral researchers. They are:

**David Ahn**, "Ambiguity without a State Space"

**Alexandre Mas**, "Arbitrating Arrests: Final-Offer Arbitration and the Performance of New Jersey Police Officers"

**Adam Szeidl**, "Consumption Commitments and Asset Prices (with Raj Chetty)"

**Yuliy Sannikov**, "Games with Imperfectly Observable Actions in Continuous Time"

In early December [2003] the Department hosted a symposium on poverty, the distribution of income, and public policy organized by **Alan Auerbach**, **David Card**, and **John Quigley**. The two-day symposium was held at Alumni House. It featured nine papers by prominent labor and public finance economists (including Berkeley's own **Emmanuel Saez** and **Steven Raphael**) and attracted a large audience from the U.S. and Europe. Auerbach, Card, and Quigley are editing the proceedings for a book sponsored by the Russell Sage Foundation.

**Pranab Bardhan** reports that in November [2003] he spoke on Indian political economy at Columbia University and on decentralization at the International Institute of Governance in Barcelona, Spain; in January [2004], he presented the S.K. Bose Memorial Lecture in Calcutta, India, and co-organized a conference on poverty and social policy on behalf of the MacArthur Foundation Research Network on Inequality, which took place at the Neemrana Fort Palace in Rajasthan.

The Department's Graduate Economics Association reports that the 2003-04 awards for advisor and instructor of the year have gone to **David Card** and **Paul Ruud**, respectively.

**Barry Eichengreen** is the recipient of the 2002-03 Division of Social Sciences' Distinguished Teaching Award. Eichengreen was honored at a reception in April [2004] at which Dean Breslauer spoke of him as "the ideal faculty member" in that he teaches at all three levels: undergraduate courses (large and small), graduate lecture courses, and graduate seminars. The Dean quoted student evaluation comments from past years, many of which were lengthy and spoke warmly of his commitment to his students at all levels.

**Bronwyn Hall** was on leave during Spring, 2004 as Fulbright Distinguished Professor at European University Institute in Florence, Italy, and Deloitte-Touche Visiting Professor at the Judge Institute of Management and Visiting Fellow at Sidney Sussex College, Cambridge University, United Kingdom.

Seven young Berkeley faculty have been named 2004 Sloan Fellows by the Alfred P. Sloan Foundation, among them Associate Professor of Economics **Chang-Tai Hsieh**. The substantial two-year fellowship will allow Hsieh to continue his research in international growth and development economics.

Among Berkeley's seven faculty who have been newly elected as fellows of the American Academy of Arts and Sciences are **Maurice Obstfeld**, Class of 1958 Professor of Economics, and **Christina Romer**, Class of 1957 Professor of Economics.



# Faculty News & Notes

In March, 2004, **Maurice Obstfeld** presented the Woodward Lecture at the University of British Columbia, Canada. The honor of presenting a lecture in this series is reserved for a very distinguished member of the economics profession. Previous Berkeley faculty who have given this lecture are **Andreas Papandreou**, **George Akerlof**, and **Daniel McFadden**.

In March and April, 2004, **Martha Olney**, 2003 Distinguished Teaching Award recipient, participated in two seminars on teaching large-enrollment classes sponsored by Berkeley's Dean of Undergraduate Education. Olney spoke first as a panel member with fellow DTA recipient Jeff Reimer of chemical engineering on "Personalizing the Large Enrollment Course." Her second presentation, also as a member of a panel, addressed ways to encourage Graduate Student Instructors and model interactive approaches to teaching.

**Christina Shannon** has received a three-year grant from the National Science Foundation for "Markets, Mechanism Design and Decision Theory".

**Glenn Wroch** presented "FCC's Local Competition Research: A View from the Left Coast" at the December, 2003, FCC workshop on Formulating a Research Agenda for Communication Policy in Washington, D.C. During Spring, 2004, he presented "One-part and two-part price competition for exclusive customers" (with James Reitzes) at the International Industrial Organization Conference at Northwestern University and "Who signed up for the do-not-call list?" (with Hal Varian and Fredrik Wallenberg) at NBER's 2004 Universities' Research Conference on the Economics of the Information Economy in Cambridge, MA.

**Meet the Xlab!** (Reprinted with the permission of the Institute of Business and Economic Research)

On April 9, the Xlab (The Experimental Social Science Laboratory) introduced itself to the University community and the world at large with an open house, demonstrations of economics and psychology experiments in the Lab, a reception, and a brief speech by Nobel Laureate (and Xlab Executive Director) **George Akerlof**. Photos from the opening are on the Xlab site at <http://xlab.berkeley.edu>.

The Xlab has hit the ground running, with several experiments already being conducted under the direction of Professors **John Morgan** and **Teck-Hua Ho**. Funds from Dean Tom Campbell of the Haas School of Business and from Professor **David Vogel**, Editor of the *California Management Review*, have enabled the Xlab to establish Competitive Research Grants programs for graduate students and for faculty (including departments outside Haas), under which the Xlab will fund participation fees and incentive payments for multiple sessions of up to as many as 40 subjects. There are also "pilot" grants for graduate students and junior faculty who are new to the experimental social science field and want an opportunity to test a new idea for an experiment on a small scale.

Researchers interested in running experiments in the Xlab, if they meet the eligibility criteria, are welcome to use the Xlab facilities without charge. The Xlab offers its existing software, or the option of researchers providing their own software for the Xlab to run.

**Sherman and Ellen Shapiro** have made a contribution to the Xlab for graduate students in Economics in honor of **Janet Yellen's** public service, service to the University, and her appointment as President of the Federal Reserve Bank of San Francisco.

**Adi Ayal** is the recipient of the John Olin Fellowship in Law and Economics from Boalt Law School. A specialist in anti-trust issues, he is most recently the author of "Can We Compensate for Incompensable Harms?", 40 *San Diego Law Review* 1123 (2003), "The Monopolist as Victim: Constitutional Rights in Antitrust Law", Position Paper no. 47, Israel Democracy Institute (2003), and "Economic Rhetoric: Economics and Literature in Legal Analysis", 18 *Bar Ilan Studies in Law* 263 (2003), the last two published in Hebrew.

Graduate students **David Becker**, **Madhav Chandrasekhar** and **Zachary Grossman**, and undergraduate student **Stephen Bednar**, were awarded Outstanding Graduate Student Instructor (GSI) awards for 2003-04 from the Department of Economics. Congratulations!

2004 Ph.D. recipient **Matthew Lewis** is this year's recipient of the Competition Policy Center's \$1,000 prize for the best thesis in competition policy. Entitled "Essays on Price Dynamics and Consumer Search", Lewis supplies both theoretical and empirical evidence for identifying the market characteristics responsible for the behavior of retail gasoline prices, which appear to respond more quickly to increases in wholesale prices than to decreases. Lewis's model predicts that consumers search less when prices are falling, resulting in higher profit margins and a slower price response to cost decreases than to cost increases.

**Pipat Luengnaruemitchai**, a Spring 2004 Ph.D. recipient, will take up his position as an Economist in the Economist Program at the International Monetary Fund this fall.

**David Reinstein** reports that his paper (with Professor Christopher Snyder) entitled "The Influence of Expert Reviews on Consumer Demand for Experience Goods: A Case Study of Movie Critics" will soon be published in the *Journal of Industrial Economics*.

**Eric Verhoogen** (Ph.D., 2004) has accepted a position as assistant professor of economics and international and public affairs at Columbia University, starting in Fall 2004.

**Gerardo Zuniga Villasenor** received an Outstanding Graduate Student Instructor (GSI) award from the Legal Studies Program in Spring, 2004. It was presented to him at the Legal Studies commencement ceremony in May.

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the alumni and friends of our Department and to solicit their help in guiding our Department's future. I want to express my appreciation to those whose large and small donations to the Department's Centennial Fund have made it possible to reach our initial fundraising goal of \$500,000 in the less than two years since we celebrated our Centennial in November, 2002. In particular I want to recognize Steve Sidener (B.A., 1982) whose continuing support at critical moments has made our success possible. Steve recently told me that giving to Economics is the way he can pay the Department back for its excellent education of a young man of modest background who has found success in his professional life. This is a story of access to extraordinary education that makes us all very proud. Unfortunately, without your support, it will become an elusive goal for a large segment of our society.

Alas, there is sad news. On July 21 we lost Grace Katagiri. Grace worked in the Economics Department since 1971, most recently as Manager of the Econometrics Laboratory and the new Experimental Social Science Laboratory, and as IT Manager in the Department. She was Dan

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largest district in the Federal Reserve System," Yellen said. "It will be a pleasure to return to Washington for monetary policy meetings representing the critical economic forces embodied in the Federal Reserve Bank of San Francisco's Twelfth District."

Outgoing President & CEO Robert T. Parry said, "I've known and worked with Janet for a number of years. She is an outstanding economist, and she made very significant contributions to the monetary policy process during her tenure as a governor of the Federal Reserve Board. I know that Janet will be a superb president of the Federal Reserve Bank of San Francisco."

Federal Reserve Chairman Alan Greenspan said, "I am pleased to welcome Dr. Yellen back to the Federal Reserve System. She has distinguished herself through consistently incisive analysis, impressive skill and unwavering integrity. We benefited greatly from her exceptional service as a Federal Reserve Board governor and I look forward to the many contributions she will bring in her new role, to both the San Francisco Bank and the Federal Open Market Committee."

"We conducted a nationwide search," Scalise said, "and identified a slate of highly-qualified candidates. Dr. Yellen rose to the top as our pick, because of her extraordinary combination of monetary policy expertise, experience as a Federal Reserve Board governor in Washington,

fiscal policy experience at the White House, and her extensive academic, international trade, finance, and economic experience and research background."

Dr. Yellen, 57, holds a B.A. in economics from Brown University, and a Ph.D. in economics from Yale University. She was awarded honorary doctorates in humane letters and laws, by Bard College and Brown University, respectively. Since 1980, she has been conducting research at the Haas School and teaching macroeconomics to full-time and part-time MBA students. Twice she has been awarded the Haas School's outstanding teaching award. In addition, she served as chair of the President's Council of Economic Advisers from 1997 to 1999, and was a member of the Federal Reserve System's Board of Governors from 1994 to 1997. She has taught at Harvard University and at the London School of Economics and Political Science. Yellen serves as president of the Western Economic Association International and vice president of the American Economic Association. She is a fellow of the Yale Corporation. She is also the recipient of numerous honors and awards, and her research has been widely published. She has collaborated professionally with her husband, George Akerlof, a UC Berkeley Nobel prize-winning economist, on topics ranging from labor market, income, wage and employment issues to a variety of socio-economic issues.



Grace Katagiri

McFadden's administrative assistant throughout her career, and Dan has confessed that without Grace's help as the administrator of Dan's Travel Demand Forecasting project he could not have done much of the work that led to his Nobel Prize in Economic Sciences. While she fought cancer last spring, she urged us in the Economics Department to move on and to continue to excel. To recognize her commitment and contributions to quantitative and behavioral economics, Professor and Mrs. Daniel McFadden have established the Grace Katagiri Fund in her honor. The Fund will support graduate student awards in these fields, as well as other initiatives in econometrics and behavioral studies. Professor McFadden will speak more about Grace and the Fund in the next issue of *The Econ Exchange*. If you would like to make a donation in Grace's honor, you may do so via the donor envelope included in this and subsequent issues of this newsletter. Grace was indeed a very special person, and she will be greatly missed in Economics and in the Berkeley campus community.

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## *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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As we gear up for the Fall 2004 semester, we in Economics have much to look forward to. We have a new class of incoming undergraduate and graduate students who will learn with us over these next years and make exciting discoveries. We witnessed the official opening of the Experimental Laboratory in April and it will be up and running with economics experiments this Fall. Our new faculty will offer additional courses and serve more students. Our faculty are undertaking new and exciting research projects and important administrative responsibilities as well: George Akerlof follows Dan McFadden as President of the American Economic Association and has the job of leading next year's Annual Meetings of the Allied Social Science Association to its successful outcome. And I welcome our alumni to join us for the upcoming lectures by Nobel Laureates Robert W. Fogel and Amartya Sen, who will visit the campus this Fall and next Spring semester.