

The Econ Exchange

NEWS AND NOTES FROM THE DEPARTMENT OF ECONOMICS

VOLUME SIX, NUMBER ONE

SPRING 2003

PROFESSOR MARTHA OLNEY

WINNER OF THE 2003 UNIVERSITY DISTINGUISHED TEACHING AWARD

NAMED COMMENCEMENT CONVOCATION FACULTY SPEAKER

A Note from Chair Richard J. Gilbert

It's been a very good year for the Berkeley Economics Department. Our faculty continue to win accolades for their research and teaching. Dan McFadden will bring the executive office of the American Economic Association to Berkeley next year when he begins his term as its new President. We are ecstatic to see Marty Olney recognized for her spectacular performance in the classroom. Marty won the 2003 University Teaching Award and gave the faculty address at the 2003 University Convocation. Marty Olney has taught more than 6,000 students at Berkeley, and she has infused her passion for economics and life into every one of them.

This has been a year of growth for our Department. We hired three outstanding new professors who will join our faculty for academic year 2003-4. Raj Chetty specializes in public finance and earned his Ph.D. from Harvard. His doctoral dissertation is on consumer responses to small and large risks with applications to

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On April 1, Department Chair Richard Gilbert announced to Economics faculty, staff and students that Professor Martha Olney was one of three 2003 recipients of the University's Distinguished Teaching Award. Two weeks later, he informed the Department that Olney had been further honored through her selection by the Class of 2003 to deliver the Faculty Address at the May 15th Commencement Convocation at the Greek Theater. Chair Gilbert wrote in his email: "I am delighted to announce that Marty Olney is the recipient of a University Distinguished Teaching Award for 2003. This is the campus's highest award for teaching. It goes to only a few members of the Berkeley faculty each year [3 in 2003]. We all know the wonderful job that Marty does in our teaching program. She is a treasure. It is gratifying to see that the University has acknowledged her extraordinary performance as a teacher to so many of our students. Go Marty! Go Bears!"

The following profile of Professor Olney was written by Kathleen Maclay of Public Affairs and appeared in the April 24, 2003 issue of The Berkeleyan.

This is not the first time that Adjunct Professor of Economics Martha Olney has been honored for her teaching. In 1997, the Economic History Association awarded her its annual Jonathan Hughes Prize for Excellence in Teaching. Asked at that time for the key to her success in the classroom, she spelled out her answer: R-E-S-P-E-C-T— treat your students the way you'd like to be treated. Now a winner of



Distinguished Teaching Award
recipient Martha Olney

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ALUMNEXCHANGE

ALUMNI UPDATES...

A quick update from **Terry L. Allison** (AB, 1977): "I earned a Masters of Library and Information Science also at Berkeley in 1983 and worked at the New York Public Research Libraries and the UC San Diego Library before coming to California State University-San Marcos as the founding collections librarian. In the meantime, I switched academic fields and completed an MA and PhD in Comparative Literature at UCSD. In 1999 I became Assistant to the President at Cal State San Marcos and in 2002 University Planning Officer. I oversee strategic planning for the university and the University Budget Office and am the institution's accreditation liaison officer to WASC. My publications include *States of Rage* (New York University Press, 1996)."

And from **Michael Beardsley** (AB, 1983): "Today I am the president and CEO of Internet Securities. We are an online investment bank focused on the telecommunications industry. We are located in Oakland's financial district. Our current focus is network security. Please visit our website at www.internetsec.com or send me an email at beards@internetsec.com."

From **Philip J. Cook** (PhD, 1973), ITT/Terry Sanford Professor of Public Policy and Economics at Duke University: "My latest book is a co-edited (with Jens Ludwig) collection of original articles published by Brookings Institution Press titled *Evaluating Gun Policy*. (One of the chapters that's getting the most attention is by UCB alum and faculty member, Steve Raphael.) This is our third book in the area. That's probably enough, although another appears to be in the works."

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). Thanks.

THANKYOU 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 ongoing initiatives. This is a listing of only those gifts from March through May 2003:

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James Fish and Carolyn F. Corwin

A Letter to the Editor of *The Econ Exchange*:

Speaking at the Department's Centennial Celebration last November I mentioned that we are undercounting our Nobelists. While four of our faculty have (so far) won Nobel Prizes, we should not overlook those won by our erstwhile students who have not served on our faculty. Just in my own Berkeley economics graduating class of 1942 there are two who received the Nobel Prize in Economic Sciences while situated elsewhere: **Lawrence R. Klein** (1980) and **Douglass C. North** (1993). While Klein went on to MIT for his doctorate, North stayed to receive his at Berkeley in 1952. Surely, the Department must have been doing something right 50-60 years ago.

As it happened, shortly after the Centennial Celebration I spent two days with Doug North in a small meeting and learned from him—here is where your lead story (on social economics at Berkeley) in the Spring 2002 newsletter also comes in—that Doug owes his economist's career to his close relationship with Dorothea Lange and her marriage to Paul Taylor. As he told it to me, in his youth he was an avid photographer and by age 15 a very competent one. His artistic and general interests focused on California's Central Valley, then being flooded by destitute migrants from the Dust Bowl. So did Dorothea's interests. There the two met. She invited Doug to work with her. He did. Through Dorothea he met Paul, in his own way interested in the same social phenomenon. The three often met in the Taylor-Lange house in Berkeley. At that time Doug took his future as a photographer for granted, and Dorothea strongly encouraged him in that. But Paul thought otherwise; he urged him to go into economics. Husband and wife slugged it out; Paul won. The country lost an outstanding professional photographer...

Incidentally, Doug wrote his doctoral dissertation on the American life insurance industry (social economics again?). The ten-year gap between his Berkeley degrees is largely explained by the War, in which Doug volunteered for the Merchant Marine.

Gregory Grossman, BA '42
Professor of Economics, Emeritus, Berkeley

The First IBER-ian

It is with great sadness that we note the passing of Dr. Walter Hoadley, who died on February 19th at the age of 86.

When the Institute (then known as the Bureau) of Business and Economic Research was founded in 1941, its very first act was to provide Prof. Joe Bain with funds to hire a graduate student researcher. That student was Walter Hoadley, and he helped Bain produce his three-volume study of *The Economics of the Pacific Coast Petroleum Industry* (published by IBER, 1944-47). Walter earned his Ph.D. in economics (1946) and went on to an illustrious career that included serving as chief economist and executive vice president of the Bank of America in San Francisco, as a senior economist at Federal Reserve Banks in Chicago and Philadelphia, and as a Regent of the University of California. May 18, 2001 was declared "Walter Hoadley Day" in San Francisco.



He was tickled to be thought of as "the first IBER-ian," a notion that perhaps prompted him to lead our first fundraising campaign. Walter provided advice and money and a conviction that economics is important to the real world beyond academia. Walter Hoadley was a wonderful person and a great friend of IBER and of Cal. We will miss him.

—Bob Barde, Academic Coordinator, Institute of Business and Economic Research

STEFANO DELLA VIGNA: HIS DESTINY BROUGHT HIM BACK TO BERKELEY

“The name Berkeley was written in my history very early on”, states Stefano DellaVigna. While still in high school, DellaVigna decided to sample life and academics outside his hometown of Lake Como, Italy. Unsure of which of his interests to pursue in college—he liked sciences, philosophy and ancient languages—and needing to settle on a major before beginning university studies, he came to Berkeley in the summer of 1991 and enrolled in Economics 100A and 100B. That same summer, he sampled Summer Session courses in art history and literature. By the time he returned to Italy for his senior year of high school, DellaVigna had decided to major in economics, and ultimately attended Bocconi University in Milan, where

most of Italy’s future social scientists are trained. Because of his Berkeley experience (and one quarter of college abroad at UCLA), DellaVigna was determined to complete his education with a PhD from an American university, and ultimately chose Harvard, where his nascent interest in psychology and economics was fostered by David Laibson.

At Bocconi University, DellaVigna completed his undergraduate thesis on decision theory. Although the criterion at that time seemed to be “Which model is most beautiful?” he believed that empirical evidence must exist to determine which model was actually correct. Working with Glaeser, Katz, and Laibson at Harvard, DellaVigna’s research

moved in the direction of applying findings from psychology to model the implications of emotion on economic choices, such as labor supply, consumption, and personal financial choices. He joins Berkeley’s other psychology and economics specialists, including George Akerlof, Botond Koszegi, and Matthew Rabin.

DellaVigna’s current projects address three main issues: imperfect self-control, market reactions to biases, and allocation of attention. In a paper that addresses the first two issues,

DellaVigna and Malmendier study the contracts that profit-maximizing firms offer to individuals with self-control problems. As an example, they consider the health club industry. If consumers overestimate their self-control, health clubs have an incentive to offer contracts with flat fee and no per-usage fee, such as a monthly contract. Consumers find these contracts exceedingly attractive since they overestimate future attendance. The authors use a new dataset from three US health clubs to investigate this hypothesis. The average user with a monthly contracts pays a fee of \$85.00 and attends 4.8 times per month. This consumer therefore pays about \$17.00 per visit, even though a \$10.00 per-visit pass is available. The theory suggests a puzzle: Why don’t health clubs offer rebates for attendance? DellaVigna jokes: “If I fail as a professor, I can always start a health club chain!”

DellaVigna doesn’t just study health clubs. His most recent work focuses on attention. In a complex and fast moving world, how do we decide the issues to which we will pay attention? He conjectures that individuals focus on salient, novel events, and neglect slowly-changing variables, such as demographic changes. In work with Joshua Pollet (Harvard), he shows that the stock market incorporates only slowly the impact of cohort sizes changes on industries such as toys, life insurance, and drugs.

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EMMANUEL SAEZ: UNDERSTANDING INEQUALITY AND REDISTRIBUTION

“Why do our economies generate such a disparity in the distribution of resources? Should the government take steps to remedy economic inequality? These are questions that I have wanted to understand ever since I became interested in political and social problems when I was a high school student,” says Emmanuel Saez, Assistant Professor of Economics who joined Berkeley’s department in July 2002.

However, for years, Saez never believed that he would find himself spending most of his days working on those issues. He grew up in the Basque country in the southwest corner of France, a beautiful region, but also full of political activity and tensions, especially on the Spanish side. In the highly centralized French education system, all the best schools are in Paris. As a high school student in sciences, Saez studied mathematics and physics intensively in order to be able to pursue his studies in Paris. In 1992, he entered the École Normale Supérieure, a prestigious school in Paris. “The ENS is a unique school in France because it covers most fields of knowledge, not only hard sciences, but also social sciences and humanities, and brings together some of the best students in the country.” At the ENS, and through discussions with fellow students, he discovered that social sciences offered the best opportunity to search for solutions to his questions of inequality and redistribution. However, economics in France was not regarded nearly as highly as mathematics. For the young and

often radical students at the ENS, there was a strong suspicion that future economists were actually more interested in financial rather than intellectual pursuits. “For my fellow mathematics students, studying economics would be fine only if the goal was to use mathematical tools to show that economists were either wrong or twisting the models to support their ideological views,” Saez says now.

Saez began his economics studies at DELTA, a research center in Paris with strong connections to American and British economics departments. He studied mostly mathematical economics, but quickly realized that it was important to pursue graduate studies in the United States because so much of the most influential research in economics is done in American departments. As is true for many other French economists, Saez went to MIT for graduate studies, and completed a dissertation on optimal income taxation. “Optimal income taxation seeks to understand ways the government can design the income tax structure in order to redistribute resources from the rich to lower income individuals, but takes into account the potentially negative effects of taxes and



transfers on incentives to work.” At MIT, he also became interested in the field of empirical studies, and discovered that obtaining rigorous estimates of the behavioral responses to government policies and programs was possible, a central element in understanding the costs of redistribution.

Saez’s current research focuses on documenting and understanding the long-run patterns of inequality in developed economies. “Redistribution through taxes and transfers is certainly very interesting, but a perhaps deeper question asks ‘what are the factors that create and drive income inequality in our economies?’ This question is highly charged politically. The conservatives argue that economic growth and changes are bound to create economic disparity and that natural phenomenon should not be interfered with. For liberals, distribution is shaped by class struggle and government interventions, so laissez-faire policies amount to giving up hope of

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Econ Echoes...

a column of alumni recollections

"Econ Echoes" (a title borrowed from Economics 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 bylines in the semi-annual Econ Exchange. This first essay, by Dr. Jay, will inaugurate the new column. 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. Selected essays may be edited for length or content at the discretion of the Editor. Please remember to include your name, degree, and degree year with your submission.

Ira B. "Doc" Cross

by

Richard E. Jay, PhD '53, JD '63

Doc was a big man, with a gray/white hair, massive hands, and a booming voice which disdained what he called "the artificial tonsils" (microphone). He strode the Wheeler platform like a pacing lion, his great voice booming off the back wall of the auditorium. Whatever could be said about the Doc, no one ever had trouble hearing him. Some of his colleagues had doubts about the validity of "his economics" (some of which probably were correct, while some no doubt reflected envy that Cross could reach students as they could not). He taught economics with a fervor that reflected his early years as a factory worker—in Wisconsin, as I recall—and he used plain English at a time when the new fashion was to put it into an equation or it was thought to be useless. But the anecdotes cannot be quantified.

His first class was a shocker for students who might not have been warned. He would startle everyone by beginning (paraphrasing): "Now listen all you kids. There is something we are going to get straight at the beginning: You are going to learn manners at this institution. Your parents didn't teach most of you any, so I will. Get your feet off the seat in front of you, put away your combs and lipsticks and newspapers, and pay attention—you may learn something!" Of course students were shocked, and duly outraged, and they never quit listening for more.



Cross saw everything occurring in the big room, and he would fiercely order any woman student rash enough to comb her hair, or any man reading a newspaper, or anyone else oblivious to his lecture: "Out! Out! Do your toilet (or read your paper) somewhere else!" And he would stand for what seemed an interminable time while they got out of the row and made the trip up the aisle to the door. It was in reaction to a hair-combing that he pulled one of his more memorable creations: He challenged any of the men present to bring their shaving equipment to the next class, sit in the front row, lather up and have a shave (if it is okay for women to comb their hair, why not for me to shave?) and he would give then an

"A" for their performance. The next class the front row in Wheeler duly filled with shaving male students.

Or there was the time when the last several rows of students in the back of the auditorium, filled with class

members angered at something from a previous class, conspired to rise in unison in the middle of the Doc's lecture and file silently from the auditorium. As the exodus began, the Doc ceased speaking, watched with interest until the last student was gone, and then with perfect composure resumed his lecture with a comment, "Well, apparently we had visitors." He never mentioned the incident again.

Or there was his final Econ 1 lecture before he retired, when he arrogantly undertook in one hour to describe and assess the progress of the science of economics in this century (20th). It was done extemporaneously, and is a lecture I shall never forget.

BERKELEY IN BERLIN

by

Lloyd Ulman, Professor of Economics, Emeritus, Berkeley

On May 30—June 1, 2002, a small conference of trade unionists from Germany, Japan, and the U.S. was held in Berlin at which the participants exchanged views on some topics of common concern and general importance—including unemployment and monetary-fiscal policies, economic security policies (both public and originating within the firm), immigration and “globalization,” and unionism in services and the public sector. An earlier conference along much the same lines had been held in Berkeley, California at the University of California’s Institute of Industrial Relations in 1998. Both conferences involved faculty and other academic participants from Doshisha University in Kyoto, Hannover University, Wissenschaftszentrum Berlin, and the University of California, Berkeley; they were engaged primarily in preparing the agenda and supporting data, serving as rapporteurs, and chairing the discussion sessions. The faculty participants included Professor Clair Brown and Professor Emeritus Lloyd Ulman from the Berkeley Department of Economics; Ulman also served as conference chairman.

The main purpose of the second conference was to learn whether or how union policies and practices that had been discussed at the first meeting had undergone change in the aftermath of the sea change in the global economy that occurred in the interim. One of the changes discussed was the withdrawal, during a period of rising unemployment, by the German and Japanese unions from concerted bargaining arrangements in their respective countries. Discussants from both union movements blamed the authorities for failing to generate sufficient levels of domestic demand; the Germans strongly implied that supportive fiscal and monetary policies should be regarded as a precondition to wage restraint. A related change under consideration in both union movements consists of greater *de facto* decentralization of bargaining and wider interfirm wage structures in order to permit more smaller and weaker firms to survive while enabling local unions or work councils in larger firms to claim larger shares of enterprise rents. In addition, the participants from the German Metal Workers’ Federation directed attention to an experimental agreement between this union and Volkswagen which features a guarantee by the company that it will hire 5000 unemployed workers in Germany at lower than existing wage levels rather than locate the new project in some low-wage area abroad. Some of the Americans present, however, pointed out that similar wage-security agreements in the U.S. often failed in the long run to prevent the employer from relocating facilities abroad.

The conference also revisited a recent historic change of the AFL-CIO’s immigration policy from exclusion to naturalization of illegal workers, who have frequently been afraid to join unions lest their employers denounce them to the authorities. But this U.S. solution held no appeal to either the Germans or Japanese unionists who are confronted with similar low-wage threats at home.

The Department of Economics has established an Economics Centennial Celebration website which includes an extensive photo gallery of pictures from the November 2002 event. Please go to the following URL to view the photos: <http://econ.berkeley.edu> and click on Centennial Celebration Photo Gallery in the lower righthand corner. Enjoy!

Faculty News & Notes

2001 Nobel Laureate **George Akerlof** has been elected to the National Academy of Social Sciences.

In March, **Pranab Bardhan** gave the inaugural Max Corden Lecture at University of Melbourne, Australia on “International Economic Integration and the World’s Poor”. The related theme of globalization was the topic of his lectures at the Center for Study of Social Sciences, Calcutta, India in December, 2002, and at the University of California, Riverside. In March and April, Bardhan gave seminars on “Inequality and Collective Action” at the Australian National University, Canberra, and at the University of Washington, Seattle. He further presented the K.R. Narayanan Lecture at the Australia South Asia Research Center, Australian National University in March, on the topic of ‘Indian Political Economy’.

At the annual Economics Department skit party in April, the Graduate Economics Association awarded **David Card** the title of *Advisor of the Year* and **Guido Imbens** *Best Teacher of the Year*.

In May, **Barry Eichengreen** delivered the annual Monroe Lecture at Kalamazoo College on “Big Happenings in Europe, with Big Implications for the United States”.

Joe Farrell was elected a Fellow of the Econometric Society, and is also serving on the Computer Science and Telecommunications Board of the NAS.

As part of a Federal R&D data and data collection reevaluation conducted by the National Academies, **Bronwyn Hall** is chairing an R&D Workshop Steering Committee while simultaneously serving on a CNSTAT (Committee on National Statistics) panel that will produce a report over the next eighteen months. The goal of the project is to revise the types and categories of R&D data collected by NSF for the Federal government in light of substantial changes in the R&D enterprise, both technological and organizational. In addition, Hall presented a paper at the ZEW Workshop on Empirical Economics of Innovation and Patenting in Mannheim, Germany (March), and spoke at the annual Atlanta Federal Reserve Bank Financial Markets Conference in April.

2000 Nobel Laureate **Daniel McFadden** is the 2004 President-Elect of the American Economic Association.

Maury Obstfeld was elected to the Executive Committee of the American Economic Association for a three year term.

In June, 2002, **Gérard Roland** received an honorary professorship from Renmin (People’s) University in Beijing, where a conference was organized in honor of the publication of the Chinese translation of his book *Transition and Economics*.

Christina Romer and **David Romer** were appointed co-directors of the Monetary Economics Program at the National Bureau of Economic Research. They also became members of NBER’s Business Cycle Dating Committee (which is charged with officially deciding when recessions begin and end).

Oliver Williamson was a resident scholar at the Bellagio Study and Conference Center from May 15 to June 14. He gave the keynote address at the Nordic Workshop on Transaction Cost Economics in Business Administration in Bergen, Norway on June 20th. And he will be named the sixth Eminent Scholar in the history of the Association of International Business at the AIB annual meeting on July 5, 2003.

Katherine J. Allen reports that she received an Institute for Labor and Employment (ILE) Pre-Dissertation Fellowship for research with David Lee on the effects of unionization on firm wages and economic activity, and an Academic Progress Award to study the economic effects of the UK's elimination of the marriage tax penalty in 1990.

This fall, **Gabriel Demombynes** will start work in the Young Professionals Program at the World Bank.

Sergio Firpo has accepted a job offer as assistant professor from the Economics Department at the University of British Columbia, Canada. He plans to be in Vancouver by July, 2003.

Russell Green will join the Office of International Affairs at the U.S. Treasury Dept. in Washington, DC.

Beginning Fall 2003, **Justin McCrary** will take up a joint appointment at the University of Michigan, in the Department of Economics and the Ford School of Public Policy.

Jesse Rothstein will be an assistant professor at Princeton next year, with a joint appointment in the Economics Department and the Woodrow Wilson School of Public and International Affairs. Recently, he presented the same paper at two conferences: "Spatial and Social Interactions in Economics" sponsored by UCSB's Center for Spatially-Integrated Social Sciences, and "The Economics of Education and Inequality", sponsored by the Center for Economic Policy Research in Paris, France.

Jean-Philippe Stijns will join the faculty of Northeastern University as Assistant Professor of Economics in Fall 2003.

Fellowships from the UC Institute for Labor and Employment and the UC Institute for Mexico and the U.S., plus a continuing student fellowship from the Economics Department have supported **Eric Verhoogen's** dissertation research during 2002-03 and will continue to do so through next academic year. This year, he will teach Econ C171, Development Economics, during Summer Session.

Fourth year student **Gerardo Zúniga Villasenor** has been awarded the John M. Olin Foundation Fellowship in Law and Economics for the 2003-04 academic year.

Congratulations, Graduates!

The following Spring 2003 graduates have been honored by their parents with donations to the Econ Centennial Fund in their graduates' names. The Department congratulates all of our graduates for their hard work and perseverance in successfully completing a very rigorous course of study, and the parents for their continuous support of both their students and of the Department of Economics and its future students.

Janet Chaikin & John B. Zissel in honor of **Rebecca Chaikin Zissel**
Ken A. Chan in honor of **Evan Allen Chan**
Julia Yeh in honor of **Ellen Yi-Rong Chen**
Jennifer Chu & Sheau Ming Chou in honor of **Sandy Shengchuan Chou**
Paresh Dave in honor of **Vishal Paresh Dave**
The Kniesche Family in honor of **Theodore Max Kniesche, IV**
Sylvia & Showlong P. Koh in honor of **Christopher Koh**
Cathy & Steve Lazarus in honor of **Emily Lazarus**
Joseph & Maria Leung in honor of **Jonathan Leung**
Fei Huu & Fang Tzy Lin in honor of **Linda Lyn Lin**
Carlos & Blanca Martin in honor of **Carlos Luis Martin**
Parul & Shamik Mehta in honor of **Pooja Mehta**
Kevork & Liza Santikian in honor of **Lori N. Santikian**
Irwin Schneider & Felice Schulman in honor of **Richard D. Schulman**
Pauline & Shu Kuen Tang in honor of **Shirley Tang**
Linda Zaifen Wang in honor of **Mijia Wang**
Ming-yi & Sue H. Yen in honor of **Amy Pei-Lin Yen**

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unemployment insurance. Pierre-Olivier Gourinchas will be joining us from Princeton, where has been teaching since 1998. Pierre-Olivier works on international trade and macroeconomics. The third new addition to our faculty is Shachar Kariv, who recently completed his Ph.D. at New York University. Shachar works on information economics and has studied phenomena such as “herding”, where consumers tend to imitate actions by others. Shachar has a special interest in behavioral experiments and he is looking forward to incorporating experiments into our teaching curriculum. You will learn more about our new faculty in the next issue of *The Econ Exchange*. I invite you to read the new faculty profiles of Stefano DellaVigna and Emmanuel Saez in this issue.

Berkeley is at the forefront of the growing field in experimental and behavioral economics. Our research and teaching in this area will get a big boost from the construction of a new laboratory for economic experiments, which will go on-line this Fall. The lab has funding from the National Science Foundation, Hewlett-Packard, the Center for Information Technology Research in the Interest of Society at Berkeley, and from generous alumni and friends of our Department. Special thanks go to George Akerlof, Matthew Rabin, and John Morgan for leading the drive to establish this important new facility for teaching and research.

We are very grateful to our friends who have generously supported our research and teaching. They include Steven Sidener (class of '82) and Michael Traynor (class of '55). They and many others have pushed our Centennial Fund more than half way to our goal of raising \$500,000 to help secure our position as a premier Economics Department for the next century.

DellaVigna, from page 4

Of being at Berkeley, DellaVigna jokingly says that it was his destiny to come back here as a teacher after his 1991 summer school experience. He is thankful to the Department of Economics for doing its part to make that happen. He enjoys both the intellectual strength of the Department, in his field and in others, and the cohesiveness of its faculty. He has also interacted with undergraduate students through the University Research Apprenticeship Program (URAP). Although DellaVigna says that, as a college student, he “just wasn’t ready to sit in a room and think very hard”, as an assistant professor he is training undergraduate students to do research as they assist him with his own, and enjoying the mentoring process. Berkeley undergraduates are “fabulous”, he says, very bright and motivated. He is currently offering a new graduate course, “Applications of Psychology and Economics” (Econ 203), a course that has probably never been taught anywhere before, and which has now become part of the Department’s sequence in this specialty. This course (which will become Econ219B next year) is paired with Rabin’s graduate theory class in psychology and economics and Akerlof’s class in behavioral macroeconomics. Koszegi also plans to offer an undergraduate-level lecture class starting in Fall 2003.

DellaVigna and his soon-to-be-wife have settled in San Francisco to accommodate both of their commutes: his to Berkeley, hers to Stanford’s Business School. Living in SoMa allows him ample opportunities to indulge his passion for bicycling, as he often rides across the city to the Marina and Golden Gate Bridge. Closer to home, he engages in yet another love: cooking and sharing meals with friends.

Saez, from page 5

creating a more equal society.” Saez has gathered and built time series of inequality spanning the twentieth century in the United States. These series reveal that economic disparity in the United States has varied tremendously. Indeed, top incomes relative to the average have today reached incredibly high levels that have not been seen since the 1920s. He contributes to the debate on inequality by carefully establishing the facts about inequality in the United States, as well as in other countries, and is now working to understand the reasons for the dramatic and fairly recent surge in top incomes. “I feel fortunate to be able to spend my time working on the social and economic issues that matter most to me, and to interact with students and researchers pushing the frontier.”

Saez says he was drawn to Berkeley because the Department here is among the very best in the country in labor and public economics. He also wanted to explore California after having spent five years on the East Coast. He is delighted to be here and finds the Department “friendly and open, yet intensely focused,” and the Bay Area, “beautiful and luxuriant.” Saez remarked: “Of course, the daily working life of an economist is also comprised of repetitive or boring tasks.” However, he can, at anytime, turn from his computer and enjoy for a moment the view of the Bay, “an amazing picture of all that can be done in Northern California when not at work.”

Berkeley's 2003 Distinguished Teaching Award, Olney also thinks students appreciate her well-organized instruction and clear information about what to expect, and when.

"There are so many things she does that make her a great teacher, it's difficult to narrow it down," says one of her former students, David Switzer, now a graduate student in economics at Washington University in St. Louis. But two of her most important qualities, he says, are that "she cares about her students and cares about economics."

Olney, an Oakland native, teaches large lecture courses and seminars to undergraduates, on topics ranging from money and banking to U.S. economic history, economic principles, and macroeconomics.

Teaching at Berkeley, she says, means working with some of the brightest students in the country, "which is great fun and keeps me on my toes. It also provides me with the opportunity to teach in a public school, which I value."

As a mentor to undergrads, Olney advises her students to follow their hearts. "Figure out what you love, what makes you groove, what turns you on, and major in that," she says. "Life is too short to not do what you love."

Olney considers herself fortunate, because she's doing just that. She started thinking of teaching while in high school, thanks to an inspirational math teacher. She went on to earn a bachelor's degree in economics and mathematics from the University of Redlands in 1978 and her master's and Ph.D. in economics from Berkeley in 1980 and 1985, respectively.

Olney and her partner of 19 years, Rev. Esther Hargis, are the mothers

of a five-year-old son. Olney will pass on her wisdom to graduates of all majors on May 15. The Class of 2003 has selected her as the Faculty Speaker for the 2003 Commencement Convocation at the Greek Theater.

Below are several excerpts from Professor Olney's Convocation speech which reflect her commitment to economics, teaching, and Cal. For the entire text of Olney's speech, go to: http://www.berkeley.edu/news/media/releases/2003/05/15_olneyspeech.shtml.

'It's amazing what a "Go Bears!" can do! And it's part of my message for today. When life tosses you a challenge, call out "Go Bears!" and remember what you learned at Cal.

'And what is it that you've all learned at Cal? At Cal, you've learned how to be a citizen in our world. In economics we teach skills as a means of teaching a way of thinking. (To be honest, we don't think you'll remember many of those specific skills for very long!) Our goal in economics is to demonstrate the role of assumptions in arguments. Every conclusion rests upon assumptions. When we change an assumption, equally logical arguments may bring us to a different – yet equally valid – conclusion. People of good will can disagree not because one is "right" and the other is "wrong" but because they bring different assumptions to the argument.

'Policies that promote economic growth at home – import cheap toys and instead use our workers to produce biotech research – give us strong growth but can leave other countries mired in poverty. If you assume that only the United States matters, it's a smart policy to support. But if you assume that when the U.S. gains while others lose, the world is not better off, then it's not such a smart policy. Assumptions matter.

"Tax cuts that benefit one class of people over another may have positive economic results, but are they "right" for society? If you assume that only "the economy as a whole" matters, it's a smart tax cut to support. But if you assume that the distribution of income also matters, then it's not such a smart policy. Assumptions matter.

'Forgiving international debt – celebrating "Jubilee" – may allow struggling third world countries to devote more resources to pressing social needs, but is it the best long-run policy? If you assume that debt payments are crowding out social spending, it's a smart program to support. But if you assume that with no pressure to re-pay, these countries will simply acquire equally high debt levels in the near future, then it's not such a smart program. Assumptions matter.

'At Cal, we hope we have given you the tools and the wisdom to contribute to these debates. The answers are not easy; the "right" assumptions are not obvious. But if you contribute, you can make a difference. At Cal, every one of you – no matter what major, no matter what classes you took – every one of you has learned to be a citizen of the world.

'The world you are stepping into is not in good shape. International diplomacy is perhaps at its worst point in anyone's memory. But even if you were not a political science major, you can make a difference. At Cal, you have met people from all over the world, whose assumptions are sometimes different than your own. You can contribute to useful, productive dialogue. You have a Cal education. When the world is in conflict, remember what you learned at Cal: You have learned to be a citizen of the world. "Go Bears!"

The Econ Exchange

NEWS AND NOTES FROM THE DEPARTMENT OF ECONOMICS

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THE ECON EXCHANGE

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