

The Econ Exchange

NEWS AND NOTES FROM THE DEPARTMENT OF ECONOMICS

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Bombing of Vietnam had no long-term impact on its economic growth: Human cost of the war is impossible to quantify — but researchers credit unified nation's economy for its postwar 'resilience'

By Kathleen Maclay, Public Affairs | 04 May 2005

With Vietnam the key target of intense serial bombing by the United States in the 1960s and '70s, two Berkeley economists figured the country's economy must still be suffering today. But after launching a study two years ago of how the Southeast Asian country is faring, they found the opposite.

Edward Miguel, an associate professor of economics, and Gerard Roland, a professor of economics, say Vietnam is thriving, and that there's no difference between the economic health of districts hardest hit by bombs, missiles, and other American ordnance, and those least affected.

Roland and Miguel acknowledge there is no way to forecast how Vietnam would have done economically without the war that ended with America's defeat and the fall of Saigon on April 30, 1975. But Miguel says that their examination of poverty rates, consumption levels, infrastructure, literacy, and population density shows a remarkable recovery in the wake of devastation.

"The general message that comes out is that Vietnam is doing well now. It's recovering well," Roland says. "Thirty years ago they were more heavily bombed than any nation in history, and look how they're doing now. We can't even



Above: Vietnam's wartime lunar-like landscape. Below: An urban scene in 2005.

find a difference between the heavily bombed areas and the less heavily bombed areas."

"This is a unique case," says Miguel. "The Vietnamese deserve credit for incredible resilience, for bouncing back."

Miguel says the areas of Vietnam that were heavily bombed were targeted with hundreds of pounds of missiles and rockets per capita during the war, yet today those places have better electricity systems in place than before the attacks.

At the same time, he and Roland noted that the human cost of the Vietnam war — millions of displaced people and the deaths of hundreds of thousands of civilians — were horrendous and cannot be measured in economic terms.

Today's unified Vietnam has undergone "a massive boom based on small and medium entrepreneurship," Roland says, with an economic growth rate that since the early '90s has hovered around a healthy 6 percent per capita. That boom isn't based on the success of any particular industry, such as high technology or the garment trade, he says.

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Greetings!

Since July 1, it has been my honor and privilege to serve as the chair of the Department of Economics. It is also a daunting

job, in part because my predecessor, Rich Gilbert, will prove a tough act to follow. In his term as chair, Rich led the efforts to recruit and retain some of the best economists in the world; he expertly managed budget cuts imposed from above; he led the Department through a very successful external review; and he did all this with his trademark good cheer and thoughtfulness. On behalf of the faculty, staff, and friends of the Department, let me say, "Thank you Rich for a job well done."

As always, the face of the faculty continues its slow evolution, as new people join and old friends depart. This past summer, Bronwyn Hall and Dan McFadden retired. This winter, Steve Goldman and Ted Keeler will retire. All four have been valued colleagues, who have greatly contributed to the Department's preeminence. Fortunately, Bronwyn and Dan agreed to become Professors of the Graduate School, which means that they are still involved with the Department, advising students, running, in Bronwyn's case, the Innovation seminar, and helping to manage, in Dan's case, the Econometrics Lab. We added one new face, Bryan Graham, who joins us as an assistant professor, having just completed his Ph.D. at Harvard. Bryan's fields are econometrics, labor, and development. His research portfolio is diverse, as he is working on a range of topics including social interactions, poverty traps, and the small-sample

statistical properties of certain estimators.

In other news, the Department hosted a conference in honor of Gerard Debreu. Bob Anderson and Chris Shannon were the faculty organizers of the conference, ably assisted by Jane Turbiner. One of the highlights was a reception in which Gerard's former students and colleagues assembled to remember him and his contributions to economics. The event was presided over by Hugo Sonnenschein, President emeritus of the University of Chicago and a world-renowned economic theorist. Three of Gerard's former students, Graciela Chichilnisky, Larry Jones, and Xavier Vives spoke about Gerard as advisor and mentor. Drew Fudenberg, a former colleague, spoke about Gerard as a colleague. In addition to these four, many former students and colleagues attended and it is a testament to Gerard's importance to the field, to his colleagues, and his students that so many came, a number from overseas, to honor his memory.

As you will read in more detail later, Melinda Busch, our graduate student advisor, received the Chancellor's Outstanding Staff Award for 2005-06. This is the highest honor bestowed on staff. Well done Melinda!

You will also read about the Center for International and Development Economics Research (CIDER). CIDER represents a major effort to support the study of globalization on the world's economy and economic development. Under the leadership of Maury Obstfeld and Ted Miguel, CIDER has been reinvigorated and is now in a position to leverage Berkeley's existing strength in this area to make Berkeley the preeminent place for research in this area. Be sure to check out CIDER's new web page, <http://cider.berkeley.edu/>.

One question I'm frequently asked as a new chair is what my vision is for the Department going forward. My vision is both lofty and simple: I want to follow the path taken by my predecessors, which is to continually improve what is already one of the world's great economics departments. Given that we are

(See *CHAIR*, page 9)

Economics Alum wins the 2005 Nobel Prize in Economic Sciences



Econ B.A. (1944) **Thomas Crombie Schelling** has been awarded the 2005 Bank of Sweden Prize in Economic Sciences in Memory of Alfred Nobel (shared with Robert Aumann). As a professor of foreign affairs, national security, nuclear strategy, and arms control, he has been recognized for "having enhanced our understanding of conflict and cooperation through game-theory analysis."

In addition to professorships at Yale, Harvard, and the University of Maryland, Schelling has held important government appointments during the Truman presidency at the U. S. Bureau of the Budget (1945-46); the Marshall Plan in Copenhagen and Paris (1948-50), and the White House and Executive Office of the President (1951-53). He is now Distinguished University Professor, Emeritus of Economics and Public Affairs at the University of Maryland and Lucius N. Littauer Professor of Political Economy, Emeritus, at Harvard. He is also a Member of the National Academy of Sciences and a Fellow of the American Academy of Arts and Sciences, and in 1991, was the President of the American Economic Association.

Schelling's most famous book, *The Strategy of Conflict* (1960), pioneered the study of bargaining and strategic behavior and is considered one of the hundred books that have been most influential in the West since 1945. In this book he introduced the concept of the focal point, now commonly called the Schelling point. His economic theories about war were extended in *Arms and Influence* (1966). During the Vietnam War, Schelling advised the Pentagon on the formulation of escalation and bombing policy through the U. S. Assistant Secretary of Defense, John McNaughton. Later on, Schelling

Alumni Exchange

Jason Engelstein (B.A., '05 in Economics, Philosophy and Political Science) will attend Georgetown Law Center in Fall 2006. During 2005-06, as a participant in the Japanese Exchange and Teaching (JET) Program, he is living in a small rural town in Northern Central Honshu, Japan, called Tadami, and working as an Assistant Language (English) Teacher for three junior high schools in the area. Engelstein says: "It's already been an amazing experience and I already know I won't want it to end." He can be reached at engelj@berkeley.edu.

drew on his experience working with the Marshall Plan to enter the debate on addressing the effects of global warming.

(Sources: Wikipedia and University of Maryland websites]

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, Grace Katagiri Fund, and other initiatives from June 2005 through November 2005:

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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
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Essays should not exceed 500
words and selection is at the
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remember to include your
name, degree, and degree year
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In Memoriam: Bent Hansen

by

George A. Akerlof, Daniel E. Koshland, Sr. Distinguished Professor of Economics
Pranab Bardhan, Professor of Economics
Roger Craine, Professor of Economics

On April 15, 2002 Bent Hansen, professor emeritus at Berkeley died of gastric hemorrhage complicated by numerous other health problems in Alexandria, Egypt. This ended a long and successful life, not unmarked by tragedies as well as triumphs. He led at least four different lives, corresponding to four different countries: Denmark, where he grew up, Sweden, where he obtained his professional education, and his first professional work experience, Egypt where he became the leading economic expert, and America which he made his scholarly haven from his other past existences.

Hansen was born in Denmark to a solidly middle class family. The few facts we know of his early life suggest a picture of his youth. His father was the equivalent, from what we have been told, of the local high school principal, and Bent appears to have been a robust young lad, as suggested by the 600 to 800 mile bicycle trek that he took with a friend. Consistent with his later character they did not choose the nearby Netherlands for their journey, but instead went to much hillier Norway.

His natural progress along the customary path of high-school and college was interrupted by the Nazi invasion of Denmark. For Bent this did not have the usual problems involved in five years of alien regime, because, as he relates it, in the very first days of occupation he met a young German soldier (perhaps a sailor?) guarding the local beach. Making friends with this young man, and also being of the view that any sensible person would be as naturally appalled by the Nazis as himself, Bent urged him to defect. Upon realizing the potential error of this assumption, he decided to flee. He packed his bags immediately and took a boat to Sweden.

Thus begins the second of Bent's four lives. We cannot trace together the exact details of his early life there. We do know that during World War II he was involved in the rescue of Jews and others by small boat from Denmark to Sweden.

We also know that his first professional appointment was as secretary of the employment commission of the Danish government in Stockholm in 1946; and that in the same year he completed the baccalaureate (cand. pol.) degree from the University of Copenhagen that he had begun before the war. He then went on to obtain his professional training at Uppsala, from which he obtained his doctorate in 1951. He turned his thesis into the classic work *A Study in the Theory of Inflation*. The great innovation of Hansen's approach is that his theory viewed inflation as a general equilibrium phenomenon. Previous work on inflation had in an *ad hoc* fashion relegated the causes of inflation to a single cause, like union wage increases, called supply push, or excess aggregate demand, called demand pull. In contrast Hansen's theory was more true, because it was more even-handed. Inflation insofar as it occurred was due to all the factors in this economy. This theory was a major step in the evolution of the theory of inflation to its current form, in which inflation occurs with only some amendment for the addition of inflationary expectations also as a general equilibrium phenomenon.

With the publication of *A Study in the Theory of Inflation* Hansen's career in Sweden proceeded rapidly as he advanced from assistant professor to associate

(See **HANSEN**, page 11)

Faculty News & Notes

Assistant professors **Raj Chetty** and **Adam Szeidl** received a three-year NSF grant to study "Consumption Commitments and Risk Preferences." The motivation for the project is that most households have fixed "commitments" such as houses and cars that are difficult to adjust when shocks such as unemployment or illness occur, a feature not incorporated in existing economic models of risk preference. The project will investigate how such commitments affect risk aversion theoretically and empirically, and explore the policy implications of these findings.

On November 8th, **Richard Gilbert** and **Carl Shapiro** presented joint testimony at the Antitrust Modernization Commission on "Antitrust and the New Economy." The Commission was created to examine whether the need exists to modernize current antitrust laws. It is using expert testimony to evaluate current programs, and soliciting and evaluating new proposals towards the eventual preparation and submission of its findings in a report to Congress and the President.

In June, **Pranab Bardhan** was keynote speaker at both the BREAD/CEPR conference on Institutions in Istanbul, and at conference later that month at the University of British Columbia in Vancouver. Since then, he has given a seminar on land reform at Catholic University at Louvain-la-Neuve in Belgium and spoken on globalization and poverty at Louvain's Global Justice Program as well as at Belgium's University of Namur. Closer to home, Bardhan gave presentations on similar topics at both Stanford and UC Riverside.

Raj Chetty is the recipient of a Smith Richardson Fellowship, which he will use to fund a one-semester leave to conduct research on taxation and social insurance. The fellowship is awarded to three junior faculty members in the United States who are working in the field of public finance.

Aaron Edlin has been appointed to the Richard W. Jennings Endowed Chair of Law in Boalt Hall School of Law.

In the summer of 2005, **Barry Eichengreen** was Visiting Professor at the OENB (the Austrian Central Bank). In September he delivered the Prudential/Institute of Global Economics Distinguished Lecture in Seoul, Korea. He also delivered the Cairol Lectures (on "Globalization Imbalances and the Lessons of Bretton Woods") at Universidad Torcuado di Tella in Buenos Aires in November.

Bronwyn Hall gave the keynote talk at the 8th Uddevalla (Sweden) Symposium on Innovations and Entrepreneurship in Functional Regions in September and an invited talk at the Second ZEW Conference on Innovation and Patenting in Mannheim, Germany. Iain Cockburn (Boston U.), Manuel Trajtenberg (Tel Aviv U.), Woody Powell (Stanford U.), and Hall have been awarded a large multi-year NSF grant entitled "Harnessing Patent Data for Social Science Research," which commenced in summer 2005.

Edward (Ted) Miguel was one of three faculty awarded the 2003-04 Distinguished Teaching Award from the Division of Social Sciences. Other recent recipients include Economics' Barry Eichengreen.

In September 2005, *The Journal of Industrial Economics* awarded its inaugural JIE 'Best Article' Prize for the best article published in 2004 to co-authors Michael R. Baye (Indiana U.), **John Morgan** and Patrick Scholten (Bentley College), whose article, "Price Dispersion in the Small and Large: Evidence from an Internet Price Comparison Site," appeared in the December 2004 issue (Volume LII No. 4).

In October, **Maury Obstfeld** presented the concluding keynote speech at the 10th annual meetings of the Latin American and Caribbean Economic Association in Paris.

On Monday, September 19th, Econ 1 instructor **Martha Olney** and her class participated in the Big Lecture Drive on campus to support Red Cross Hurricane Katrina relief. This program drew faculty support from all over the U.S. and Canada, who encouraged their students to donate money during one class period in competition with other large lecture classes. Professor Olney emailed her 700+ students and challenged them "to give until it hurts *me*! For every \$4 you all donate tomorrow for the Red Cross, I'll donate \$1 to Habitat for Humanity for post-hurricane reconstruction, up to a maximum of \$1,000." Olney's class raised a total of \$834.35, which she topped up to \$900, in addition to her promised \$225 donation to Habitat for Humanity.

Gérard Roland was program chairman for the Congress of the International Economic Association which took place in Marrakech at the end of August.

Christina Romer was elected a Vice-President of the American Economic Association.

Yuliy Sannikov: Went for the 'easy A' in game theory a new faculty profile



Ukraine native Yuliy Sannikov began his undergraduate studies at Princeton University in the mathematics department. During his freshman year, he heard about an economics class on game theory that was guaranteed to be really fun and very definitely an “easy ‘A’”. Opting to take this class, Sannikov discovered his muse and, once again, another mathematician became an economist. Throughout his years at Princeton, Sannikov enrolled in more and more game theory classes, eventually taking everything available – including graduate seminars and advanced theory classes. In the end, Sannikov says that, as opposed to mathematics, “economics has a more artistic dimension – one can be more creative in how the pieces are put together.”

Sannikov defines himself as an economic theorist whose main interests fall into the areas of game theory, contract theory and corporate finance. The choice to pursue his Ph.D. at Stanford Graduate School of Business (GSB), instead of in a traditional economics department, exposed him to such fields as finance, accounting and behavioral marketing, thereby enriching his interests. He also chose Stanford’s GSB because of the small size of its Ph.D. program and its student-teacher ratio: more faculty than students! He further appreciated the fact that the GSB program was more resource-rich and allowed students greater flexibility in pursuing their interests than did the economics department’s. And although this more loosely structured setting required students to take greater initiative, he found that it suited his personality perfectly. At Stanford, Sannikov studied alongside fellow Fall 2004 arrival David Ahn, another economic theorist with interests in decision theory.

One direction of Sannikov’s current research addresses issues of dynamic incentive problems between firms who circumvent the marketplace through collusive activities such as price-setting and controlling the availability of goods. He is studying the structure of different types of incentives which are introduced to entice firms to participate in the collusion. This research can be applied to several subfields of economics, including industrial organization, and has government regulatory policy implications. Working with a former colleague at Stanford, Sannikov is exploring how the flexibility of firm strategies in collusive agreements works. Further, he is exploring ways in which the availability of information about each player in the collusive scheme, and the level of that information’s transparency, can be used to test each player’s fidelity to the collusion. Examples of collusive activity include agreements between firms to offer comparatively high competing bids, with the one firm designated to win on a certain day offering only a slightly lower bid. “Cheating” firms might offer secret price cuts to some of its customers or exceed the collusive enterprise’s agreed-upon sales quota.

A second line of research involves dynamic financing contracts – stage capital financing in venture capital, business or personal lines of credit which may increase as the customer meets particular contractual performance objectives, conditions for default and renegotiation of debt contracts. One of Sannikov’s recent papers seeks to explain the trade-offs between fixed debt and flexible lines of credit in borrowing contracts. Another paper explains why there are credit line contracts, in which the credit limit increases over time with good performance.

Sannikov says that his decision to come to Cal was based on many factors. Although he received many offers from East Coast schools, he found that, after a number of years on the West Coast, he had come to love the look and feel of the Bay Area. He had also heard of Berkeley’s relaxed and laid-back atmosphere, and has found that this is indeed true of both the campus and the department. Sannikov also says that one of this department’s chief draws for him is its level of democracy, where junior faculty members have an equal say and their opinions are respected. When not hard at work in his office, Sannikov can be found swimming (he especially enjoys the pool at the Julia Morgan-designed Hearst Gym), competing at ballroom dance competitions, and practicing his ballroom dance technique. He says he regularly steals step sequences from the top Italian dancers. He and his Berkeley-based dance partner participate in both local and national competitions and recently won the 2005 Stanford Cardinal Classic.

Adam Szeidl: A commitment to research with 'real world' implications a new faculty profile

Like others before him, Adam Szeidl's road to economics traveled through the world of mathematics. Growing up in Miskolc, Hungary, he always knew that he wanted to be a mathematician. He appreciated both the ease with which important questions could be formulated and the challenge involved in discovering elegant solutions to each problem. As he reached junior high school, Szeidl joined a community of elite young mathematicians who participated in national and international mathematics competitions. During a two-year period in the 1990s, he won first a silver medal, and then gold, at the International Mathematics Olympiad. Predictably, he enrolled in Eotvos Lorand University in Budapest to train as a mathematician, fully expecting to move on to a Ph.D. program in the same field.



During his second year in Budapest, however, Szeidl became bothered by the abstract nature and difficulty in applying mathematical theory to the problems he saw in the world around him. Szeidl says that economics – as taught at the state university in Budapest at the time – “was not very related to what we call economics now. It included such courses as “Predicting the Future”, and was not very rigorous.” In response, he began attending Central European University, as well – an institution financed and built by business magnate George Soros, which provided western-style training – where his nascent interest in economics quickly blossomed. Further, Hungary's “Invisible College” – an enrichment program for top students – gave Szeidl access to the country's very best applied economists at work in its Central Bank and sparked his interest in international finance. Szeidl ultimately earned Masters of Arts degrees in both economics and mathematics.

At Central European, Szeidl was encouraged to apply to a Ph.D. program in economics in the United States, and given concrete assistance in doing so. He arrived at Harvard in 2000, intent on pursuing his interest in international finance, with an eye to returning to Hungary to apply his knowledge to his country's monetary policies. Szeidl was able to integrate his mathematics background with microeconomic theory during his first year at Harvard. He ultimately discovered a way to combine his divergent interests in finance and theory: the creation and testing of economic models with empirical and policy implications.

Szeidl's current research in applied microeconomic theory has two major thrusts: the formation of social networks and consumption/finance. The first addresses both the determinants of the structure of social networks and models the actual function of these networks in terms of the success or failure of the actors in the network. His model of the “core/periphery network” shows why some figures emerge at the center of any network (be it managerial, R & D, or among friends), and how these individuals experience higher payoffs than those at the periphery because a higher percentage of network relationships run through them, leading to higher levels of trust, influence, authority, salary, etc. Those actors at the periphery possess fewer connections and thus are marginalized and extremely dependent on those at the core for any success they achieve.

Funded by a large, multi-year grant from the National Sciences Foundation, Szeidl and fellow assistant professor Raj Chetty are collaborating on a project that looks at the interaction of consumption commitments, financial shocks, and risk-averse behavior in consumers. They have already developed several models and are using various datasets to examine them empirically. For example, using U. S. household-level data, they are testing the supposition that consumers with fixed income commitments (such as mortgage, health insurance, private school tuition, or car payments), are more averse to painful shocks (such as the loss of a job) because of the difficulty involved in reducing these fixed commitments. Examples of how risk aversion is reflected in consumer behavior include investment portfolio choice and the rate of purchase of unemployment insurance. Szeidl and Chetty's ultimate goal is to explore the policy implications of these results for areas such as unemployment insurance and the design of mortgage contracts.

Szeidl says Cal was always his primary choice for his first job. In his early interactions with them, he found his future colleagues modest, yet serious, and their criticism of his work constructive and supportive. Perhaps the most attractive aspect of coming to Cal for Szeidl was the proclivity of many Economics Department faculty – such as George Akerlof and Matthew Rabin – to think “outside the box”, which makes for a very stimulating intellectual environment. He says he regularly interacts with fellow junior faculty Shachar Kariv and David Ahn, in addition to Raj Chetty. He also enjoys teaching undergraduates – something he did not experience at Harvard – and finds them interesting and exciting, and their challenges very rewarding.

Szeidl finds the Bay Area beautiful, and though he insists that “assistant professors don't have a life”, he has found time to renew his interest in skiing with fairly regular trips to the Sierras, as well as to travel to more exotic places, particularly during the summer. He has plans for extensive travel in the Middle East, and will soon return for a visit to his native Hungary.

Department Inaugurates the "Economics Answer Center"

GSI **Keith Gamble** reports: "Due to funding cuts the Student Learning Center no longer provides tutoring support for economics courses. To ensure that extra help was available to students seeking it, the Economics Department hired a GSI solely dedicated to helping economics students find extra help when needed. As the GSI hired for this position, I created the Economics Answer Center to help students find answers to their economics questions by providing a listing of available tutors for hire and drop-in and reserved office hours for the most popular courses (Econ 1, 100A, and 100B). These drop-in and reserved office hours were provided at no out-of-pocket costs to students. So far this semester I have held 50 drop-in hours and 30 reserved, one-on-one hours of tutoring, hosting 265 recorded student visits. At the hourly wage for a GSI, that works out to a cost to the department of about \$6.50 per recorded student visit. Economics 100A has brought in the most students (109 recorded student visits), followed by Econ 1 (82 recorded visits) and Econ 100B (74 recorded visits). The list of available tutors for hire currently has twenty tutors available serving thirteen courses." As of mid-November, the Center's webpage had received over 2500 hits!

Undergraduate Advisor **Sandy Jaeger** has been named an "unsung hero" by Cal's undergraduate student respondents to the 2005 UC Undergraduate Experience Survey. The survey offered students the option "to choose a staff person or instructor on campus who 'made an extraordinary effort to make your undergraduate experience — or that of your fellow students — better, resolved a difficult problem for you, or otherwise [went] beyond the call of duty on your behalf'" and then encouraged them to describe the circumstances of these heroic acts. 2003 Distinguished Teacher Award recipient **Martha Olney** was also among the instructors lauded in the survey.

Graduate Advisor **Melinda Busch** has been nominated for and selected to receive the *Chancellor's Outstanding Staff Award* for 2005-06. This competitive award is Berkeley's most prestigious available staff award.

Kristine Brown is the recipient of a substantial grant from the Labor and Employment Research Fund through the UC Office of President.

Damon Jones was awarded the National Science Foundation (NSF) Graduate Research Fellowship. Jones, whose fields are labor and public finance, is interested in topics in public finance which may have behavioral implications, and has done some work with Emmanuel Saez in this area.

Owen Ozier is the 2005-06 recipient of the Shapiro Fellowship for incoming graduate students. He reports: "My undergraduate work was in computer science and cognitive science. Since college, though, after working in a high-tech startup and a computational biology lab, my interests shifted to focus on inequality and poverty, particularly in developing countries. For the two years prior to arriving at Berkeley, I worked for a team including Professor Ted Miguel, evaluating the impact of health and education projects in rural western Kenya. I aim to continue this kind of work during my graduate career, but I would also like to carry out cross-country studies, investigate effects of trade policies, and perhaps even look at macroeconomic stability issues for emerging economies."



During the past year, the **Center for International and Development Economics Research (CIDER)** has increased its profile and activities and now includes a joint venture (with UCSF) economic development

and public health data evaluation center, a student research fellowship program, several weekly seminar series, an active visiting scholar program, and a Pacific Rim development association. Although the CIDER program dates from the mid-1990s, a relatively recent concentration of faculty and scholars concerned with international development and poverty at Cal has led to substantial growth from its more modest origins. Its new website (<http://cider.berkeley.edu/>) states that "CIDER faculty and students conduct rigorous research on all facets of globalization, poverty, and economic growth. Housed in the Department of Economics at University of California, Berkeley – one of the world's leading social science research centers – we use cutting-edge theoretical and methodological tools to analyze the global economy."

Department faculty **Maury Obstfeld** and **Ted Miguel** are Director and Associate Director of CIDER. The program is functionally a part of Cal's College of International and Area Studies, and faculty research affiliates are based in a variety of departments: Economics, Agriculture and Resource Economics, Political Science, Public Health, and the Haas School of Business. Economics' participants include: **Pranab Bardhan, Barry Eichengreen, Pierre-Olivier Gourinchas, Chang-Tai Hsieh, Yingyi Qian, and Gérard Roland**. Miguel is the Director of the new Scientific Evaluation for Global Action (SEGA) program, a joint venture of two Berkeley-based research centers (CIDER and Center for Health Research) and Global Health Sciences at UCSF. This program has been successful in employing evaluation methods that yield uniquely reliable results for policymakers. CIDER is also the institutional home of the Pacific Development Association, a consortium of development economics researchers based on the Pacific Coast of the U.S. and Canada, which holds an annual conference and provides a forum for both students and faculty to present new research results to colleagues at other institutions.

Additional CIDER programs include four weekly seminar series based in the Department of Economics: comparative, development, international, and macroeconomics; student research small grants; and a visiting researcher program which in 2005-06 brings two young scholars to Berkeley: Robin Burgess from LSE and Rohini Pande from Yale.

CIDER is currently fundraising for an endowment to support and expand its research program, teaching, and policy activities. Contributions can be made in the form of a general or direct donation. There are opportunities for major donations to be recognized through our website and publications. To find out more, please contact Professors Obstfeld (obstfeld@econ.berkeley.edu) or Miguel (emiguel@econ.berkeley.edu).

(CHAIR, from page 2)

already a top-five department and unambiguously the best department in a public university, one might imagine that we could rest on our laurels. That, however, is not a luxury we enjoy. We can't stand still. Indeed, I sometimes feel like Lewis Carroll's Red Queen, having to run as fast as possible just to stay where we are. We are in an ongoing battle with other departments for the best faculty and the best students. Given the deep pockets our private university competitors enjoy and the escalating salaries, stipends, and levels of research support, we are increasingly reliant on private giving to keep us remain competitive. The difference private giving has made for us is immense and we are exceedingly grateful for this support. But we will have to do more in this area. As the University rolls out its next capital campaign, you can expect to hear more from me on this topic.

As the holiday season rolls around, let me wish you all the best for the season and the coming new year.

Finally, I welcome your feedback. I know, as a new chair, I have a lot to learn and I look forward to hearing from you. Feel free to shoot me an email at hermalin@econ.berkeley.edu.

Instead it includes coffee plantations, agricultural productivity, fish farmers, small-business owners, small artisans, tourism, and more.

“We were really surprised, because when you think of the gravity of the bombing and you look at some of the maps, it was bombed flat,” Roland says. Records housed in the National Archives — which reflect the amount of general-purpose bombs, cluster bombs, chemicals, rockets, missiles, projectiles, flares, and other bomb types dropped on Indochina during the U.S. war there (as well as where they were dropped) — show that the U.S. Air Force dropped 6.1 million tons of bombs and other ordnance in Indochina from 1964 to 1975, while the U.S. Navy and Marine Corps contributed another 1.5 million bombs.

That total far outstrips the 2.1 million tons of munitions used by the U.S. during World War II, and the 454,000 tons exploded in the Korean War.

After World War II, West German cities re-bounded fairly quickly, while East Germany’s did not, according to the researchers.

“There’s no general answer,” says Roland. “In some countries, despite the devastation, the recovery can be fast: 20 or 30 years. In other countries, [the economy] may be completely destroyed for centuries. It depends on the kind of institutions the country has.”

Miguel and Roland found that 70 percent of the U.S. bombing in Vietnam was concentrated in 10 percent of the country’s 600 districts, in some 61 provinces. The heaviest bombing occurred in Quang Tri province near the 17th parallel, the former border between North Vietnam and South Vietnam. Only 11 of 3,500 Quang Tri villages were not bombed, and most of the

province’s infrastructure and capital were leveled, leaving some of its villages still struggling economically today.

In the former North Vietnam, coastal regions and some districts of Hanoi were heavily bombed, along with the “Iron Triangle” adjacent to Cambodia near Saigon in the south. The triangle was the site of frequent incursions by North Vietnamese troops and Viet Cong guerrillas along the Ho Chi Minh Trail running from North Vietnam through Laos and Cambodia.

At the outset of their research, Roland and Miguel had several reasons to suspect that U.S. bombing would have had long-range impacts on Vietnam. Destruction of local infrastructures could inhibit commerce and alter later investment patterns by pushing investment to not-so-heavily bombed regions. Further, by displacing populations on a large scale, bombings could easily have disrupted local economic activity.

Their surprising finding of economic resilience may be attributed to a number of factors:

- Most U.S. bombing targeted South Vietnam with the aim of impeding the progress of enemy troops. Because it occurred in rural areas with little fixed infrastructure to repair or replace, forest and farmland destruction has largely repaired itself over time;
- The North Vietnamese sought to minimize bombing damage by dispersing industrial operations among multiple sites, and by sending up to half a million people to work full-time on rebuilding damaged infrastructure;
- After the war, the Vietnamese government mobilized labor and resources to de-mine the countryside and rebuild damaged infrastructure;
- Population displacement caused by bombing was largely temporary, because the Vietnamese developed

elaborate ways to avoid injury, such as hiding in underground tunnels where they stored supplies and even held classes;

- Large-scale school expansion and literacy campaigns for children and adults were carried out in the ‘60s and ‘70s by the North Vietnamese, helping to build an able, educated postwar workforce.

In addition, Roland and Miguel wrote in their report, “The war undoubtedly fostered a strong sense of Vietnamese nationalism and accelerated the development of capable North Vietnamese institutions, and both of these effects may have contributed to faster post-war economic recovery.”

While Vietnam offers important lessons, they say, most wars today are civil conflicts based on internal aggression that often worsens the political and social divisions within countries and weakens existing national institutions.

“If you have a civil war in Rwanda, or Congo, or Sierra Leone, the results can be the exact opposite,” says Miguel, who will travel later this year to Sierra Leone — which recently called a truce in its long-term civil war — to study postwar development there.

“After the war, you have to live with the people who you were fighting, with someone who killed your brother or your sister; you have to work together in parliament and live together in the same streets. The sort of social divisions that war creates can’t be just papered over.”

Also, say Miguel and Roland, military warfare has changed since Vietnam to focus more on shorter-term assaults using technologically precise, targeted rocketry and bombing, rather than the carpet-bombing approach employed in Southeast Asia.

professor at Uppsala, and then was made professor and chief of the Konjunkturinstitut (the national institute for economic research) in Stockholm. He headed the institute from 1955 to 1962. In this period he produced many different volumes, but especially *The Economic Theory of Fiscal Policy*. This period of his life led to two tragic events, perhaps both related to his extreme dedication and hard work. He relates that he was a very heavy smoker of cigars, and in this period under the work load he took upon himself he literally poisoned his system from excess smoke. Yet more difficult, his marriage, with three young children, broke up.

These events in Stockholm, however, led to the third stage of his life. During the period shortly after the break-up he gave some lectures in Cairo, later published in a book on trade credit. At a dinner there he met So'ad Zaklama, who became the love of his life. Bent and So'ad got married, and in 1962 he moved to Cairo, officially in the position of advisor at the Institute of Planning. During this period he produced the classic work on Egyptian economics (with G. Marzouk), *Development and Economic Policy in the U.A.R.* This is a seminal book not just on Egyptian economics, but on economic development more generally. Prior to this time development economics was characterized by loose theorizing based on unsubstantiated fact. Hansen's work on Egypt treated it like any modern macroeconomy and analyzed its macroeconomic characteristics. It suitably adapted the same types of tools and analysis that were then being used for modern economies to the Egyptian situation. This work was a *tour de force*, first in its insightful analysis of Egypt, second, in its seminal treatment of macroeconomics of an underdeveloped economy, and third, in its standard for use of

data and analysis in an underdeveloped country. The three years from 1962 to 1965 in Egypt were for Hansen the equivalent of Darwin's voyage on the *Beagle*. The work of the rest of his life was rooted in that experience.

After three years in Egypt, Hansen entertained the idea of returning to the West; he briefly accepted a professorship at the University of Stockholm, but then was recruited to come to Berkeley. At Berkeley he solidified his eminence in development studies with continuing work on Egypt in very many studies, such as an examination of what Egyptian laborers do with their spare time (to dispel the surplus labor argument), re-examining Egypt's historical terms of trade and calculation of the rate of return on the Suez Canal. Bent and his students built "small models" for other countries, including Afghanistan, Morocco, Bangladesh and Pakistan. His last project was a continuing study of the economic history of the Ottoman Empire.

Bent's life was marked by both his high standards for himself and also his kindness to others. This was reflected in many different ways. Most notable was the love between himself and his wife So'ad. They were opposites in perhaps almost every way: religious, irreligious; quiet and withdrawn, outgoing and talkative; Scandinavian, Egyptian. Yet each admired the other for his/her kindness and dedication.

Bent showed this same dedication in assuming for eight years the chairmanship of the Berkeley economics department. It was a tough and demanding task made more difficult by the budgetary stringencies of the time. The confluence of his kindness and his high standards were exemplified in numerous tenure cases, in which the candidates initially failed to

meet the standards of the department for tenure. Hansen's remedy was to give the candidate an extra year to meet the standards that he thought should be appropriate. Most candidates did not view this option as a kindness, but, remarkably, in most cases in due course tenure was received. Hansen had the same attitude toward the countries that he inhabited. He would describe with wry humor the many ways that behavior in these countries failed to live up to his high standards. But he also took it upon himself to do his best to improve this situation, wherever he went. As we have seen, this included Denmark, Sweden, Egypt and the United States. But also as a consultant to many other countries and international agencies he took on this personal responsibility yet more generally.

He retired from the department in August 1987. He continued to work, but then suffered from Alzheimers. He first moved to Switzerland, cared for by So'ad's daughter Eglal Zaklama, but then moved to Egypt to be cared for by his other stepdaughter Magiha Wahba, after So'ad had suffered from a stroke. So'ad survives him, as does his son Simon Hansen of Denmark and two daughters from his previous marriage.

In summary, it is with great admiration that we recall the life of this man, who pursued a uniquely independent and dedicated course through life. Always doing his duty, working to the ultimate, treating colleagues, friends, and all mankind with kindness and respect, and producing scholarship of the very first order, he has brought great honor upon himself, our economics department, and on our University.

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THE ECON EXCHANGE

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Obituary:

Jean O. (Jenny) Lanjouw



Jenny Lanjouw, Associate Professor of Agricultural and Resource Economics, and a specialist on economic development and poverty, died November 1, 2005 of cancer. Lanjouw's research focused on assessing and addressing the plight of the poor in developing countries, both through methodological work in poverty measurement and through detailed study of how specific mechanisms – such as intellectual property rights in the pharmaceutical sector – affect the poor's accessibility to important drugs. Her work on how to finance pharmaceutical innovations for developing countries began to attract substantial attention throughout the world. Her proposal for a mechanism that would permit the poorest countries to preserve access to drugs at the lowest possible cost, without compromising their adherence to global patenting agreements, was widely disseminated and discussed in leading newspapers as well as in the World Development Report 2006 on Equity and Development. Economics professor Bronwyn Hall, a specialist on intellectual property, said Lanjouw "was always a heroine of mine – with her boundless energy, positive outlook and the effort she devoted to the crusade for generics in the third world." Lanjouw was 43 years old. [Source: Cyril Manning @ http://www.berkeley.edu/news/media/releases/2005/11/14_jl.shtml]

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