

The Econ Exchange

NEWS AND NOTES FROM THE DEPARTMENT OF ECONOMICS

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SPRING 2006

Berkeley economist proposes Choose-Your-Charity policy: A change in regulations governing charitable giving could yield enough money to pay for a wealth of social programs

By Kathleen Maclay, Public Affairs

12 January 2006

At year's end, charity officials in the United States were forecasting that 2005 would wind up a banner year for giving. But a Berkeley professor says that could be just the beginning of a major cash flow of charitable donations.

In a recent issue of the journal *The Economists' Voice*, Aaron Edlin, a professor with dual appointments in economics and law, proposes shifting the regulations for charitable giving to allow individuals to target donations as part of an "ultimate matching grant" program that, he says, would amass a treasure chest for charities.

A former senior economist with the President's Council of Economic Advisers, Edlin suggests instituting a tax credit of \$1 for each dollar one spends in charitable giving, with limits on what percentage of income can be donated.

If everyone contributed at a limit of 10 percent, Edlin estimates, annual charitable revenues of an extra \$400 billion could be realized, which could lay the foundation for unprecedented progress on numerous fronts. "There would be no homelessness in America. Job retraining would be available for all," he writes in the journal. "And that's only on the domestic side," he continues. "If half this charity went abroad, U.S. foreign aid would increase by a factor of 15. Instead of fast becoming one of the

most hated nations in the world, the U.S. could quickly become the most loved."

Under a more modest scale where the Choose-Your-Charity contribution limit would be set at 1 percent of a taxpayer's income, Edlin says the nation's charitable giving would escalate by \$40 billion a year.

He acknowledges that a common complaint of those who don't give as much as they can afford is that their donation seems all but irrelevant because of the staggering challenges that charities face.



In 2004, Americans made nearly \$250 billion in charitable donations; 2005 donations could exceed that amount, with cleanup and rebuilding costs in the wake of Hurricane Katrina (New Orleans, above) and other U.S. natural disasters. (Source: GivingUSA Foundation)

"The problem with good causes is that the very thing that makes a charity a good cause is the enormity of the problem it is fighting," he writes. "Yet because the problem is so vast, my gift is a drop in the bucket. The problem will still be there when I am done giving. The problem will be there if I do not give."

The Choose-Your-Charity plan would create a reasonable expectation that others would also give, magnifying the impact of each individual donation, Edlin says. Matching contributions with more than 100 million U.S. taxpayers, he writes, would result in "the

ultimate expansion of the proven 'matching' tactic that has already helped increase donations to charities."

Current tax-deduction rules for eligible charities would have to be amended, says Edlin, and

~A Note from Chair Benjamin E. Hermalin~



Greetings!

It is hard to believe that my first year as Chair is over. It was quite a learning experience. The year saw many positives for the Economics

Department, as well as a few negatives. Overall, though, I am happy to report that the state of the Department is good.

There were a few changes in personnel this year. We had a number of staff leave. I was especially sorry to see Casey Gardner, who had been serving as the Department's MSO, leave to pursue a degree in art. While Casey's departure was a big loss, we were fortunate that Rebecca Chavez, who has been heading the Department's student affairs office, was willing to step in, first on an acting basis, and then, with some cajoling, to accept the position permanently. Rebecca has been doing a terrific job and we are indeed lucky to have her.

On the faculty side, I regret to announce that Guido Imbens has decided to leave Berkeley for a position at Harvard. Guido is a gifted econometrician and his departure is a major loss for us. Fortunately, Guido's is the only retention battle we have lost recently (and we have fought and continue to fight many), so on the whole we remain able to keep our star faculty.

I would love to be able to contrast Guido's departure with news of new hires, but recruitment this year has not yet met with any success. We were in a number of pitched battles with the likes of Chicago, MIT, Princeton, and Stanford, but were unable to prevail. We still have two offers outstanding, however, and I remain cautiously optimistic about being successful with both.

This was a great year for us with respect to recruiting Ph.D. students. Our incoming class is one of our best ever. We were very competitive and won a number of significant battles with our prestigious—and much wealthier—peer institutions. A big thank you is owed Ken Chay, who headed our admissions efforts this year.

Another positive was that several of our faculty were honored for their outstanding

scholarship: Dan McFadden was given membership in the American Philosophical Society this year, George Akerlof was awarded the 2006 Kiel Institute Global Economy Prize, and David Romer was elected a fellow of the American Academy of Arts and Sciences. David's election brings to 10 the number of our faculty who have been so honored. (See stories pages 6 & 12.)

Other than the unseasonably late rain, this May's commencement was a wonderful occasion. We were delighted that Robert Hall (B.A. '64) was able to be



our commencement speaker. Bob gave a great speech about some of the economic challenges that we can expect to face in the future.

Returning to faculty recruitment and retention, this academic year saw yet further escalation in the salary and other benefits that our competitors are throwing at

our faculty and at the people we seek to recruit. While it is wonderful that the students of Berkeley are taught by precisely the faculty that the Harvards, Princetons, and Stanfords of this world want to have as their own—and at a much lower tuition than were they at those institutions—the truth is that such excellence does not come cheaply. While the University of California remains committed to a world-class economics department, the cost of this excellence has outstripped what the state is providing. Private giving remains essential if we are to stay one of the very best economics departments in the world. Hence, a big big thank you to all of you who have given generously to us in the past year and a big big plea to continue that generosity going forward.

As always, I welcome your feedback and I look forward to hearing from you. Feel free to shoot me an email at hermalin@econ.berkeley.edu.



Alumni Updates

Michael Brunetti (PhD '03), whose advisor was Alan Auerbach, is the recipient of the Richard Musgrave Prize for the most outstanding article in the National Tax Journal during 2005. His paper, "The Estate Tax and Charitable Bequests: Elasticity Estimates Using Probate Records" appeared in the June 2005 issue. With this award, the National Tax Association recognizes both Richard Musgrave's contributions to the theory and practice of public finance and honors authors of outstanding new contributions to the field.

Michael H. Jones (BA '05) is currently working at the United Nations in the Secretary-General's Office, as the Advisor to the Assistant Secretary-General for Policy Planning. Michael originally began working at the UN last August, sponsored by a fellowship through UC Berkeley and Stanford University. Michael studied economics at UC Berkeley, with a focus on development economics, but has always been most interested in the political aspects and implications involved.

Michael's work at the UN thus far has taken him further in the direction of policy and politics. In the Secretary-General's Office, Michael has recently been most involved in helping to structure the UN's counter-terrorism strategy. He has also played roles in the current mandate review process at the UN - which aims to align the Organization's programs with the priorities of the current world - as well as in the recent establishment of the UN Democracy Fund.



On a sad note: **Ayman Taha**, (BA '97) and a Special Forces servicemember, was killed in Iraq on December 30, 2005. According to news reports, Taha was working with munitions for demolition when they unexpectedly exploded. Taha was born in Sudan, into an accomplished Muslim family that later settled in northern Virginia. He left the University of Massachusetts in 2002 to enlist — only a few months shy of getting his doctorate in economics — telling family he wanted a break from studying and to fulfill what he saw as his patriotic duty. He hoped someday to work toward improving economic conditions in Africa.

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 Memorial Fund, and other initiatives, from December 2005 through May 2006.

Centennial Fund:

Platinum Circle (\$10,000+)

John E. Lee '67

Gold Circle (\$1,000-9,999)

Marc '74 and Barbara '77 Desoer
William Dudley '80 and Ann Darby
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Silver Circle (\$1-999)

Marcus Berliant '81 and Clara Asnes
Kevin Gold '97
Louis '70 and Barbara Goldman
Amy Traum '87

Annual Fund:

Benefactors' Circle (\$10,000+)

Steven Sidener '82 and Susan Leong

Centennial Circle (\$1,000-9,999)

Neil '77 and Janis Berkman
Richard and Sandra Gilbert
Michael '55 and Shirley '57 Traynor

Friends of Economics (\$1-999)

Priyanka Anand '02
James Noble '75

Letitia Casebeer '81
Katherine Czuckas '91
Daniele Facchini '84 and Suzanne Palmer
Steven Go '91
Alfred Gonzales '64
Robert '50 and Virginia '49 Homan
Edward '50 and Juliet Johannessen
Raj Kohli '86
Marsh & McLennan Companies
June Neuhaus '48
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Round Table Group, Inc.
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Paul Sack '76
Marcus '91 and Jamie Shen
Clark '75 and Marsha Silcox
Ramteen Sioshansi '01
Aram '80 and Nancy Sogomonian
Eldon '71 and Ann Spencer
Craig Sundstrom '85
Lloyd and Lassie Ulman
Robert Whittemore '49
Yahoo, Inc.

Grace Katagiri Memorial Fund:

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Gordon and Mariko Ching
David and Antoinette Faris '63
Iris and Christine Fukui
Milton and Colleen Gockley
David and Diana Goo
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Tatsumi and Kathryn Hiramoto
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Wataru and Setsuko Kaneshina

Beatrice Kennell
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Mary Maehara
Albert and Edith Matsumoto
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Jon Nakamura
Paul and Ethel Nakamura
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Jerry and Eleanor Osumi
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Samuel and Yoshie Shirai
Minoru and Patsy Sugita
Rikio and Jane Tanji
James and Jean Tominaga
Mary Tomita '49
Shigeru Tsubota
Himeo Tsumori and Louise Lue
Herbert White and Jess Hernandez-White
Pundy Yokouchi
Theodore and Clara Yamate
Seichi Yatsushiro
Doris Yim

(Many donations to the Katagiri Fund were made in memory of Reverend Mineo Katagiri)

Econ Echoes...

**a column of recollections of
Economics at Cal**

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

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

Dear Editor:

I am responding to the opportunity you mentioned in the Fall 2005 issue of The Econ Exchange: to write a recollection about Economics at Cal. My effort here is really a micro-essay, in the sense that I am only reflecting on a relationship with a professor that was memorialized by an event.

In 1963, I was finishing up my BA in econ at Cal and among the many econ courses I took was one in Industrial Organization. The professor was Lee Preston. [Editor’s Note: Preston was Associate Professor of Business Administration at Cal, and in 1963 taught a cross-listed I.O. course in Economics.] He was somewhat of a rising star, I believe, having just returned from a tour of duty on the Council of Economic Advisors, or some similar body. [Editor’s Note: Preston served as a Staff Economist on the Council on Economics Advisors, 1961-62.] His specialty, of course, was microeconomics, antitrust policy, and similar areas of knowledge. He may have been associated with Joe Bain who at that time was a famous price theory professor at Cal.

Professor Preston would stride into class with the Wall Street Journal sticking out of his briefcase. He would open the newspaper to a likely story and engage the class in a discussion of the latest issues in corporate America: oligopoly, monopoly, etc. At that time the study of the aerospace industry was in its ascendancy and Professor Preston hired me, even though I was an undergrad, to help him put together a library of materials on the aerospace industry for an institute he was part of which had some funding. This is my first fond memory of him, as financial support for students is never forgotten.

I remember one incident clearly. Professor Preston sent me to the library to look up some stuff on the cotton industry—price supports, policy initiatives, etc.—and when I gave him my report he said I had done a very good job. This was a pleasant surprise to me because I didn’t think much of my effort. Nevertheless, it was a very nice thing for him to do.

Well, I graduated, I went to Boalt Hall to study law, became disenchanted with that idea (ie., being a lawyer), and ultimately became a CPA specializing in taxation for Big Four firms. Incidentally, someone should look at whether the passage of domestic production deductions in Internal Revenue Code Section 199 is having any noticeable effect on the relevant sectors of the economy.

So that is my brief look back at an event that happened over forty years ago, and to the memory of a kind and helpful Cal Economics [Editor’s Note: well, business, anyway] professor. I wonder what happened to him, how his career developed, if he is still living? [Editor’s Note: Professor Preston is retired (1997) from the Smith School of Business at the University of Maryland (1980-present). After leaving Cal in 1969, he taught at SUNY Buffalo’s business school prior to moving to the University of Maryland. While at Maryland, he directed the Management Education in Poland program, a cooperative venture with the University of Lodz, from which he received the *doctor honoris causa* degree in 1996, and the Distinguished International Service Award from the University of Maryland the same year.]

My math skills were not above average so I would not have been a good econ graduate student, but thanks for letting me take part in the activities of the department. You are doing a great job in alumni relations! Good luck, and thanks for reading this.

Dave Faris, BA ’63

Bryan Graham: “Social spillovers” in education via Papua New Guinea

A new faculty profile

Bryan Graham contends that he came to economics (and his specialties in econometrics and labor/development economics) in a “haphazard” way. Although reared in a reasonably educated family in rural Maine, he is the first in his family to pursue a career in academia. In high school, the future Fulbright and Rhodes Scholar imagined a future in “something like” the American Foreign Service and, as an undergraduate, attended Tufts University in Medford, Massachusetts in order to study international relations. Required classes exposed Graham to what he calls economics’ “insightful and elegant way of thinking about the world” from which evolved that “eureka” moment in which he chose economics as (one of) his organizing frameworks for thinking about the world (as well as a change in majors).



Graham’s Fulbright Scholarship took him to the National Center for Development Studies at the Australian National University, where he focused on questions of economic development with Ronald Duncan. Traveling to Papua New Guinea and Indonesia for fieldwork, Graham studied the effects of financial dependence on minerals on patterns of economic development in these two countries. It was as a Fulbright Scholar in Australia that Graham learned to love research and decided to pursue graduate studies in economics. To that end, Graham applied for and won the prestigious Rhodes Scholarship (held in the past by prominent Americans ranging from economist Lester Thurow, to President Bill Clinton and many members of his government— Robert Reich, Strobe Talbott, Ira Magaziner, Robert McCallum, Jr., and George Stephanopoulos— to journalists Nicholas Kristof, Michael Kinsley, E.J. Dionne, and Paul Blustein, and musician/actor Kris Kristofferson). Graham used his two years at Oxford University to further prepare himself for his doctoral studies. He found that St. Antony’s College provided the “balanced environment” he wanted. During his second year, Graham chose two areas to focus on—econometrics and history of economic thought—which solidified his interest in empirical economics and provided an additional teaching area.

Returning to Boston from Oxford, Graham began his PhD studies at Harvard University, working with Professors Gary Chamberlain, Caroline Hoxby, Michael Kremer, and Economics alumnus Larry Katz (BA ’81). Research for his dissertation “Essays on the Econometrics of Social Interactions” produced a new method for detecting and assessing the strength of social interactions. Graham employed this new estimation strategy to test for the presence of peer effects in learning using data from the Tennessee class size reduction experiment Project STAR. His findings suggest that differences in peer composition are at least as important as those in teacher quality for explaining variation in academic achievement within Project STAR schools. Graham has extended this research since arriving in Berkeley in Fall 2005, which followed his participation in the Review of Economic Studies Tour, an honor shared by many of Graham’s junior colleagues in the Department. He plans to spend the coming years engaged in his current research on social externalities or “social spillovers,” which he feels could have powerful policy implications for hot-button educational issues such as ability tracking, busing, and school vouchers. Graham hopes to create a so-called “tool kit” for using data to detect and measure these spillovers as well as characterize them.

Graham says that he has been extremely productive since coming to Cal. Along with the great intellectual environment, he loves the ambience and collegiality in the Department; for instance, he often joins department faculty, of all levels, who lunch together daily (and can often be found on one of the semicircular walls at the campus’ North Gate, weather permitting). He also mentioned that the distribution of faculty in Economics includes all cohorts in terms of age and professional rank, which for him makes the Department feel very “complete.” He finds the undergraduate students at Cal as able as those at Harvard, but their general demeanor more pleasant—more laid back, more tolerant, less high strung. And though Economics graduate students at Cal are as excellent and as competitive as those at Harvard, he delights in what he perceives as a rare solidarity among Cal’s group.

Bryan Graham claims that he chose Cal when, on the morning of his job talk, he took a run in the Berkeley hills, saw the vista of the Bay Area spread out before him, and knew that Berkeley was the place for him. (But don’t tell Rich Gilbert, who worked hard to recruit him!) He greatly appreciates then-Chair Gilbert’s efforts with the Graduate School of Education to facilitate an appointment for his wife, Erin Murphy-Graham, who joined the school last fall as an adjunct assistant professor. This active couple enjoys running, hiking, road biking and camping but, with a newly-arrived baby boy (Liam Thomas Murphy Graham), are staying fit these days primarily by swaddling. Welcome to Cal all three Grahams!

Faculty News & Notes

Pranab Bardhan continues as Co-Director of the MacArthur Foundation-funded Research Network on Inequality and Economic Performance. During spring 2006, he was invited to address the executive directors of the World Bank in Washington, DC, on issues including governance and economic development. In January, Bardhan was in India, where he presented the Silver Jubilee Lecture on the topic of land reform at the Center for Economics and Social Studies in Hyderabad, and the CSLG Distinguished Lecture on democracy and governance issues at Nehru University in New Delhi. In February, he gave a lecture on agricultural trade liberalization at the Food and Agriculture Organization (FAO) in Rome, Italy. His article, "Globalization and Poverty" was published in the April 2006 issue of Scientific American. That same month, a collection of essays in honor of Professor Bardhan, edited by Tim Besley of the London School of Economics, was published as a special issue of the Journal of Development Economics.

Professor Clair Brown and **Greg Linden** (Econ PhD, 2000) conducted nearly twenty interviews with semiconductor companies in Bangalore, India, during November 2005. The semiconductor industry in India is dominated by multinational subsidiaries, with start-ups playing a limited role—the mirror image of how the industry has emerged in China. Their research suggests that much of the work done by US chip companies in India complements, rather than substitutes for, the work done in the US. For example, lower-cost Indian teams are used to expand into cost-sensitive consumer markets for which US engineering is too expensive. They presented their paper

"Semiconductor Design in a Global Knowledge Network" at the Sloan Industries Conference at MIT in December. Brown also gave a keynote talk in February at the International Solid-State Circuits Conference (ISSCC) Annual Meeting in San Francisco on "Offshoring: IC Design Jobs or IC Design Future?" She spent Spring Break in Beijing, where she conducted interviews at semiconductor design companies, and then attended the Conference on Labor Standards, where she delivered a talk on the Chinese and US labor markets for engineers.

Dan McFadden elected Member of the American Philosophical Society

Dan McFadden joined a very select group of economists when he was elected a Member of the American Philosophical Society in April. The Society's 2006 class includes Cal's Chancellor, physicist Robert J. Birgeneau and Professor of Sociology Michael Hout, as well as Ben Bernanke, Chairman of the Federal Reserve Bank, Associate US Supreme Court Justice Ruth Bader Ginsburg, and John F. Nash, Jr., McFadden's fellow Nobel laureate in economics. Two late department faculty, Carlo Cipolla and Gerard Debreu, were also thus honored during the 1980's. Society Members also include other economics Nobel laureates Jan Tinbergen, Kenneth Arrow, Amartya Sen, Milton Friedman, and Joseph Stiglitz. Also in April, McFadden, a North Carolina native, received an honorary Doctor of Science degree from North Carolina State University.

Barry Eichengreen, together with Marc Flandreau (Sciences-Po, Paris), received a two-year grant from the National Science Foundation (NSF) to study the past and future of reserve currency competition, with a focus on whether the dollar will remain the dominant international currency. In May, received the *doctor honoris causa* from the American University in Paris.

Bronwyn Hall spent her first year as Professor in the Graduate School as a visiting professor at a number of European institutions: the Catholic University of Leuven in

September 2005, the Ludwig-Maximilians University of Munich in December 2005, and the Ente "Luigi Einaudi" Foundation in Rome for February-June 2006. She gave the keynote talk at the ECLAC-UNCTAD conference on "Globalization of R&D by Transnational Corporations" in Santiago, Chile, and an invited talk at the Triple Helix conference in Torino, Italy. Together with a number of European economists, she helped to found a new organization, EDIP (European Policy for Intellectual Property) in October 2005, and serves on its initial board.

In February 2006, Chair **Benjamin Hermalin** reported that **David Lee** was promoted to associate professor with tenure in the Economics Department. Congratulations, David!

Edward (Ted) Miguel has become the Co-Editor of the Journal of Human Resources. His article (with Michael Kremer) "The Illusion of Sustainability" was recently highlighted in an article in the French daily La Liberation (by Esther Duflo) entitled "Reinventir le developpement durable," from February 13, 2006.

Martha Olney has once again been singled out for her teaching prowess. She has been named a faculty "Everyday Hero" based on the Undergraduate Experience Survey. (See the Student News highlights on page 9 about SAO Sandy Jaeger and three Economics GSIs).

John Quigley spoke in the fall at a conference on credit guarantees sponsored by the Federal Reserve Bank of St. Louis. His paper analyzed the distribution of costs and benefits of the Government Sponsored Housing Enterprises,

See *FACULTY* pg. 11

Faculty News & Notes



From Paul Ruud, Professor of Economics:

Jim Powell, Paul Ruud, and friends rocked the house Saturday, February 18, at a party hosted by **Roger Craine** at the Pt. Richmond Yacht Club. Jim plays bass and Paul plays guitar. They were joined by the rest of their band, the **New Remnants**, which has been together for several years. Also sitting in were **Vance Martin** (Economics, University of Melbourne) on drums and **John Knox** (Berkeley PEIS alumnus) on keys.

Jim Powell is the catalyst behind all the music. Shortly after he joined the Department, Jim bought an electric guitar and a small practice amp. After dinner one evening, Paul noticed the guitar and decided that he also had to have one. A year later, Jim formed a band with classmates from a Diablo Valley College course about rock and roll bands. Paul joined about a year ago, after a breakup of the original group. Amy Lovern (vocals), John Savoy (guitar), Michael Hedtke (vocals), and Rich Bass (drums) comprise the rest of the band. The New Remnants play covers of popular music from the 60's to the present.

Vance Martin is an econometrician, as are Jim and Paul. And Vance is also a former professional rock drummer. The three, and Roger Craine's neighbor John Knox, first played together at a soiree at Roger's house five years ago. Since then, they have been looking for another opportunity to jam.

Several graduate students also participated. **Pamela Jakiela, Rachel Polimeni**, and **Owen Ozier** sang the Beatles' *All My Loving* and Van Morrison's *Brown-Eyed Girl*. Paul Ruud thinks that ignited the room and led to some serious fun: "After those three, even I was dancing."

Mathematical Economics conference at Berkeley in honor of Gerard Debreu

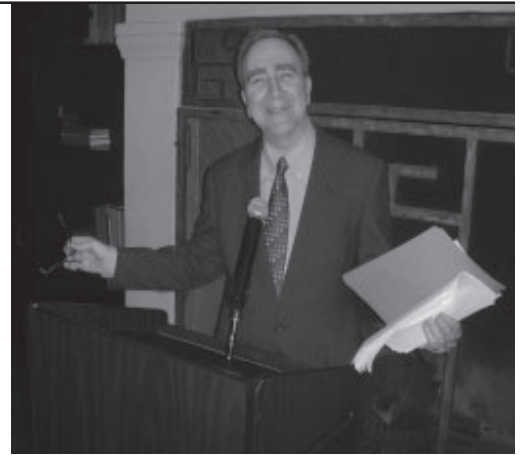
From Chris Shannon, Professor of Economics and Mathematics, Conference Organizer

The 2005 NSF/CEME Mathematical Economics Conference was held at Berkeley, October 20-23, 2005, in honor of our late colleague and Nobel laureate **Gerard Debreu**. The conference included a number of talks about Gerard's life and work, in addition to the conference's regular academic program. Over 90 scholars from the US and abroad gathered in Berkeley to reflect on the past, present, and future of mathematical economics and economic theory, and the pivotal and signal role that Gerard Debreu and other Berkeley colleagues played in the establishment of the field.

Conference activities also included a public reception and memorial Friday, October 21, at the Bancroft Hotel. This event featured a moving keynote address by **Hugo Sonnenschein**, the Adam Smith Distinguished Service Professor and President Emeritus at the University of Chicago, who spoke with elegance and humor about his long distance academic relationship with Debreu, which resulted in the signal Sonnenschein-Debreu-Mantel (SDM) Theorem. Several other former students and colleagues of Debreu's gave reminiscences and tributes to Gerard's legacy, including **Graciela Chichilnisky**, **Drew Fudenberg**, **Larry Jones**, and **Xavier Vives**.

The conference banquet on Saturday evening, October 22, at the Berkeley City Club also featured keynote addresses, this time by **Werner Hildenbrand** and **Andreu Mas-Colell**, who were both close personal and professional colleagues of Gerard's. Former Berkeley students or faculty who attended included Chichilnisky, Jones, Fudenberg, and Vives, as well as **Beth Allen**, **Marcus Berliant**, **Truman Bewley**, **Harrison Cheng**, **Gregory Duncan**, **Federico Echenique**, **David Gale**, **Jean-Michel Grandmont**, **Alejandro Manelli**, **Andreu Mas-Colell**, **Dan McFadden**, **Roy Radner**, **Suzanne Scotchmer**, **Maxwell Stinchcombe**, and **John Quah**.

Top Right: Hugo Sonnenschein addresses the audience at the Gerard Debreu Memorial; a large audience gathered for the event. Right: Kenneth Arrow presents his paper at the conference. Right: three Economics "alumni": Professor Emeritus Steven Goldman, Beth Allen (PhD, '78), Drew Fudenberg (assistant professor, 1981-85).



Commencement 2006 - May 19, 2006 - Greek Theatre

Ph.D, Recipients, Dissertation Title, Advisor, & Future Occupation

*Tanguy Brachet

"Essays on the Effects of Maternal Smoking"
Dissertation Advisor: David Card

Tanguy has accepted a position as an Assistant Professor of Anesthesiology and Critical Care Medicine at the University of Pennsylvania School of Medicine and the Children's Hospital of Philadelphia



*Leonidas Eugene de la Rosa

"Overconfidence in the Principal-Agent Framework"
Dissertation Advisor: Botond Köszegi
Leonidas has accepted a position as an Assistant Professor of Economics at Oberlin College

*Rui Pedro Esteves

"The Institutional Foundations of the International Market for Sovereign Debt before 1914"
Dissertation Advisor: Barry Eichengreen

Rui has accepted a position as an Assistant Professor of Economics at Simon Fraser University

*Justin Robert Falk

"Essays in Political Economy and Public Finance"
Dissertation Advisor: Kenneth Chay
Justin has accepted a position as a Senior Analyst in the Congressional Budget Office

*Tina Renee Green

"Essays on the Political Economy of Fiscal Policy"
Dissertation Advisor: Edward Miguel
Tina has accepted a position as an Associate with Cornerstone Research

*Sally Yoon-kyung Kwak

"Essays on the Economic Implications of Educational Policy"
Dissertation Advisor: David Card
Sally has accepted a position as an Assistant Professor of Economics at the University of Hawaii

*Mario A. Lopez

"Entry and Location Choice in Retail Markets"
Dissertation Advisor: Richard Gilbert
Mario has accepted a position as a Senior Consultant with NERA Economic Consulting

*Ting Lu

"An Empirical Study on China's State-owned Enterprise Privatization"
Dissertation Advisor: Yingyi Qian
Ting has accepted a position as an Economist with Merrill Lynch, Asia Pacific.

*Carolina Marquez

"Essays on Residential Mortgage Termination"
Dissertation Advisor: Paul Ruud
Carolina will be on the job market in the fall.

*Florence Neymotin

"What Happens in Schools to Affect Student Outcomes?"
Dissertation Advisor: David Card

Florence has accepted a position as an Assistant Professor of Economics at Kansas State University

*David A. Reinstein

"Empirical Studies on Consumer Demand and Philanthropy"
Dissertation Advisor: Emmanuel Saez
David has accepted a position as an Assistant Professor at the University of Essex in the United Kingdom

*Justin Sydnor

"Risk Aversion in Markets"
Dissertation Advisor: Matthew Rabin
Justin has accepted a position as an Assistant Professor at Case Western Reserve University.

2005-06 Economics Departmental Prize Winners

Eliot J. Swan Prize: The Eliot J. Swan Prize is awarded for the best performance in the first year of the Ph.D. program. It includes a cash component to recognize the discipline and dedication of this achievement. Eliot J. Swan was a graduate student, teaching assistant and instructor in the Department of Economics at UC Berkeley from 1932-1941. He then went on to a career at the San Francisco Federal Reserve Bank, where he eventually served as President. He retired from the bank in 1972, after 31 years of service.

Eliot J. Swan Prize: Matthew Levy

Journal of Development Economics Award: The Journal of Development Economics Prize is awarded in recognition of outstanding work or research in Development Economics completed during the academic year. Its goal is to support students in their thesis writing. The decision is made by the faculty members

who specialize in Development Economics. A cash component is included to recognize the student's accomplishment.

Journal of Development Economics Prize: Raj Arunachalam

The Grace Katagiri Prize: The Grace Katagiri Prize was awarded for the first time this year. Grace Katagiri was a longtime employee of the economics department. This is awarded for the best empirical metrics paper submitted by a second year graduate student. A cash component is included to recognize the student's accomplishment.

Grace Katagiri Prize: Marina Cynthia Halac

Department of Economics Graduate Student Award for Public Policy Research:

The Public Policy Prize is awarded to a student performing research in Economics relating directly to issues of Public Policy. Typical subjects include (but are not limited to) Public Finance, Regulation, Health, Transportation and Education. The decision is made by the faculty members who specialize in Public Policy. A cash component is included to recognize the student's accomplishment.



Graduate Student Award in Public Policy Research: Kristy Piccinini

George Break Prize in Public Finance:

The George Break Prize in Public Finance is awarded to a student with outstanding performance in the Public Finance field courses. The prize was established in honor of George Break, a leading figure in public finance and a professor in the Economics Department for 40 years.

George Break Prize in Public Finance: Marit Rehavi

See GRADUATION, pg. 11

Dan Acland reports that he is in the first group of six recipients of a two-year fellowship from the newly-formed **Integrated Graduate Education Research and Training Program in Politics, Economics, Psychology, and Public Policy (IGERT/PEPPP)**, which was recently established jointly by Public Policy, Psychology, Political Science, and Economics. The program provides financial support for Ph.D. students in any of these four disciplines—beginning either their second or third year—who have not yet advanced to candidacy.

David Yves Albouy is one of 13 recipients of the Chancellor's Dissertation-Year Fellowship for 2006-07. This prestigious award pays a generous stipend and all student fees and tuition, thereby freeing recipients to spend the year writing without distractions, such as working or teaching. All recipients are expected to file their dissertations by May, 2007. Albouy's dissertation addresses how the Federal tax and transfer system, by not adjusting for local costs of living, encourages workers to crowd into areas which offer nice amenities away from areas where their productivity may be highest. Overall, this seems to hurt workers in areas like the San Francisco Bay Area and the Northeast, encouraging them to take jobs elsewhere, which in the end creates inefficiencies in the national labor market, which in turn hurts all workers.

Albouy also presented his paper "The Earnings Gap between Francophones and Anglophones: A Canadian Perspective, 1970-2000" at the Canadian Economics Association meetings at Concordia University in Montreal in late May.

NEWS FROM OUR STUDENTS

"Everyday Hero"
Sandy Jaeger
Undergraduate Student Affairs Officer, Economics



[Editor's Note: Undergraduate Advisor **Sandy Jaeger** was recognized for her excellence by Cal undergrads, 4000 of whom responded to the UC Undergraduate Experience Survey conducted by the Office of Student Research. Students were asked to anonymously name a staff person or instructor who "made an extraordinary effort to make your undergraduate experience – and that of your fellow students – better, resolved a difficult problem for you, or otherwise went beyond the call of duty on your behalf." Students were then asked to describe the act. Sandy's heroic deed is recounted below.]

"I'm sure Sandy has gotten the same questions at least five times every day: 'Econometrics is overenrolled – how can I get into this class?' Yet when it was my turn to ask it, after the frightening realization that I couldn't graduate without it, she helped me through the process thoroughly and patiently. Sandy gives the cold, informal economics department a much-needed air of humanity."

Second year graduate student **Jeremiah Dittmar** was awarded a three-year (2005-08) Graduate Student Fellowship from the National Science Foundation. His research concerns institutions and economic growth – in particular historical patterns of institutional change and institutional persistence, and their impacts on economic performance. He plans to review available cross-country literature and then look specifically at South Asia.

More "Everyday Heroes" in Economics! Three department Graduate Student Instructors (GSIs) have joined Sandy Jaeger and Martha Olney as campus folks who went "above and beyond the call of duty" to help students at Cal. They are **Elise Couper, Jeffrey Saret, and Michael Schihl**. All "heroes" received letters from Chancellor Birgeneau extolling their excellence in providing an inspiring and humane environment in which students can succeed. Congratulations!

Among the Cal students who chose constructive ways to spend their Spring Break through the Alternative Breaks Program this year was undergraduate **Erin Cooper**, a double major in economics and English. While some ABP students traveled to the Gulf Coast to assist Hurricane Katrina victims, Cooper led a group of fifteen students to the San Diego-Tijuana area to study immigration and border issues. Her group met with local organizations on both sides of the border to learn about topics including undocumented immigration, border security, health and safety conditions and the effects of NAFTA. The students also served meals and did other community service projects in La Morita, Tijuana.

From **Joshua Tasoff**:

On February 28th, three other students (Sebastien Betermier from Finance, Tamera Lee Stover from Sociology, and Rebecca Hamlin from Political Science) and I put together the first-ever **Graduate Student Social Science Colloquium**. Professor **George Akerlof** was the keynote speaker.



Students across disciplines were placed at tables based on research similarities. Students then engaged in a loosely-structured conversation to share their research. Here is some of the feedback that we got: "This was really great, wouldn't do anything differently." - Mathew Baxter (attendee) "I enjoyed sharing my research topics with people from different disciplines. Their suggestions enriched me greatly. I suggest that this should be held every semester." -Maoyong Fan (attendee)



Roughly 20 economics students attended.

CHARITY, from pg. 1

replaced with the new credit of \$1 for every dollar that individuals spent on contributions to the specific charity of their choice.

The change would allow people to choose whether to contribute to charities that directly help the needy, provide domestic training or infrastructure programs of a more self-reliant bent, or even opt not to take the credit and, in essence, make a gift to the government, he says.

Liberals will support the plan because it would route more funds to their favorite causes, Edlin predicts. Meanwhile, he expects that conservatives will like it because they favor private solutions rather than public ones and have long contended that private charity is more efficient than higher taxes, and that big government bureaucracies are often ineffective and inefficient in tackling problems.

In addition, Edlin says, the existing competition among charities would increase as they work harder to prove their value and efficacy.

"The point is," he concludes, "that the Choose-Your-Charity tax ... could convince individuals to listen to their higher selves — not their innate selfishness — with the assurance, through 'matching,' that they are not alone in doing so."

U.S. charity officials reported \$248.5 billion in gifts for 2004, according to the Giving USA Foundation. Many feel that relief efforts in the aftermath of such disasters as the Asian tsunami and Hurricane Katrina, along with a one-time tax break allowing donors to deduct gifts up to 100 percent of their adjusted income, were likely to

GRADUATION, from pg. 9

Graduate Student Instructor

Awards: These awards are presented to outstanding graduate student instructors, selected by the Department based on teaching evaluations.

Raymundo Campos, Ada Chen, Matias Cattaneo, Paul Chen, Elise Couper, Li Zeng

Departmental Citation and the Earl Rolph Prize:

The Department Citation and Earl Rolph Memorial Prize are awarded to the author of the best undergraduate honors thesis in Economics. The Earl Rolph Prize also includes a cash component in recognition of outstanding academic achievement. Earl Rolph was a Professor of Economics from 1937-1977 at UC Berkeley. He was fascinated by three things: economics, golf, and cars. He believed strongly in the idea that incentives should guide one's behavior. In light of that philosophy, his family established the Earl Rolph Prize in his memory.

Department Citation/Earl Rolph Prize: Anya Klotz

FACULTY, from pg. 6

Fannie Mae and Freddie Mac, as well as the Federal Housing Administration. Since last spring, he has published research papers on the effects of regulation in driving up housing prices and on housing "affordability." He has also produced research papers on the measurement of returns to investment in venture capital, on the so-called dividend pricing model as applied to property markets, and on index-based futures markets to diversify the risks of investment in owner-occupied housing. He spoke on "spatial economics" at a symposium in Shanghai sponsored by the Chinese Academy of Sciences, and lectured at the Royal Institute of Technology in Stockholm. He also spoke at the Wharton School, the University of British Columbia, and West Virginia University. This fall, he presented papers at academic conferences in Boston, Washington, Las Vegas, Santa Fe, and Mexico City.

David Romer has been elected to the American Academic of Arts and Sciences in the Academy's Class of 2006. He now shares this prestigious status with colleagues **George Akerlof** ('85), **Alan Auerbach** ('99), **Barry Eichengreen** ('97), **Maury Obstfeld** ('04), **Matthew Rabin** ('02), **Christina Romer** ('04), **Hal Varian** ('95), **Oliver Williamson** ('83), and **Janet Yellen** ('01). Former department faculty or alumni members include **Larry Katz** ('01), **Andreu Mas-Colell** ('85), **Douglass North** ('87), **Roy Radner** ('70), and **Hal Varian** (who is both an alum and a department faculty member!)

The Econ Exchange

NEWS AND NOTES FROM THE DEPARTMENT OF ECONOMICS

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

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THE ECON EXCHANGE

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2006 Kiel Institute Global Economy Prize to George Akerlof



On Sunday, June 18th, Cal's **George Akerlof**, 2001 Nobel Laureate in the Economic Sciences, was the recipient – along with former EU Commission President Jacques Delors and Nokia CEO Dr. Jorma Ollila – of the second Global Economy Prize from Germany's Kiel Institute for the World Economy.

Although the prize was just inaugurated in 2005, this already-significant new honor will be awarded annually to one politician, one academic, and one person from industry, each of whom has proposed creative, path-breaking initiatives to deal with globalization. The Global Economy Prize highlights the achievements of those who view globalization as an opportunity to tap our creative potential and who have made outstanding contributions to establishing a just and protective society based on individual initiative and responsibility.

The Kiel Institute decided to award this prize because the challenges of globalization, such as structural change in labor markets, the increasing integration of international financial markets, the development of new products and new production methods, new types of vertical and horizontal integration of multinational companies, increasing worldwide demand for resources, and offshoring and outsourcing, can be deemed to pose a threat, or to constitute a force that unleashes the creative potential of open societies. The prize winners recognize that our standard of living can be protected only through free market activity itself. Success in the globalization process requires adequate incentives to work, save, invest, and obtain training and education. By these means, societies promote economic activity based on individual initiative and responsibility and avoid wasting our physical and human resources. Melding economic efficiency and social justice requires an intensive dialog between economists, politicians, and businesspeople. For more information, please see: http://www.uni-kiel.de/ifw/prizes/wwp/wwp_e.htm.

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