Smith and Amin Win 2010-11 CLAS Alumni Distinguished Achievement Awards

Two more KU Economics Department alumni have been named recipients of the highest honor awarded by the College of Liberal Arts of Sciences. Nobel Laureate Vernon L. Smith was designated by the CLAS Advisory Board as a 2010-2011 CLAS Alumni Distinguished Achievement Award winner, as was renowned film-maker Mohammed “Mark” Amin. Smith and Amin were to be honored at the Dean’s Club Banquet in April 2011.

Smith, who was awarded the 2002 Nobel Prize in Economic Sciences for his groundbreaking work in studying alternative market mechanisms, received his master’s degree in economics at KU in 1954 before receiving his Ph.D. at Harvard University. He currently has joint appointments with the Argyros School of Business & Economics and the School of Law at Chapman University, is a research scholar at George Mason University Interdisciplinary Center for Economic Science, and serves as a Fellow of the Mercatus Center. He founded the International Foundation for Research in Experimental Economics and has authored or co-authored more than 250 articles and books on finance, natural resource economics and experimental economic theory.

Amin, who received an undergraduate degree in economics from KU in 1972 before later obtaining an MBA from UCLA, has earned credit in over 50 feature films ranging from television to major studio productions as vice chairman of Lionsgate Entertainment and the CEO of Sobini Films. As founder of Trimark Holdings, (which would later merge with Lionsgate), Amin oversaw the development of one of the entertainment industry’s leading publicly traded, independent production and distribution companies. One film Amin executive produced in 2002, *Frida*, received six Academy Award nominations.

Dean Danny Anderson said that it was exhilarating to see how the success of Smith, Amin and other award winners had served as “inspiration for liberal arts and science students who want to help shape our future.”

Well-known baseball author and pundit Bill James received a 2009-2010 CLAS Alumni Distinguished Achievement Award in April 2010 (see page 3); and economics department benefactor and former National Computer Systems Chair and CEO Charley Oswald was a 2005-2006 recipient. The department’s undergraduate program has been designated as the Charles W. Oswald Program in Economics in acknowledgment of his many years of support and generosity.
MESSAGE FROM THE CHAIR

I very much hope that you will enjoy this third edition of the KU Economist. We have been delighted by the responses we have received from the first two issues, as it is wonderful to hear from many old friends scattered all over the world!

I hope in this edition you can get a flavor of the KU Economics Department’s exciting and ongoing arc of history. From the listing of a course in “political economy” in the initial 1866 university course catalog (page 5); to the claim we have of producing KU’s only Nobel Laureate, Vernon Smith (page 1); to the landmark accomplishments of any number of our other alumni in many different fields such as Frank Partnoy (page 5), Bill James (page 3), and Mark Amin (page 1); to our healthy enrollment and graduation data (page 6) that point toward an even brighter future, I am honored to have played a small part in the department’s vibrant past, present, and future.

The KU Economist was brought to fruition in 2008 because of the initiative, creativity, and hard work of Martha Hensley, its first editor. Martha came to KU as a “non-traditional” student in the late 1970s, has been associated with the Economics Department in numerous capacities ever since, currently teaches Econ 104 online, and has been a critical asset in the transition to help assure this publication’s continuation. The production of the KU Economist has now been assumed by two alumni editorial advisors, Andrew Barton, a recent graduate, and Chris Courtwright, a 1980s graduate. Andrew served most recently as Vice President of the KU Economics Club, an organization which is continuing to build momentum (page 8). Chris is Chief Economist for the Kansas Legislature, and some of his accomplishments were detailed in a feature article in the last edition of the newsletter. Bringing the arc-of-history theme full circle, Martha, our editor emeritus, taught one of Chris’ microeconomics courses in the early 1980s! We hope that the KU Economist will be of special interest to alumni, and we are very happy that it will continue to be in the capable hands of two enthusiastic and loyal Jayhawks!

Relative to the current year, we are very happy to have added Pym Manopimoke to our faculty (page 3). Professor Manopimoke, a recent graduate of the Ph.D. program at the University of Washington, is a specialist in macroeconomics and econometrics, and has already proven herself to be a wonderful teacher. Looking to the future, we are currently searching for a senior level econometrician, due in large part to growing student interest in economics. Currently more than 370 KU undergraduates and almost 90 graduate students are seeking degrees in our programs.

Please continue to let us hear from you! We would like to know what you are up to, would very much like to stay in touch with everyone on an ongoing basis, and would like to know what more you want to know about what is going on in the Department.

― Joe Siciliano

BOOTH PURCHASES ORIGINAL BASKETBALL RULES FOR DISPLAY AT NELSON-ATKINS, KU

Another economics graduate and die-hard Jayhawk made national news in December with a record-setting purchase that will end up adding to the historical basketball legacies already on display at KU. David Booth, who received his undergraduate degree in economics from KU in 1968, acquired for more than $4.3 million the original copy of James Naismith’s basketball rules that were posted on a YMCA wall in Massachusetts in 1891.

A Sotheby’s official told the press that the final auction sale price set a record for sports memorabilia.

Booth immediately announced after the auction that he planned on working with KU officials to have the rules put on permanent display at KU, likely in the Booth Family Hall of Athletics at Allen Fieldhouse (so named in acknowledgment of previous generosity from the Booths).

In late February, officials announced that the rules would be on display initially as a special exhibit at Kansas City’s Nelson-Atkins Museum of Art from March 5 through May 29.

Naismith was KU’s first basketball coach, and Allen Fieldhouse sits on Naismith Drive.

Chancellor Bernadette Gray-Little said that she was delighted “a piece of sports history that is intertwined with the University of Kansas and its storied tradition of basketball excellence” would be coming to town.

Men’s basketball coach Bill Self could scarcely contain his excitement.

“The pride in having these rules here in Lawrence will last far longer than any of us will,” Self said. “It will last for many generations.”

Booth is chairman and CEO of Dimensional Fund Advisors, one of the largest institutional fund managers in the US. He and his wife, Suzanne, live in Austin, TX.

PROFESSOR PETER FREVERT (1938-2010)

Dr. Peter W. Frevert, longtime KU associate professor of economics who retired in 2001, passed away May 11, 2010 at age 72. Frevert, who taught at KU from 1967-2001, received his Ph.D. in Economics from Purdue in 1964, taught at Depauw University and the State University of New York at Buffalo before coming to Lawrence. Among his many accomplishments, he received two Fullbright Lectureships – in Khartoum, Sudan (1980-81) and Wuhan, China (1987-88) – and was considered an authority on African and Chinese economic development issues.

Many generations of students fondly remember Pete’s dry sense of humor from his days of teaching their microeconomics, macroeconomics, money and banking, and international trade courses at KU.
Author and Baseball Pundit James Gives Back to KU with “Power of Ignorance”

Renowned baseball author and historian Bill James, who received an undergraduate bachelor’s degree in economics from KU in 1973, has transformed the way the sport is played, viewed, managed and understood through his innovative work with baseball research and statistical methods. James, a senior adviser to the Boston Red Sox, has contributed in his own meaningful way to the team’s two World Series titles. He has been identified by Time magazine as one of the 100 most influential people in the world; and he has published more than 20 books and dozens of articles focusing on the elements of building a winning baseball team. Bill’s annual handbook is widely recognized as the most complete baseball guide by fans and managers alike. His latest work, The Bill James Gold Mine, is a groundbreaking collection of 17 original essays and statistical profiles.

He was named as a 2009-10 recipient of the KU College of Liberal Arts and Sciences Alumni Distinguished Achievement Award, the highest honor awarded by the College, and subsequently honored at the April 2010 Dean’s Club Banquet alongside former Governor and current Health and Human Resources Secretary Kathleen Sebelius and two other recipients.

In the spirit of continuing to “give back” to KU, James also delivered a provocative lecture on campus entitled, “Battling Expertise with the Power of Ignorance.”

“The world is like a chessboard that is a million squares wide and a million squares long with hundreds of thousands of moving pieces and hundreds of thousands of different people moving them. In my view, anyone who imagines that he can anticipate what will happen next in any area of life is delusional, and people who think that “experts” should be able to do this are children and fools.

If the world was 10 percent more complicated than the human mind, ... then the difference between an intelligent person’s ability to understand the world and a less intelligent person’s ability to understand the world would be very meaningful. But since the world is billions and billions of times more complicated than the human mind, individual intelligence is almost entirely irrelevant to the understanding of the world. What is critical to understanding is humility and cooperation. What is critical to gaining more understanding of the world is to learn to accept and appreciate the vastness of our own ignorance; and to understand that one can only survive in a sea of ignorance by working with others to make our small lifeboat a little bit stronger. Only by embracing the fact of our limitless ignorance can one position oneself to increase the store of knowledge.”

Excerpted from “Battling Expertise with the Power of Ignorance” (Lecture from author Bill James, April 13, 2010)

Ginther Recognized as Woman of Distinction

Professor Donna K. Ginther was honored for the 2010-11 academic year by being chosen as one of three faculty members to appear on the 2010-2011 KU Women of Distinction Calendar (http://www.news.ku.edu/2010/august/26/wodcalendar.shtml).

Ginther, who is the Director of the Center for Economic and Business Analysis at the Institute for Policy and Social Research, also serves on the American Economic Association Committee on the Status of Women in the Economic Profession. She testified before Congress on the Fulfilling the Potential of Women in Academic Science and Engineering Act of 2008.

In 2009, she received a $1.2 million National Institutes of Health four-year grant to further analyze what factors may lead women to leave the sciences before attaining academic careers. Under the grant, Ginther is looking specifically at the biomedical sciences to evaluate the role of postdoctoral research positions in career outcomes and gender differences in promotion in academic biomedicine. Her previous research has focused on gender differences in pay and promotion in other academic disciplines, including the humanities and social sciences.

Welcome Aboard Pym Manopimoke, Assistant Professor

Pym Manopimoke joined the faculty beginning with the the 2010-11 academic year as an Assistant Professor after having received her Ph.D. in economics from the University of Washington. Her dissertation at Washington, where she studied with distinguished professors Charles Nelson, Chang-Jin Kim, and Eric Zivot, was “Essays on Empirical Macroeconomics: Inflation and Monetary Policy.” In addition to empirical macroeconomics, Pym’s research interests include time-series econometrics and monetary economics. Originally from Thailand, Pym has lived and studied in the United States for many years, also receiving a Master’s degree in Economics from Washington in 2007, a Master’s degree in Financial Engineering from Columbia University in 2005, and a Bachelor’s degree in Computer Science from the University of California at San Diego in 2003.

Excerpted from “Battling Expertise with the Power of Ignorance” (Lecture from author Bill James, April 13, 2010)
2010-11 STUDENT AWARDS AND SCHOLARSHIPS

The Economics Department gives a number of annual scholarships and awards to outstanding sophomore, junior, and senior economics majors. The selections are made by the faculty and are based upon academic achievement.

The A.J. Boynton Scholarships and the Leland Prichard Scholarships are awarded to juniors to support study in the senior year. Oswald Scholarships are given to sophomores who will be eligible for support in both the junior and senior years.

The John Ise Award, the Domenico Gagliardo Award, the R. S. Howey Award and the A.J. Boynton Award are given to graduating seniors with exceptional academic records. The John Ise Award is given to recognize the most outstanding achievement.

* The Arthur J. Boynton Memorial Awards and Scholarships were established by friends, former students and associates after Professor Boynton’s death in 1928. A longtime member of the Economics Department, Professor Boynton came to KU in 1903 and served as head of the department from 1915 to 1924. When his wife, Flora Boynton, died in 1978, most of her estate was added to the fund.

* The Domenico Gagliardo Award was established after Gagliardo’s death in 1955 to honor his teaching, scholarship and impressive accomplishments in scholarship and public service. He joined the Economics Department in 1923. Professor Gagliardo, who began working in coal mines in Crawford County as a seventh-grader and started high school at age 20, specialized in labor economics.

* The R.S. Howey Award, established upon the retirement of the late Richard S. Howey, recognizes outstanding students majoring in economics. He joined the faculty in 1929, taught for 44 years and subsequently continued to help establish the notable Howey Collection of books in economics and economics history at Spencer Research Library.

* The John Ise Award is funded from sales of Ise’s book, The American Way, a collection of his speeches. A committee from the Economics Department and the KU School of Business published and distributed the book. Professor Ise, a native of Downs and the author of Sod and Stubble, was a member of the economics faculty at KU from 1916 to 1955.

* Leland J. Prichard Scholarships honor a prolific writer on political economy and former professor of finance and economic statistics. Professor Prichard is the author of Money and Banking, a definitive and widely used economics text originally published in 1958. A former dean of the School of Business, he also was chair of the Economics Department from 1955 to 1962.

* Charles W. Oswald Scholarships were established with a part of the very generous gifts that Charley Oswald has made to KU. Charley is a Hutchinson native who received a bachelor’s degree in economics from KU in 1951. He was chairman and CEO of National Computer Systems from 1970 to 1994. Charley is a trustee emeritus of KU Endowment.

Photos by Michelle Huslig Lowrance

John Ise Award
Cooper Alton
Matthew O’Neill

Gagliardo Award
Sonya English

Howey Award
Julia Groeblacher

Boynton Award
Matthew Dunlap
Bel McCoy
Ryan Wing
Nolan Washatka
Benjamin Unglesbee
Alison Zeigler

Pritchard Scholarship
Alex Klinghoffer
Emily Burgen

Oswald Scholarship
Lena Tsiovkh, Patrick Kennedy, Greg Loving, Gabriela Moran, and Matthew Shephard

Oswald Scholarship
Sheldon Adams
Douglas Irwin
Benjamin Jefferies
Robin Jonsson
Emma King
Yitong (Hardy) Li
Taylor Markway
Megan Miller
Daniel Nordstrom
Jonathan Simon
Chongxi Wang

Photos by Michelle Huslig Lowrance
**Early KU Economics History**

A 1932 history of economics at KU written by then Chair Frank T. Stockton proudly noted that economics had the distinction of being a “charter member” of the KU curriculum by virtue of the fact that the initial 1866 catalog listed “Political Economy” among the course offerings. The first economics instructor at KU was actually Chancellor John Fraser, who also was Chair of Mental and Moral Philosophy. Stockton’s history observed that KU had therefore “followed the traditions laid down from the days of Adam Smith, who developed his treatise on *The Wealth of Nations* in part from his lectures on moral philosophy at the University of Glasgow.”

By the 1883-84 school year, KU had added a second course, “Special Studies in Economics,” which is believed to represent the first use of the term “economics” in university publications. The new course had a 20,000 word thesis requirement, and among the topics approved for individual study were migration, capital and labor, the distribution of wealth, tariffs, banking, commercial depression and poverty, transportation, socialism and communism, the history of industrial society, vital statistics, and criminology. Stockton pointed out that this list provided an important early forecast of many future courses in other social sciences as well as economics.

Off-campus extension courses in economics were offered in Topeka and Kansas City, Missouri as early as 1891, according to Stockton’s history.

After the Economics Department subsequently achieved its “full stature” as a free-standing department with the appointment of Harry A. Millis as the first Chair in 1912, there was a dramatic increase in staff, courses and enrollments. Arthur J. Boynton, who served as Chair from 1915-1924, oversaw continued enrollment increases and faculty expansion. Boynton was responsible for hiring a number of professors who would go on to fame and success while at KU, including John Ise and Domenico Gagliardo.

**Renowned KU Alum Was Canary in Mineshaft Regarding Wall Street Meltdown**

Another prominent KU Economics Department alum has continued to build on his reputation as the foremost canary-in-the-mineshaft expert regarding the causes of the derivative-driven financial meltdowns of 2008 that led to the global economic collapse. Frank Partnoy, who received undergraduate degrees in economics and math from KU in 1989 before moving on to Yale for his law degree, got a first hand look at Wall Street shenanigans in the mid 1990s as a derivatives trader at Morgan Stanley and CS First Boston. His landmark 1997 book, “*Fiasco: Blood in the Water on Wall Street*” was an important harbinger about how the accelerating market obsession with derivatives (financial instruments whose value is determined by another security) was creating a house of cards doomed to fall.

Frank’s 2003 follow-up book, “*Infectious Greed: How Deceit and Risk Corrupted the Financial Markets*,” which compared alarming similarities in the growing number of financial scandals since the 1980s, was hailed by one reviewer as “deftly tracing the deterioration of market efficiency and safety.”

After the financial bubbles had burst in 2009, he looked deeper into history and proved past is prologue with his fascinating Depression-era biography, “*The Match King: Ivar Krueger, The Financial Genius Behind a Century of Wall Street Scandals*,” which Publishers’ Weekly called a “thrilling account of the grandfather of all Ponzi and Madoff schemes.”

Partnoy, who has been a law professor at the University of San Diego since 1997, has seen demand explode for his unique expertise on the causes and implications of Wall Street’s role in the global downturn. In recent years, he has testified before Congress and appeared on *The Daily Show with Jon Stewart* and 60 Minutes, as well as National Public Radio; and has written a number of op-eds in *The New York Times*, *The Daily Beast*, and *Financial Times*. In a January 2011 *New York Times* op ed, he blasted the newly released Financial Crisis Inquiry Commission report on the 2008 meltdown as a “confusing and contradictory mess, part rehash, part mishmash, as impenetrable as the collateralized debt obligations at the core of the crisis.”

He was also featured in the 2010 documentary *Inside Job*, which recently won an Academy Award. He continues to serve as a valuable consultant to many corporations, banks, pension funds and hedge funds regarding the complex nuances of financial markets and their regulation.

“You’re going to make an extra $2 million a year – or $10 million a year – for putting your financial institution at risk. Someone else pays the bill. You don’t pay the bill. Would you make that bet? Most people who worked on Wall Street said, ‘Sure, I’d make that bet.’”

– Frank Partnoy, *Inside Job*
Guest Speakers and Seminars Provide Latest Economic Research

The Economics Department has continued to build on its impressive Guest Speaker and Seminar series, which are generally held on Wednesday or Friday afternoons. Organized by Dr. Gautam Bhattacharya, the series give visiting faculty and KU faculty and graduate students the opportunity to present their latest research and current and upcoming papers. During the Fall 2010 semester, 17 different speakers appeared.

A January 28, 2011 guest lecture by Laura Razzolini of Virginia Commonwealth University (VCU) summarizing a new paper entitled “Impure Altruism in Dictators’ Giving” provided some exciting new research regarding the utility that individuals attach to altruism and giving. Ms. Razzolini, who co-authored the paper along with Oleg Korenok and Edward L. Millner (both also from VCU), noted that economic models have traditionally shied away from incorporating altruism. But by expanding on some previous research, the VCU economists established that unselfish behavior does in fact meet the definition of rationality; and that standard utility maximization models can be used in explaining various experiments regarding the propensity of “dictators” to share endowments with others.

She said that the study’s results suggest that models of giving that fail to incorporate the utility that donors receive from giving are incomplete.

Other presentations of interest during the Spring 2011 semester included “A Model of Demand-Led Economic Growth” (Steve Fazzari from St. Louis’ Washington University); “US Business Cycles, Monetary Policy and the External Finance Premium” (Enrique Martinez-Garcia from the Federal Reserve Bank of Dallas); “The Quantity Theory Revisited: A New Structural Approach” (Logan Kelly from University of Wisconsin at River Falls); and “Simultaneous versus Sequential Modes of Communication in an Organization” (Anthony Marino from University of Southern California).

Snapshot of a Thriving Department

At a time of declining state support and discussions about the costs of maintaining certain programs, the Economics Department has continued to thrive from an enrollment and graduation standpoint. Data provided by KU’s Office of Institutional Research and Planning (OIRP) show that 151 undergraduate economics degrees were granted in the 2009-2010 academic year; 21 master’s degrees; and 5 doctoral degrees. The OIRP data also indicated that as of Fall 2010, 371 undergraduates were pursuing economics majors; 33 students were in the master’s program; and 56 students were seeking doctoral degrees.

<table>
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<tr>
<th>Economics Degrees (2009-10)</th>
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<tr>
<td>Baccalaureate: 151</td>
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<tr>
<td>Masters: 21</td>
</tr>
<tr>
<td>Doctoral: 5</td>
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</tbody>
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<table>
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<tr>
<th>Economics Majors (Fall 2010)</th>
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</thead>
<tbody>
<tr>
<td>Freshmen/Sophomore: 112</td>
</tr>
<tr>
<td>Junior/Senior: 259</td>
</tr>
<tr>
<td>Masters: 33</td>
</tr>
<tr>
<td>Doctoral: 56</td>
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</tbody>
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Source: KU Office of Institutional Research and Planning

KU Houses World-Renowned Economic History Collection

KU’s Spencer Research Library houses the Howey Economic History Collection, established in 1978 in honor of longtime Economics Department faculty member Richard S. Howey, whose private collection amassed over five decades formed the backbone of this one-of-a-kind archival resource. The economic history holdings now include over 15,000 items.

The Howey Collection, which primarily contains books, pamphlets and journals from the early 1700s through 1850, includes exceedingly rare publications from most major European countries, as well as their overseas possessions and territories. Some indication of the remarkable strength and diversity of this collection can be gained by measuring it against the benchmark collection in this field, Harvard University’s Kress Library of Business and Economics. Approximately 40% of the Howey holdings are not available in the Kress collection of economic history.

Major works of the time are also well-represented, as Adam Smith’s *The Wealth of Nations* is available in 53 editions and translations.

http://economics.ku.edu
Graduation Recognition Ceremony – May 21, 2011

The Economics Department Graduation Recognition Ceremony is a formal event that honors graduating seniors, masters, and doctoral students. (The departmental ceremony is a nice complement to the less formal University of Kansas Commencement held outdoors in Memorial Stadium each May where students take the traditional “walk down the hill” with often heavily decorated caps and gowns.)

This year’s ceremony is scheduled for Saturday, May 21 at 1 pm at Woodruff Auditorium in the Kansas Union.

Students planning to attend the ceremony should complete the registration form available on the website by April 15. Additional information about seating for guests, appropriate attire, and photos is also available at: (http://economics.ku.edu/graduation_ceremony/index.shtml)

The program is scheduled to last approximately 30 minutes.

Program Schedule

• Processional
• Welcome and Introductions
• Guest Speaker
• Student Speakers
• Presentation of Senior Students
• Presentation of Master Students
• Alma Mater and Rock Chalk Chant
• Recessional

Alumni Update

Dan Cunningham, who currently lives in Alexandria, VA. writes:

“Joe, what a memory hemorrhage to see your picture and find out all that is going on today in the KU Economics Department. I took classes from you back in the Preppy Era of the early 80s. I went on to law school (KU) and did stints in corporate law practice in Washington, DC; and then spent a few years on Capitol Hill with the House Judiciary Committee. These days, I am a congressional liaison for the Federal Judiciary. I firmly believe that studying economics at KU was one of the best things I have ever done in my life. It has opened worlds to me through the years and has enhanced my quality of life in significant ways. Many thanks to you and your colleagues for that gift!”

Alumni News

Alums and friends of Economics at KU, we want to hear from you! Please keep us updated on what is happening in your lives. We look forward to including your news and events in the next KU Economist.

Mail
Alumni News
Department of Economics
University of Kansas
Lawrence, Kansas 66045

Email Your News
econalums@ku.edu
Subject Line: Alumni News

Send News Online
http://economics.ku.edu/newsletter/online_news_form.shtml

Koech Specializes in International Issues for Dallas Fed

Another KU Economics Department alum, Janet Koech, specializes in international monetary issues for the Federal Reserve Bank of Dallas. Koech, who received her undergraduate and master’s degrees in economics at KU, was recently promoted to assistant economist at the Dallas Fed.

As a member of the Dallas Fed’s Globalization and Monetary Policy Institute, she analyzes international economic issues, writing for publication about global economic development. She specializes in emerging markets and has a growing interest in applied monetary economics and development. Much of her attention involves data analysis and development of aggregate measures and indicators of world economic activity.

Koech, who completed her KU studies in 2007, fondly recalled her time in Lawrence. She praised the department’s collaborative academic environment among students, faculty, and support staff, as well as advances in recent years in establishing the Guest Speaker and Seminar series.
Asiedu Named
President of African Finance and Economic Association

KU’s own Dr. Elizabeth Asiedu has been elected the president of the African Finance and Economic Association (AFEA). AFEA is a professional association for academicians and practitioners of finance and economics with scholarly or professional interests in African development and publishes the Journal of African Development. She is the first female president in the 22-year history of AFEA. Her goals as president of AFEA include establishing a mentoring program for young economists (i.e., junior professors and doctoral students) and women.

Dr. Asiedu's research focuses on foreign direct investment, foreign aid and HIV/AIDS. She has received several awards and honors, including the Emerging Scholar Award, the Outstanding Woman Educator Award, the Kemper Teaching Award, the Byron Shutz Award for Excellence in Teaching; and has been named a KU Woman of Distinction.

– Andrew Barton

Bremer, Students Work to Establish Economics Club as Key Extracurricular Outlet

If you are a current or recent KU graduate who majored in economics, then you probably know Nathan Bremer. He serves as the departmental adviser designated to help students decide what classes they want to take and, more importantly, what they need to take. Nathan has been an advising specialist at KU since 2005, working first in the Department of Spanish and Portuguese before coming on board the Economics Department in 2007. He has his master’s in Classical Studies from Indiana University.

But he has also undertaken a much more formidable challenge: the revival and renaissance of the KU Economics Club. Under Nathan’s tutelage, the club started up in 2008 with the help of current President, Lena Tsiovkh.

“The club was started because it is good for anybody with an interest in economics to be able to communicate outside the classroom,” he said.

The club has been going strong for more than three years under Nathan’s watch, and he is determined to see that it continues. Earlier economics clubs were launched at least as far back as the 1980s, only to see those versions die on the vine after the movers and shakers left KU and moved on.

“I have asked Lena to go after underclassmen to assure the club’s continuation after she and the other senior officers graduate,” he said. “I was more involved at the beginning, but Lena has done such a great job, I have been able to take a step back.”

– Andrew Barton

Current Grad Student Gains Homeland Security Expertise

With terrorism and homeland security concerns now a fixture of our post-9/11 reality, a number of opportunities exist for economists and other social scientists to develop expertise and conduct research. KU’s own Josephine Lugovskyky appears well positioned to be on the cutting edge of this exciting new research frontier as a result of a summer she spent in a special fellowship program with the US Department of Homeland Security in Washington, DC. Jo spent ten weeks in the applied sciences division conducting analysis on a number of controversial and interesting topics, including the accuracy and effectiveness of the new body scanners implemented at most major US airports.

Jo, who is currently in the Ph.D. program and scheduled to graduate in 2013, also is working on a research paper for presentation in the Fall of 2011 entitled, “Estimating the Market Price of Terrorist Attack Risk”.

– Andrew Barton

Lena Tsiovkh, President, and Maureen Primdahl, Vice President, enjoy the festivities at a March 2011 KU Economics Club Meeting.
Faculty News

Elizabeth Asiedu was a presenter at the United Nations University World Institute of Development Economics Research 25th Anniversary Conference in Helsinki, Finland in May 2010. She has also been invited in 2011 to be the keynote speaker at an international policy conference organized by the United Nations Industrial Development Organization in Ghana; and the keynote speaker at the Franklin College Symposium in Franklin, Indiana. Her recent publications include “Democracy, Foreign Direct Investment and Natural Resources,” (with Donald Lien), forthcoming, Journal of International Economics; “Young Women’s Marital Status and HIV Risk in Sub-Saharan Africa: Evidence from Lesotho, Swaziland and Zimbabwe,” forthcoming, Journal of African Development; and “Foreign Direct Investment, Growth and Poverty Reduction in Sub-Saharan Africa,” forthcoming in Oxford Companion to the Economics of Africa, (which includes papers by four Nobel Laureates in Economics) Oxford University Press, edited by Ernest Ayeetey, Shantayanan Devarajan, Ravi Kanbur and Louis Kasekende. She is also a member of an international panel of experts charged with reviewing and evaluating the work of the United Nations University/ World Institute of Development and Economic Research (UNU/WIDER) in Helsinki, August 2010-April 2011. Elizabeth was most recently named President of the African Finance and Economic Association (see page 8).

Ronald Caldwell, whose expertise was recognized in 2007 with the Rachel M. Storer Award in Labor Economics, made a 2010 presentation at Virginia Tech University entitled, “University Affirmative Action Policies and Human Capital Development of Minority Children: Do Expectations Matter for the Black-White Test Score Gap?” He also made a second presentation in 2010 at the Southern Economic Association Annual Meeting (with Donna Ginther) on “Do Sheepskin Effects Vary by Gender and Race? An Evaluation of the Return to College Degrees 1993 – 2003.” Dr. Caldwell also is an acknowledged expert in health care economics and is working on a new paper that should be of great interest to policymakers, “The Impact of Cigarette Excise Tax Increases on Long-Term Health Care Outcomes.”

Joshua Rosenbloom, who has continued to serve as Associate Vice Chancellor for Research and Graduate Studies, has recently co-edited a book published by Stanford University Press, Economic Evolution and Revolution in Historical Time, within which he also co-authored a chapter on labor market regimes throughout US history. He also published “Technology Evolution” in the Encyclopedia of Technology and Innovation Management. In his role as Principal Investigator for an NSF-funded project on Ethics Education in Science and Engineering, he contributed to the preparation of a manuscript, “Final Report of the University of Kansas Initiative in Ethics Education in Science and Engineering” (with Dan Bernstein, Richard De George, Douglas May, Steven Starrett, Andy Anderegg and Matt Luth) that is available through KU ScholarWorks. Joshua also edited Ethics in the University: Reflections on Responsible Scholarship through the Office of Research and Graduate Studies. His presentations in 2010 included “The Standard of Living in the Colonies and States of the Middle Atlantic Region Before 1800: Evidence from a Sample of Widow’s Allowances” (with Peter C. Mancall and Thomas Weiss) at the All UC Conference on Economic History in Berkeley, CA; and “Economic Growth in the Mid Atlantic Region: Conjectural Estimates for 1720 to 1800” (with Tom Weiss and Peter C. Mancall) at the National Bureau of Economic Research Summer Institute.

Tarun Sabarwal published in 2010 a paper (co-authored with Sunanda Roy) in the Journal of Mathematical Economics entitled, “Monotone Comparative Statics in Games with Strategic Substitutes.” Moreover, in June he organized the Kansas Workshop on Economic Theory, which was attended by talented junior economists from top departments around the country. During 2010, his research was presented at many venues, including at the Behavioral and Quantitative Game Theory Conference, Rice University, the University of Wisconsin, Arizona State University, Northwestern University’s Kellogg School of Management, the Southern Economic Association in Atlanta, and a December conference on theoretical economics here at KU. Tarun has recently produced three working papers on topics related to game theory and personal bankruptcy, and he has co-developed (in conjunction with Jianbo Zhang) a new course offered for the first time in the Spring 2011 semester, “Decisions, Mechanisms, and Auctions.”


Shu Wu in 2010 traveled to Singapore to make a presentation at the Financial Management Association Asian Meeting. He also published “Regime Shifts and the Term Structure of Interest Rates (with C. Nieh and Y. Zeng) in the Handbook of Quantitative Finance and Risk Management. He has a forthcoming article (with Shigeru Iwata) in Macroeconomic Dynamics, “On Foreign Exchange Interventions at Zero Interest Rates.”

Pym Manopimoke, who joined the faculty as an assistant professor at the outset of the 2010-11 academic year (page 3), made three presentations in Thailand in January 2011, “Trend Inflation and the New Keynesian Phillips Curve,” “In Search of Initial Values for Regime-Switching Models: A Genetic Algorithm Approach,” and “An Assessment of the US Economy Based on Macroeconomic Indicators.” The first paper also has been accepted for presentation at the Midwest Economics Association Conference, the 19th Symposium of the Society for Nonlinear Dynamics and Econometrics, and the 16th Spring Meeting of Young Economists.
William A. Barnett completed two books while on sabbatical in the Fall semester, *Getting It Wrong: How Faulty Monetary Statistics Undermine the Fed, the Financial System, and the Economy* (MIT Press, forthcoming in Fall 2011); and *Financial Aggregation and Index Number Theory* (with Marcelle Chauvet) (World Scientific Publishing), recently published in February 2011. He published four journal articles in 2010, and in March 2011 he published “How Better Monetary Statistics Could Have Signaled the Financial Crisis,” (with Marcelle Chauvet) in the *Journal of Econometrics*. He also is co-author of two forthcoming articles. Dr. Barnett was the keynote speaker at a conference in Crete in May 2010 and also spoke at the Athens School of Economics and at the Bank of Greece. He gave similar presentations at the Kauffman Foundation in April 2010 and in Shanghai last August. Special issues of two economic journals, the *Journal of Econometrics* and *Econometric Reviews*, are currently being prepared in his honor.

Dietrich Earnhart besides working as a full professor serves as Director of the Center for Environmental Policy at KU’s Institute for Policy and Social Research. An acknowledged expert in environmental economics, he presented “Effluent Limits and Monitoring: Do Regulators Inspect Polluters Facing Tighter Limits Less Frequently in Response to Noncompliance?” at two major conferences in Montreal and at the University of Illinois in 2010. Dietrich is currently working (with Dylan Rassier) on a forthcoming paper, “The Effect of Environmental Regulation on Firm Financial Performance: Short-Run versus Long-Run Implications,” which will appear in *Contemporary Economic Policy*.

Donna Ginther, named as a KU Woman of Distinction (page 3), made four major presentations in 2010, “Multiple Partner Fertility and Children’s Educational and Earnings Outcomes in Sweden” (Chicago and Dallas); “Can Mentoring Help Female Assistant Professors? Interim Results from a Randomized Test” (Kansas State University and Big XII Diversity Meeting in Lawrence); “Diversity in Academic Biomedicine: An Evaluation of Education and Career Outcomes with Implications for Policy” (Washington, DC); and “Does Scientific Innovation Lead to Entrepreneurship? A Comparison of Academic and Industry Sectors” (University of New Mexico and Kansas State University). She also currently chairs a subcommittee of the Provost’s Strategic Planning Committee on Engaged Scholarship for Public Impact and is a member of the Southern Economic Association Board of Trustees through 2014.

Ted Juhl has traveled extensively over the past year to Texas A&M, Syracuse, Boston College and Indiana University for econometric-based presentations.

Brian K. Staihr teaches economics courses at Park University in Parkville, Missouri and Avila University in Kansas City, Missouri, in addition to KU. A renowned expert on telecommunications issues, Brian served for over seventeen years as an in-house economist for a number of major companies; and has testified a number of times before Congress, the Federal Communications Commission, and various state utility commissions.

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The Path Not Chosen: Reflections of a Community Banker Relieved to Have Avoided Trust-Preferred Securities

About the Author: Marcos Rubert received his undergraduate degree in economics from KU in 1974 and is currently Senior Vice President in the Latin Banking Group of CNL Bank in Orlando, Florida.

As I reflect upon the current banking crisis and the ongoing search for life-sustaining capital by both super-regional and community banks alike, I am reminded of one of my favorite movies, It’s a Wonderful Life, starring Jimmy Stewart. Everyone recalls the story about banker George Bailey, who is in trouble, needs money fast, and the entire Bedford Falls community steps up with some cold hard cash to rescue him from the injustices inflicted upon him by Mr. Potter. After having graduated from KU with a degree in economics and a subsequent MBA from “Thunderbird,” the American Graduate School of International Management, I, too, became a career banker like George Bailey.

My banking career now spans nearly 30 years, during which I benefitted tremendously from employment with a prominent southeastern US super-regional bank for 20 years before moving on to a small, privately-held community bank where I am currently surviving the prevailing winds of the global economic crisis. As a veteran of both banking environments, I much prefer serving the financial needs of the community in which I live, where I can see and appreciate the impact of the lending services I provide.

No matter the size, the rallying cry of all banking institutions these days – be they large or small – is for capital in order to sustain the damaging, balance-sheet-breaking effects of some dubious lending practices of the past and the crushing write-offs of non-performing real estate loans. For those large, super-regional and money-center banks deemed too big to fail, TARP money was handed out to them to make sure they would weather the crisis, and most are now beginning to pay back Uncle Sam with interest. But what about the little guys, the small community banks left to sink or swim on their own?

Community banks account for about a third of all banking offices in the nation as a whole while providing a decentralized source of capital and lending. In Kansas, community banks account for 64 percent of all bank deposits held throughout the state, and they account for 75 percent of all bank branches. Significantly, although community banks represent only about 12 percent of all nationwide bank assets, they provide 40 percent of the small business loans under $1 million (in stark contrast to only 22 percent of such loans from banks with assets of $100 billion or more). So what was our small but critical segment of the nation’s economic engine to do to survive the tsunami of problem loans about to capsize their ship? As a captain on one of those small ships, currently navigating off the coast of Florida, I witnessed the two distinct paths taken by community banks to replenish capital and bring their ships back safely to port. One path, the one taken by my bank, was to raise capital through the issuance of common stock, thereby providing an ownership stake in the company, albeit with no promise of contractual interest or dividend payments (so as to assure equity was fully available to absorb potential loan losses). Regulators view voting common equity as the highest and best form of bank capital.

But other financial institutions opted to take a different path through the forest and make liberal use of what are called Trust-Preferred Securities (TruPS), which have proven to be the undoing of banks that had long been the bedrocks of smaller communities and towns across our nation. Considered a “magic bullet” for community banks that had few ways to raise capital without issuing more common stock and diluting their share price, the Federal Reserve allowed banks to count these securities as debt, even while counting the proceeds as reserves. Banks using TruPS were then free to borrow and lend in amounts ten times or more the value of the securities being issued. Worse yet, interest and dividends paid on TruPS were also permitted to be deferred for up to twenty consecutive quarters without creating an event of default or acceleration. At the end of the deferral period however, if cumulative dividends and accrued interest could not be paid, the TruPS investor would be left holding a practically worthless note.

As of September 30, 2010, the FDIC had 860 small banks on its “watch list” for possible failure. The issuance of these special securities to boost capital and lending helps explain the staggering 324 bank failures between 2008 and mid-December, 2010. Of those failed banks, at least 136 of them had issued and later defaulted on more than $5 billion of these special securities issued to raise capital.

More than 70 percent of FDIC banks are subsidiaries of a bank holding company (BHC). Of the roughly 1,025 BHCs as of June 30, 2010, nearly two thirds (664) reported some amount of TruPS in their Tier 1 capital during the past 5 years, with nearly half of those (308) reporting TruPS exceeding 25% of Tier 1 capital. Roughly half of these 308 BHCs with higher dependence on TruPS were smaller entities with total assets of under $1 billion. Although banks are separately regulated from their parent holding companies, many are linked to their parent through capital transfers, including dividends sent from the bank to the holding company; and capital infusions from the parent company down-streamed to the bank.

The experience of the past several years suggests that BHC’s that relied on TruPS as regulatory capital were weaker because of that reliance, assumed more risk, and failed at a higher rate than other BHCs. There are four primary reasons for this:

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• First, reliance on TruPS increased the financial leverage in banking organizations, making them less resilient in the face of adversity.

• Second, heavy users of TruPS appear to have leveraged the proceeds to make riskier than normal loans, perhaps in response to pressures to meet aggressive return-on-investment targets.

• Third, when an organization has issued TruPS, the FDIC has more difficulty attracting investors to the institution in a stressed situation while the institution remains open. This increases the likelihood of failure rather than rescue, which increases the FDIC’s costs.

• Finally, when TruPS are issued by one BHC as capital and owned by another bank, the resulting double counting of capital in the banking system creates inter-linkages that magnify the effects of the losses.

In short, the use of TruPS in Tier 1 capital resulted in these banking organizations, as a group, operating with substantially less loss-absorbing capital. BHCs that relied on TruPS to meet Tier 1 capital requirements exhibited a higher risk profile, as evidenced by a higher concentration of non-traditional mortgage lending. BHCs with a higher dependence on TruPS showed less favorable financial performance, with higher delinquency ratios and net charge-offs and significantly lower earnings.

As a result of these experiences, the collective hope is that the new “Basel 3” regulatory reform and the Collins Amendment contained within the Dodd-Frank Act of 2010 will result in a stronger overall US banking system by mandating a return towards real loss-absorbing capital.

– Marcos Rubert