Jisung Park CC ‘09 Selected for Rhodes Scholarship

R. Jisung Park, a senior in Economics and Political Science, is to be the newest Columbia Rhodes Scholar. Through his research on tropical rainforest studies in Australia, Park has developed a cross-disciplinary course of study at Columbia in sustainable development. He is now writing his senior thesis on deforestation under the guidance of Geoffrey Heal, head of the Center on Globalization and Sustainable Development (CGSD) at the Earth Institute.

Growing up in Seoul, Korea, Park saw firsthand the effects of international trade and currency fluctuations on the local Korean economy, but it was not until his senior year at Phillips Academy that Park was first exposed to the field of Economics. In a course on the principles of economics, Park’s professors started each class with a personal anecdote or a current event connecting it with the subject matter, which encouraged his interest in the field.

Following high school, Park took off a year to travel and spent time in Australia, where he participated in a rainforest ecology/conservation program. Then, in his first year at Columbia, Park took “Challenges to Sustainable Development” with Professor Jeffrey Sachs, which introduced him to economic advisors for Barack Obama and John McCain. The “Presidential Economic Advisors Forum: Economic Issues in the Presidential Campaign” provided over one thousand faculty, staff, and members of the Columbia community with an unprecedented opportunity to gauge the economic policies of both candidates just two weeks before the presidential election.

Continued on page 2

Presidential Campaign Advisors Debate Economic Policies

The 2008 presidential election campaigns saw a flurry of activity at the Columbia campus, culminating in the historic inauguration of President Barack Obama (CC ’83) in January. On October 20, in Roone Arledge auditorium of Alfred Lerner Hall, the Program for Economic Research (PER) hosted a debate between senior economic advisors for Barack Obama and John McCain. The “Presidential Economic Advisors Forum: Economic Issues in the Presidential Campaign” provided over one thousand faculty, staff, and members of the Columbia community with an unprecedented opportunity to gauge the economic policies of both candidates just two weeks before the presidential election.

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Rhodes Scholarship, continued from page 1

to the fundamentals of sustainable development. After taking Sachs’ class, Park asserts that he has “been trying to fashion a course of study that fit into that broader umbrella ever since.”

Park was also particularly influenced by Professor Gulati’s course on the global economy. As he learned about international trade and financial flows, Park began to notice the connections between many of the world’s environmental problems and the dynamics of the international economy. He understood, for example, the direct connection between deforestation in Brazil or Papua New Guinea and the international demand for agricultural products. “Sustainable development essentially entails an allocation of resources that is somehow optimal given various environmental feedbacks as well as optimal across generations,” he says. “Whichever way you slice it economics will definitely be part of the core framework that guides policy.”

At Oxford, Park will be earning an MSc in nature, society, and environmental policy. He plans to devote his research to the most pressing environmental challenges and the policy mechanisms that can be utilized to solve them. In particular, Park hopes to interact with researchers and policymakers who are involved with the European Union Emission Trading Scheme (EU ETS). By determining what work is being done to improve the environment, Park hopes to apply it to areas such as biodiversity conservation through a ‘biodiversity credits’ scheme.

Following Oxford, Park intends to apply to a PhD program in Sustainable Development or Environmental Economics. Eventually he hopes to work in public policy, with a focus on the economics of climate change, tropical deforestation, and biodiversity loss. “Bridging the gap between economics and the rest of the environmental sciences is the most exciting area of future research for me,” he says.

Park admits that the Rhodes Scholarship application process feels “almost like having an extra class, between all the paperwork and practice interviews.” Park credits the support he received from Dean Michael Pippenger and Meg Roach at the Fellowships office, and the guidance and assistance of his professors, who supplied the eight necessary recommendation letters. For Park, the application process “forced [me] to do a lot of soul-searching to figure out what in the end I really wanted to do, and what truly motivated me. At the end of the day that’s what seemed to matter most.”

He will be joining last year’s student winners from the Economics department, Jason Bello and George Olive at Oxford.

Recent Faculty Publications


Recent Working Papers

“Matching and Inequality in the World Economy”, by Arnaud Costinot and Jonathan Vogel. NBER #14672 (ITI)

“Information-Constrained State-Dependent Pricing”, by Michael Woodford. NBER #14620 (EFG, ME)

“Welfare Effects of Full-line Forcing Contracts in the Video Rental Industry”, by Justin Ho, Katherine Ho, and Julie Holland Mortimer. NBER #14558 (IO)

“Can Structural Small Open Economy Models Account for the Influence of Foreign Disturbances?”, by Alejandro Justiniano and Bruce Preston. NBER #14547 (EFG)

“Storable Votes and Agenda Order Control. Theory and Experiments”, by Alessandra Casella. NBER #14487 (PE, POL)

“Child Health and Young Adult Outcomes”, by Janet Currie, Mark Stabile, Phongsack Manivong, and Leslie L. Roos. NBER #14482 (CH, RE, LS, PE)

“The Quality-Complementarity Hypothesis: Theory and Evidence from Colombia”, by Maurice Kugler and Eric Verhoogen. NBER #14418 (ITI)
Letter from the Chair

At the American Economic Association meetings held in early January of this year, one could sense a buzz in the air. Economics is definitely center stage given the continuing economic crisis. In one way or another, many of the department’s economists are engaged in assessing economic policy aimed at managing the crisis, or thinking about likely long-term effects of the crisis.

The Presidential Campaign Advisors Forum which the Department hosted on October 20 offered over a thousand faculty, students, and alums the chance to hear the top economic advisors of both campaigns in the final days of the election season. Questions ranged widely, from plans for health care reform to the candidates’ views of free trade, and to questions about economic stimulus and deficits, which have been playing themselves out in the weeks since the inauguration. Perhaps because of the environment (the advisors were after all former academics who were comfortable in a university setting) the advisors were remarkably candid. Both sides, for example, were honest about the fact that they had already written off the possibility of a balanced budget despite promises made earlier in the campaigns.

As this newsletter highlights, some of our faculty have played a more hands-on role in managing the crisis. Jón Steinsson spent two weeks in Iceland trying to help the government deal with the collapse of the banking industry there. Others, such as Till Von Wachter, are trying to understand the long-term effects of job loss due to economic downturns on future earnings and even health outcomes.

We have just hosted François Bourguignon, the head of the Paris School of Economics and the former Chief Economist of the World Bank discussing “Millennium Development Goals at Midpoint: Where Do We Stand and Where Do We Need to Go?” In the coming weeks, the Program in Economic Research will offer a panel on reforming financial regulation featuring Hyun Shin (the coauthor of a report on this topic from the International Center for Monetary and Banking Studies), Patrick Bolton, Frederic Mishkin, and Michael Woodford.

Of course, the usual work of the department goes on as well. Perhaps another symptom of the downturn is that over 900 people have applied for places in our graduate program, although we have room for an entering class of only around 25. Our graduating Ph.Ds have faced a tough job market, but are doing well. Interestingly, the European and international market does not seem to have been as hard-hit as the U.S. market. Our graduating undergraduate students are also facing a tough market, but, as our alum Miles Freedman (President of GFD Management) assured them, their Columbia education will help them even in the current circumstances. The excellence of a Columbia undergraduate education in economics is evidenced by Jisung Park’s recent selection as a Rhodes Scholar.

On a final note, alums will be glad to note that Columbia economists are not neglecting other important problems of the day: See the box about award winning economist Yeon-Koo Che’s proposal to correct the built-in advantage of the NFL team that wins the overtime coin toss!

Sincerely,
Janet Currie

Support the Program for Economic Research

Your tax-deductible donation can provide crucial support for students and faculty through the Economics Department’s Program for Economic Research.

To donate, please use the link on the departmental homepage:
http://giving.columbia.edu/giveonline/?schoolstyle=306

You may also write to us at Program for Economic Research, Department of Economics, Columbia University, 1022 International Affairs Building, 420 W. 118th Street, New York, NY 10027.
The financial system in Iceland, like those of most other counties, had been struggling to cope with the global financial crisis ever since it began in August 2007. The credit default swaps on Iceland’s three large banks had risen to over 1000 basis points first in March 2008 and then again in July 2008—more than 10 times their pre-crisis levels. What already looked bad, however, became much worse after the fall of Lehman Brothers in mid-September. The most direct repercussion of this event was that Glitnir, Iceland’s third largest bank, had a hole in its short term financing. One of Glitnir’s lines of credit had been from Lehman. This line of credit was canceled when Lehman declared bankruptcy.

Glitnir struggled without success to find a substitute. Eventually, it decided to seek assistance from the Central Bank of Iceland. The Central Bank rejected Glitnir’s request for a collateralized loan. Instead, it decided to offer Glitnir an equity injection of the 600M euros it needed in exchange for a 75% stake in the bank. News of this broke on Sunday evening, September 28. In the next few days, the situation in Iceland deteriorated fast. The Icelandic krona depreciated by roughly 5% per day. Rating agencies downgraded the Icelandic government and all the Icelandic banks.

The special problem faced by the government of Iceland was that the Icelandic banking system was much larger than the banking system of any other OECD country as a fraction of the size of the economy. The total size of the balance sheets of Icelandic banks was more than 10 times Icelandic GDP. This effectively meant that the three large banks in Iceland that made up 90% of the banking system were no longer “too big to fail” and were “too big to save.” This meant that they were much more vulnerable to a bank run than banks in other countries. As the international press put it, the Icelandic banks lacked a credible lender of last resort.

Significantly more than half of the operations of the three large Icelandic banks were outside of Iceland. These banks had relied heavily on syndicated bank loans and other wholesale funds mainly from Europe to finance their extremely rapid growth over the preceding few years. They financed a relatively small fraction of their operations with deposits, although the importance of deposits had grown significantly in the preceding two years after Landsbanki and then Kaupthing launched successful internet banking operations in Europe. While the possibility of a bank run by depositors in Europe was a serious concern, the greater concern was the fact that many of the Icelandic bank’s loans had covenants that allowed their creditor banks to request early payment in the event of the credit downgrades that the Icelandic banks sustained in the first few days of October.

Early on Saturday, the economic team at the prime ministry created an ad hoc task force to prepare for a worst-case scenario. I was a member of this task force. Our main task was to make recommendations about what the government should do in the event of a bank run by either depositors or large creditors. We worked day and night at the offices of the Icelandic Financial Supervisory Authority (FSA) that weekend. By Sunday, we had outlined a set of recommendations and briefed the government.

The plan that the government settled on recognized that wholesale nationalization was out of the question. Such action would have saddled the Icelandic people with liabilities that they could not possibly have paid. To avoid this, the Icelandic government chose a much more radical course of action. Rather than bailing out the bond holders of Iceland’s private banks through nationalization, the Icelandic government decided to bail out only depositors. To this end, the government passed an emergency law late Monday evening that gave the FSA extensive powers to restructure failed financial institutions of the type granted to the FDIC in the U.S. The law also made deposits a senior claim to bonds.

When the three big banks collapsed in the subsequent days, the government used these new powers to extract domestic deposits and domestic loans from the failed banks and created new banks with these domestic assets and liabilities. The government recapitalized the new domestic banks with government funds and will stand behind these banks. The fiscal outlay associated with this action is likely to be roughly 30% of Iceland’s GDP.

Much confusion surrounded the issue of whether the Icelandic government guaranteed foreign depositors. Uncertainty about this issue seems to have been a crucial factor in the decision of the British government to invoke anti-terror laws to freeze assets.
of Landsbanki. This action by the British caused a great deal of disruption for Icelandic trade in the following weeks. Eventually, the Icelandic government made a clear commitment to guarantee foreign deposits up to the legal limit of roughly 21,000 euros per depositor. The cost to the Icelandic government may be as much as 50% of Icelandic GDP.

After the emergency banking legislation passed, I became involved in several other tasks in the prime ministry. One big task was to start negotiating a loan with the IMF. But mostly we were simply putting out numerous domestic fires relating to the crisis and trying to make sure the economy did not come to a complete standstill. This was an extremely stressful but also exhilarating time during which I saw firsthand the importance of a solid fluency with basic economic principles when things go wrong and decisions must quickly be made.

After about two weeks in Iceland, I decided to return to Columbia and have since tried to influence the situation in Iceland through op-ed writing. I've written about corporate self-dealing, the need for a new bankruptcy code in Iceland, and the need for wholesale financial restructuring of Icelandic households and firms. The challenges facing Iceland are staggering. Output is forecast to contract by more than 10% over a two-year period. The real value of houses will likely fall by more than 50%, and a large fraction of Icelandic households and firms will become insolvent. Capital controls have been imposed and we face great uncertainty about our future monetary policy. All these problems are putting a serious strain on Iceland’s small government and small population. One of our largest problems is that we simply don’t have a large enough pool of highly trained people to draw on in solving the staggering problems we face. It is sad to see preventable damage occur on a large scale due to a shortage of good people.

David DeRemer was awarded the Wueller Prize for Best Third-Year Proposal for his paper, “Domestic Policies in Trade Agreements When Firms Matter”. DeRemer considers the extent to which nations can undermine trade agreements by relaxing labor and environmental production standards to encourage firm relocation. His paper extends recent work suggesting that a motivation for trade agreements is to prevent a production relocation driven prisoner’s dilemma. When a nation can pursue policies that alter its firms’ fixed costs of production, trade agreements that maintain efficient levels of market access do not ensure efficiency, contrary to prior literature that does not consider both domestic policies and firms with fixed costs. This work suggests a motivation for domestic policy restrictions in trade agreements beyond market access rules.

Ozge Akinci, Jisun Baek, Walker Hanlon, and Marcos Nakaguma each received runner-up honors for the Wueller Prize for Best Third-Year Proposal. Simone Cerreia-Vioglio was awarded the Wueller Prize for Best Fourth-Year Pre-Dissertation Proposal for his paper, “Essays on Monotonicity and Convexity in Economics”. The main focus of his project is the study of monotonicity and convexity, as salient features of agent preferences. This translates into the study of the maximin criterion in the context of Game Theory, Uncertainty, and Risk. In the game theoretic setting, the aim is to provide an epistemic foundation to the maximin criterion in order to separate the strategic decision making process from the individual decision making process in the choice of the equilibrium strategies. In the decision theoretic setting, convex and complete static preferences under Risk are characterized. Joint work with Stefania Minardi (NYU) characterizes dynamic Uncertainty Averse Preferences in an Anscombe and Aumann (1963) setting.

Cecilia Machado and Raicho Bojilov were recognized as the first runners-up, and Evan Borkum received third runner-up honors for the Wueller Prize for Best Fourth-Year Pre-Dissertation Proposal.
Recent Discussion Papers

The department sponsors a discussion paper series for faculty, co-authors, and visitors. Download the full text of these papers at:
http://www.columbia.edu/cu/economics/

Does Fertility Respond to Financial Incentives? 0708-15
– Guy Laroque and Bernard Salanie

There has been little empirical work evaluating the sensitivity of fertility to financial incentives at the household level. We put forward an identification strategy that relies on the fact that variation of wages induces variation in benefits and tax credits among “comparable” households. We implement this approach by estimating a discrete choice model of female participation and fertility, using individual data from the French Labor Force Survey and a fairly detailed representation of the French tax-benefit system. Our results suggest that financial incentives play a notable role in determining fertility decisions in France, both for the first and for the third child. As an example, an unconditional child benefit with a direct cost of 0.3% of GDP might raise total fertility by about 0.3 points.

Long-Term Earnings Losses due to Job Separation During the 1982 Recession: An Analysis Using Longitudinal Administrative Data from 1974 to 2004, 0708-16
– Till von Wachter, Jae Song and Joyce Manchester

We present new estimates of the long-run earnings consequences of job separation that occurred during the 1982 recession based on a representative sample of workers drawn from Social Security administrative earnings data ranging from 1974 to 2005. Workers permanently leaving their long-term employer in the period from 1980 to 1985 experienced large and persistent earnings reductions lasting 15 to 20 years compared to workers of similar age and earnings potential who did not leave their employer. Earnings losses last up to 15 years even for workers displaced in better economic times or after shorter job tenure. These losses arise both due to reductions in employment as well as to reductions in annual earnings for those working. These preliminary estimates appear to confirm results from single U.S. states or limited time periods suggesting that job loss can be very costly for affected workers.

Linear-Quadratic Approximation of Optimal Policy Problems, 0809-01
– Pierpaulo Benigno and Michael Woodford

We consider a general class of nonlinear optimal policy problems involving forward-looking constraints (such as the Euler equations that are typically present as structural equations in DSGE models), and show that it is possible, under regularity conditions that are straightforward to check, to derive a problem with linear constraints and a quadratic objective that approximates the exact problem. The LQ approximate problem is computationally simple to solve, even in the case of moderately large state spaces and flexibly parameterized disturbance processes, and its solution represents a local linear approximation to the optimal policy for the exact model in the case that stochastic disturbances are small enough. We derive the second-order conditions that must be satisfied in order for the LQ problem to have a solution, and show that these are stronger, in general, than those required for LQ problems without forward-looking constraints. We also show how the same linear approximations to the model structural equations and quadratic approximation to the exact welfare measure can be used to correctly rank alternative simple policy rules, again in the case of small enough shocks.

Credit Frictions and Optimal Monetary Policy, 0809-02
– Vasco Curdia and Michael Woodford

We extend the basic (representative-household) New Keynesian [NK] model of the monetary transmission mechanism to allow for a spread between the interest rate available to savers and borrowers, that can vary for either exogenous or endogenous reasons. We find that the mere existence of a positive average spread makes little quantitative difference for the predicted effects of particular policies. Variation in spreads over time is of greater significance, with consequences both for the equilibrium relation between the policy rate and aggregate expenditure and for the relation between real activity and inflation.

Nonetheless, we find that the target criterion—a linear relation that should be maintained between the inflation rate and changes in the output gap—that characterizes optimal policy in the basic NK model continues to provide a good approximation to optimal policy, even in the presence of variations in credit spreads. We also consider a “spread-adjusted Taylor rule,” in which the intercept of the Taylor rule is adjusted in proportion to changes in credit spreads. We show that while such an adjustment can improve upon an unadjusted Taylor rule, the optimal degree of adjustment is less than 100 percent; and even with the correct size of adjustment, such a rule of thumb remains inferior to the targeting rule.

Skills, Schools, and Credit Constraints: Evidence from Massachusetts, 0809-03
– Joshua Goodman

Low college enrollment rates among low income students may stem from credit constraints, low academic skill, low quality schools, or some combination of these. Recent Massachusetts data allow the first use of school district fixed effects in the analysis of credit
constraints, leading to four primary findings. First, Massachusetts’ low
income students have lower intended college enrollment rates than
higher income students but also have dramatically lower skills and
attend lower quality school districts. Second, inclusion of skill controls
greatly reduces but does not eliminate the intended enrollment gap,
with low income students seven percentage points less likely to intend
enrollment than similarly skilled higher income students. Third, in
districts where higher income students are plausibly unconstrained,
inclusion of school district fixed effects does little to reduce intended
enrollment gaps, with low income students nine percentage points less
likely to intend enrollment than similarly skilled higher income
students from the same school district. Fourth, low income students in
the middle and upper parts of the skill distribution appear the most
constrained, particularly with respect to four-year public colleges. State
governments could use the methods employed here to identify credit
constrained student populations in order to target financial aid more
efficiently.

Is Shared Housing a Way to Reduce Homelessness? The Effect of
Household Arrangements on Formerly Homeless People, 0809-04
– Yinhua He, Brendan O’Flaherty and Robert A. Rosenheck

Most single adults share housing with other adults, and living alone is
considerably more expensive than living with someone else. Yet
policies that discourage shared housing for formerly homeless people
or people at risk of becoming homeless are common, and those that
discourage it are rare. This would be understandable if such housing
adversely affected its users in some way. We ask whether shared
housing produces adverse effects. Our provisional answer is no.
Indeed, shared housing is associated with reduced psychotic
symptomology and it appears that this relationship is causal over some
time frames, although the latter result is not robust. We use data from
ACCESS, a 5-year, 18-site demonstration project with over 6,000
formerly homeless individuals as participants.

The Employment Effects of Social Security Disability Insurance in
the Past 25 Years: A Study of Rejected Applicants Using
Administrative Data, 0809-05
– Till von Wachter, Jae Song and Joyce Manchester

We use administrative longitudinal data on earnings, impairment, and
mortality to replicate and extend Bound’s seminal study of rejected
applicants to federal Disability Insurance (DI). We confirm Bound’s
main result that rejected older male applicants do not exhibit
substantial labor force participation. We show this result is stable over
time, robust to more narrow control groups, and similar within
gender, impairment, industry, and earnings groups. However, we also
find that younger rejected applicants have substantial employment
after application. To what extent this translates into potential
employment for new beneficiaries depends on which group among
them is considered “on the margin” of receiving DI. If we use initially
rejected applicants – a large and growing fraction of new
beneficiaries – the resulting counterfactual employment rate for
younger applicants is low, too. We also find that rejected applicants
bear signs of economically induced applicants. DI appears to induce
a growing number of less successful workers to apply, an important
fraction of which ends up without benefits and non-employed.

Asymptotic Equivalence of Probabilistic Serial and Random
Priority Mechanisms, 0809-06
– Yeon-Koo Che and Fuhito Kojima

The random priority (random serial dictatorship) mechanism is a
common method for assigning objects to individuals. The
mechanism is easy to implement and strategy-proof. However this
mechanism is inefficient, as the agents may be made all better off by
another mechanism that increases their chances of obtaining more
preferred objects. Such an inefficiency is eliminated by the recent
mechanism called probabilistic serial, but this mechanism is not
strategy-proof. Thus, which mechanism to employ in practical
applications has been an open question. This paper shows that these
mechanisms become equivalent when the market becomes large.
More specifically, given a set of object types, the random assignments
in these mechanisms converge to each other as the number of copies
of each object type approaches infinity. Thus, the inefficiency of the
random priority mechanism becomes small in large markets. Our
result gives some rationale for the common use of the random
priority mechanism in practical problems such as student placement
in public schools.

Storable Votes and Agenda Order Controls, 0809-07
– Alessandra Casella

The paper studies a voting scheme where members of a committee
voting sequentially on a known series of binary proposals are each
granted a single extra bonus vote to cast as desired - a streamlined
version of Storable Votes. When the order of the agenda is
exogenous, a simple sufficient condition guarantees the existence of
welfare gains, relative to simple majority voting. But if one of the
voters controls the order of the agenda, does the scheme become less
efficient? The endogeneity of the agenda gives rise to a cheap talk
game, where the chair can use the order of proposals to transmit
information about his priorities. The game has multiple equilibria,
differing systematically in the precision of the information
transmitted. The chair can indeed benefit, but the aggregate welfare
effects are of ambiguous sign and very small in all parameterizations
studied. The theoretical conclusions are tested through laboratory
experiments. Subjects have difficulty identifying the informative
strategies, and tend to cast the bonus vote on their highest intensity
proposal. As a result, realized payoffs are effectively identical to what
they would be if the agenda were exogenous. The bonus vote
matters; the chair’s control of the agenda does not.
The event, moderated by Professor Donald Davis, featured a debate between Douglas Holtz-Eakin, Chief Economic Advisor to the McCain-Palin campaign, and Austan Goolsbee, Senior Economic Advisor to the Obama-Biden campaign and the current Staff Director and Chief Economist of President Obama’s Economic Recovery Advisory Board. The event also featured a panel of members from Columbia’s Economics faculty, including Richard Clarida, Janet Currie, Joseph Stiglitz, and Michael Woodford.

President Lee Bollinger introduced the event by underscoring the significance of discussing both candidates’ stances on the economy, the issue that is on the minds of most American voters. Following Bollinger’s introduction, both Goolsbee and Hotlz-Eakin were given the opportunity to outline the economic policies of their respective candidates.

Goolsbee described the current financial crisis as a failure of the current administration’s policies to protect the middle class: “This slowdown, the decline of consumer confidence, the decline of consumer spending, the consumer-debt basis of this crisis ... is the very culmination of the disturbing eight year trend that we have seen under the Bush administration.”

With regard to Obama’s economic policy proposals, Holtz-Eakin, who taught at Columbia from 1985 to 1990, insisted that Obama would need to “stop the tax increases on small business, stop the expensive health mandates, stop cutting off their markets around the world... [which is] a recipe for job growth.”

Goolsbee maintained: “This financial crisis has documented what we in the campaign – and what we who knew him for years before – were aware of, that he [Obama] is calm and steady and a crisis [and] on top of the issues.”

Photos of event on page 10

Spring PER Forum

The Program for Economic Research presents Reforming Financial Regulation: Fundamental Principles and Urgent Steps. The event will feature Hyun Shin (Princeton University), Patrick Bolton, Rick Mishkin (Columbia Business School) and Edward Morrison (Columbia Law School) and will be moderated by Michael Woodford on Tuesday, March 24.

For more information please see the Columbia Department of Economics website at:

http://www.columbia.edu/cu/economics

Recent Faculty Books


This book is a collection of essays by leading theorists offering powerful new insights on the role of uncertainty and information in today’s market. It features Kenneth Arrow on information and the organization of industry, Roy Radner on new technologies, Graciela Chichilnisky and Frank Hahn on human-induced uncertainty, Geoffrey Heal and Walter Heller on the creation of new markets and Edmund Phelps on unemployment.

The Analysis of Firms and Employees: Quantitative and Qualitative Approaches (National Bureau of Economic Research Conference Report), edited by Stefan Bender, Julia Lane, Kathryn L. Shaw, Fredrik Andersson, and Till von Wachter (University Of Chicago Press, December 2008)

A distinguished team of researchers here examines the relationships between human resource practices and productivity, changing ownership and production methods, and expanding trade patterns and firm competitiveness. With analyses of large-scale, nationwide datasets as well as focused, intensive observation of a few firms, this book will challenge economists, policymakers, and scholars alike to rethink their assumptions about the workplace.


The contributors to this volume analyze the forces behind India’s emerging role as a world economic player and identify the hidden weaknesses that, if unaddressed, may slow the country’s growth. Chapters suggest how to transform India’s primarily rural population into a gainfully employed modern sector; methods to achieve fiscal sustainability and consolidation; infrastructure bottlenecks, especially in terms of finite energy resources; and, given the country’s complex electoral government and global political position, the obstacles toward effecting policy reform.
Over one hundred people gathered in the Casa Italiana on November 12 for the inaugural Kenneth J. Arrow Lecture, “Helping Infant Economies Grow: Promoting Innovation and Learning in Developing Countries”. Under the support of the Program for Economic Research (PER), the event was the first in a series of lectures named for Kenneth Arrow, Columbia alumnus, Nobel Laureate, and one of the founders of modern economic theory.

Arrow is one of the most prominent economic theorists of the twentieth century. After serving in the Weather Division of the USAF during World War II, Arrow received his PhD from Columbia in 1951. He then went on to make groundbreaking contributions in many fields of economics, including general equilibrium theory, social welfare theory, growth, production, uncertainty, information and optimal public policy. In 1972, Arrow received the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel for his “pioneering contributions to general economic equilibrium theory and welfare theory”.

The lecture was delivered jointly by University Professor and Nobel Laureate Joseph Stiglitz and Bruce Greenwald, the Robert Heilbrunn Professor of Asset Management and Finance at Columbia Business School. The lecture was discussed formally by a panel that included Philippe Aghion of Harvard University and Nobel Laureate Robert Solow of MIT.

During the evening, Aghion described the backlash of governments in the 1980s against infant industries, and the greater need to return to a centered approach. Meanwhile, Stiglitz asserted: “If it is true that growth is the result of increases in productivity, and productivity increases are endogenous, then a focal point of policy ought to be increasing the capacity of an economy to learn. [...] So creating a learning society should be one of our major objectives of economic policy.”

The professors also paid their respects to Arrow, who was present at the event. Greenwald particularly credited Arrow’s influence upon a generation of economists who “are interested ultimately in improving the practice of economic policy”. Stiglitz expressed his hope that the vast breadth of Arrow’s work will attract and engage audiences from throughout the Columbia community in future lectures in the series to come.
On October 20, 2008, the Program for Economic Research (PER) hosted a debate between Austan Goolsbee, the Senior Economic advisor to Barack Obama, and Douglas Holtz-Eakin, the Chief Economic Advisor to John McCain.

Over one thousand people turned out for the highly anticipated debate.

Presidential Economic Advisors Forum: Economic Issues in the Presidential Campaign
“Your Columbia Education: Surviving Financial Turmoil and Building Success”

On October 22, 2008, Miles Freedman (CC’69, BUS’72) spoke to Columbia students in 301 Philosophy about how to successfully navigate their careers through the current financial climate.
Lessons from the Japanese Bubble For the U.S.

On November 19, 2008, Professors David Weinstein and Michael Woodford discussed lessons that the United States might learn from the events of Japan’s financial crisis in the 1990s. The event was co-sponsored by the Center on Japanese Economy and Business and the Program for Economic Research.