



NEW FACULTY MEMBER JOINS DEPARTMENT

The Department of Economics is pleased to welcome our new faculty member—Dr. Andreea Balan Cohen. Andreea will be joining the department as Assistant Professor this coming fall and will be teaching our Economics of Health class.

Professor Balan-Cohen received a B.A. in Economics, summa cum laude, from Harvard University in 2001 and recently obtained her Ph.D. in Economics, also from Harvard. Andreea has received several accolades such as Harvard’s John Williams Prize for Best Student in Economics, the Thomas T. Hoopes Senior Thesis Prize, and has received the Harvard University Economics Department Excellence in Teaching Award three years in a row.

Andreea’s main area of research is health economics. In particular, she has analyzed the impact of the Old Age Assistance Program—the first significant U.S. welfare program for the elderly, on the mortality of older Americans between 1931 and 1955, and the channels through



Andreea Balan Cohen

(Continue on page 2)

GREETINGS FROM THE CHAIR



Enrico Spolaore

Dear Alums and Friends,

This has been an exciting and productive year for Economics. Our search for a new Assistant Professor was successful, and we are delighted to welcome Andreea Balan Cohen to Tufts. Andreea will greatly strengthen our teaching and research in the key areas of Health Economics and Public Economics.

Our Department continues to provide teaching and advising to a large number of dedicated and talented students. This year we enrolled close to 3,500 students in 98 courses, had 516 majors, and attracted 18 students to our M.A. program. Our department’s extraordinary teaching was recognized with two awards: David Garman received the Leibner Award for Excellence in Teaching and Advising, and Jay Shimshack won the Undergraduate Initiative in Teaching (UNITE) Award.

Our professors continue to engage in high-quality research, to present their work widely at conferences and seminars, and to be cited in prominent media. Many of our students are also engaged in economics research, and some have published their work in refereed journals. Mike DeBartolo '06 won the prestigious Taussig Award with his senior honors thesis, which will be published in *The American Economist*. This year our graduate students formed a brand-new Economics Graduate Society (EGS), which has been awarded a university prize as “outstanding graduate student organization”. We celebrated the many achievements of our students at our departmental reception on May 19, which was attended by Thomas Schelling, Nobel Laureate in Economics and recipient of an honorary degree from Tufts. Our commencement ceremony on May 20 was attended by close to 200 students with

(Continued on page 4)

INSIDE THIS ISSUE:

FACULTY ON THE GO	2-3
FACULTY NEWS	4-5
STUDENT NEWS	6-7
GRADUATE PROGRAM	8
ECONOMICS SOCIETY	9
TALKS & LECTURES	10-11
FACULTY & STAFF	12

FACULTY ON THE GO



Rajeev Dehejia

Professor Rajeev Dehejia joined the Department of Economics in September 2006, taking up a joint appointment with the Fletcher School. During his first year he taught Intermediate Microeconomics, econometrics for the masters program, and program evaluation jointly for Economics and Fletcher. In parallel, Rajeev was finishing his second year as a visitor at Harvard, this time around as a Visiting Scholar in the Department of Economics and a Resident Scholar in Adams House. In the coming year, Rajeev will be a Visiting Professor in the Department of Economics at the London School of Economics. In addition to improving his British accent, he hopes to spend the year furthering two research projects. The first is a study of the long-term consequence of child labor. Rajeev and two coauthors from the World Bank are using a unique data set that has tracked children and adults over 13 years in Tanzania. They are using this data to try to answer a fundamental question about child labor: does child labor have negative long-run consequences? Surprisingly, there is little evidence addressing this question. Their results so far suggest that child labor does indeed significantly displace education but also provides work experience that proves valuable later in life.

The second project is a study of the effect of the childcare allowance in Israel on patterns of birth and employment. Israel provided a very generous childcare allowance for many years, before drastically reducing it in 2003. Rajeev and his coauthor from Tel Aviv University are investigating whether birthrates measurably responded to the changing child allowance, and whether the magnitude of the response was influenced by religious and social norms.

This has been a particularly busy and productive year for **Professor Yannis Ioannides**. The following is a brief summary of his activities. Professor Ioannides hosted visiting scholar, Teemu Lyytikäinen, who is a researcher with the Government Institute for Economic Research (VATT),

Helsinki, Finland. Teemu conducted part of his doctoral research on housing supply under Yannis' supervision from September 1 —November 30, 2006 and was funded by the Academy of Finland.

On the MA program, Professor Ioannides supervised thesis research by Lala Xun Ma, who graduated in May 2007, with a joint BA/MA degree. Her MA Thesis title was "I'll Trust



Yannis Ioannides

You if I Expect You to Trust Me: An Analysis of Interpersonal Trust, Friends, and Social Interactions within Social Networks". He also co-supervised with Marcelo Bianconi, Kaipin Shan's MA thesis' chapter on headhunting.

Yannis worked with the Economics Society and Graduate Economics Society, to organize a lecture by Dr. Miranda Xafa, Alternate Executive Director, IMF, on "Global Imbalances", February 15, 2007. This was a very successful venture that was a subject of a feature in the *Tufts Daily*. Furthermore, Professor Ioannides managed the annual Wellington-Burnham Lecture and also worked with fellow faculty members, Professor Linda Loury and Professor Keith Maddox (Psychology), to organize this year's Domestic Policy Forum.

Professor Ed Kutsoati's research on the micro-credit market is progressing, if a bit more slowly than he would like! Ed is also heavily involved in a number of other collaborative research projects, all based in Ghana. Ed describes these in his communications from Ghana: 1) *Interest rate study*: We have launched an interest rate sensitivity experiment in one market area in the capital. This study will be extended to another market in the coming days. In addition to testing the sensitivity of potential borrowers to different interest rates, we are also testing the effectiveness of different marketing strategies. (2) *Price indemnity loan*: There is

(Continued on page 3)

(Continued from page 1)

which this impact occurred. She has also estimated the impact of parental alcohol consumption on child health by taking advantage of a unique shock to alcohol supply: the 1985 to 1988 alcohol prohibition campaign in Russia. Other research areas of interest include public and development economics, as well as political economy.

We are certain that Professor Andreea Balan Cohen's proficiency and competence in the fields of Public and Health Economics will greatly reinforce and complement the already exceptional program here at the Tufts University Department of Economics.



Ed Kutsuati

a second project on “farm loans” that is more challenging. Basically, we are trying to develop loan products that insure farmers against price failures. So for example, part or all of loan repayment is forgiven if the price of the crop falls below some threshold level X . The task is to determine the price floor, X , and the crops for which such an insurance product can be easily designed. The main problem is getting data on previous loan performance, crop price data, cost of production data, and so on. We have made some progress in putting the relevant data set together but we are working to get more.

I have also been spending some time with the Institute of Economic Affairs in Ghana (IEA). I have organized two workshops: the first was a forum on “50 Years of the EU: Lessons for the Integration of Africa”. Panel members included the EU Ambassador to Ghana, the German Ambassador to Ghana, and Head of Governance at the ECOWAS office in Nigeria. The second was a workshop on “Free Markets and Private Sector Growth in Ghana”. The participants were leading members of the political parties (including members of parliament).

In September 2006, **Enrico Spolaore** became **Chair of the Economics Department** and joined the newly created NBER’s Political Economy Program. Over the year he presented his research at conferences on “Equality/



Enrico Spolaore

Inequality in the Americas” (Sorbonne Nouvelle-Paris), “Co-evolution of Behavior and Institutions” (Santa Fe Institute), “People’s Rights” (Barcelona), “Evolution of the Global Economy” (NBER), and at other workshops and seminars. In Spring 2007, he served on the external committee reviewing the economics programs at the University of San Francisco, and his research on the size of nations was cited in The New York Times.

Professor John Straub continues to impress in his alternative career as a DJ (as reported in the previous Maximizer). In addition to his weekly show on WZBC (Boston College) he trains DJs at Tufts’ WMFO and offers a pre-major advising seminar on college radio in the fall.

John is also a still photographer. It looks as if some of his work will be shown in Diesel Café’s second location when it opens in Union Square. (The original Diesel still remains in Davis Square.)



John Straub

One of John’s summer projects for the department is to prepare a version of Applied Econometrics (EC 108) to be taught in the spring of 2008. The version of the course he is preparing will require students to read professional research papers and replicate the econometric analyses. In addition to the practical experience, this will also require students to learn a few things on their own, and to recognize the choices that researchers made (and didn’t make) along the way. The course should also stimulate interest in original research. The final project will be a senior thesis proposal, which students may or may not choose to actually pursue in future semesters.

Professor Chih Ming Tan was on academic leave this past year. During this time, he traveled extensively and continued



Chih Ming Tan

his work on various issues in economic growth and econometrics. He presented his paper examining the robustness of claims that religious beliefs were growth enhancing at the 61st European Meeting of the Econometric Society (ESEM) in Vienna, Austria.

Another paper representing a skeptic’s view of recent work on fundamental growth determinants was also presented at the 2007 Royal Economic Society Conference in Warwick, UK.

Tan also continued his collaboration with researchers at the International Food Policy Research Institute (IFPRI) located in Washington, D.C. His recent paper in the Journal of Macroeconomics investigates the effectiveness of international aid on growth and finds little evidence for it. Finally, his work on instrumental variable methods for threshold regression models in econometrics is to be presented at a special Journal of Econometrics conference in Pafos, Cyprus, this summer.

Professor Jeff Zabel is another of us who has had a particularly busy and productive year. He describes his activities as follows:



Jeff Zabel

Two of my recent interests are close to home and have direct policy implications. One project involves the evaluation of the performance of public schools in Massachusetts. The second project is a ranking of the affordability of towns in the greater Boston metropolitan area. The latter work was undertaken while I was a visiting scholar at the Center for Real Estate at MIT. What these two projects have

(Continued on page 8)

FACULTY NEWS

Awards and Professional Recognition of Faculty

Professor David Garman has been selected as the 2007 recipient of the Lillian and Joseph Leibner Award for Excellence in Teaching and Advising of Students. This award is presented annually to a member of the Faculty of Arts and Sciences who is recommended by both Faculty colleagues and students for the outstanding instruction and guidance of Tufts University students. This year is the first time this honor has been bestowed to an Economics Faculty member.



Photo by Alonso Nichols for Tufts Photo

Professor Garman joined the Tufts faculty as an Assistant Professor of Economics in 1984, and was promoted to Associate Professor in 1991. David's primary teaching interests are in applied econometrics and the economics of higher education, but over the years he has taught a large range of courses, including principles and intermediate classes. David was one of the co-

developers of our major in quantitative economics and has been involved in all the subsequent discussions about the major's direction and requirements. He was the first in our department to teach our challenging quantitative economics courses. Not only does David Garman demonstrate excellence as a teacher but accepts his advising function with the same success, effectiveness, and enthusiasm. Nothing demonstrates this more than the following from one of David's past students: "I have had many teachers in my life. The special ones like David Garman not only offer excellent technical education, but they help guide their students to be successful, fulfilled individuals through their understanding and compassion".

Jay Shimshack has won the Undergraduate Initiative in Teaching (UNITE) Award for the 2006-2007 academic year. The UNITE Award is given to a junior faculty member who has displayed outstanding teaching. Jay teaches the lower and upper level environmental economics courses (EC30 and EC130) and statistics (EC13). As Professor Shimshack puts it, his teaching philosophy is "simple" in that he believes the "environmental economics and statistics are interesting and important, and students should see my enthusiasm and the relevance of their studies every class period".

Jay has been very effective in getting non-majors interested in environmental economics by relating the class material to real world environmental policy issues and to his own research. Jay runs EC130 as a seminar-style class. He is able to attract students who would not necessarily take a seminar course and gets them excited about reading fairly technical research articles and motivates them to write high quality research papers.

It is in Statistics where Jay has really shone. Given its relatively analytic nature and the fact that it is a required course makes EC13 the hardest class in the economics department to teach well, particularly now that it is taught as one large lecture class. Students come into EC13 expecting it will be difficult, not very interesting, and not personally engaging. Jay has greatly enhanced the class by being very well organized, adding a level of humor that keeps the students interested, and getting them to participate even in the large lecture format. His student evaluation scores are not only the highest ever achieved in Statistics, but among the best for any economics course. The rave comments from students that Jay receives in this course are the best evidence of his brilliance.



(Continued from page 1)

their friends and families, and was hosted by my predecessor as Department Chair, Lynne Pepall, who is now Dean of the Graduate School. (Special thanks to Lynne for her invaluable contribution to our Department, and congratulations on her new position.)

This year the Department hosted over thirty research seminars and other events, which are described in this newsletter. They included a Seminar Series and a newly-launched Energy and Climate Forum (both in cooperation with the Fletcher School), and an interdiscipli-

nary Domestic Policy Forum on Identity, in cooperation with Psychology, with the participation of George Akerloff, Nobel Laureate in Economics.

The Department is very proud of the outstanding achievements of our students, faculty and staff, and I would like to thank all of them for their commitment, hard work and dedication. We are now looking forward to an exciting and productive 2007-2008!

Enrico Spolaore
Chair, Department of Economics

FACULTY NEWS

Research Spotlight

Professor Gilbert E. Metcalf's work on energy and climate change issues has been disseminated broadly this past year. He presented a paper on federal energy tax subsidies at the National Bureau of Economic Research's Tax Policy and the Economy Conference in Washington D.C. last September. That work was subsequently cited in the *Christian Science Monitor*. In January, Metcalf published an Op-Ed piece in the *Boston Globe* on designing cap & trade systems to control carbon emissions and was interviewed on the TV show *NECN News Night* on the topic of climate change legislation. Metcalf presented an overview of his energy policy research in Beijing this summer at a conference hosted by the Chinese Center for Economic Policy at Peking University as well as the NBER. Metcalf's views on federal energy tax policy have been published in a special issue of *TaxNotes*, an industry publication with wide circulation among tax practitioners and policy people, as well as in a forthcoming newsletter of the International Association of Energy Economists. He also has recently completed a Policy Brief for the Brookings Institution and World Resources Institution on carbon taxation.

Metcalf continues to work with researchers at MIT's Joint Program on the Science and Policy of Global Change on climate change issues. With researchers at the Joint Program, Metcalf recently completed a report reviewing various proposals for carbon cap & trade systems and was part of a group that briefed Senate staffers in DC last summer. He also presented results from that analysis at the Forum on Global Climate Strategies Beyond 2012: The Route Ahead in Madrid, Spain in April. The conference, put on by Florence School of Regulation of the European University Institute under the auspices of the European Commission, the Council of European Energy Regulators, and the Spanish Ministry of Government, brought together academics, policymakers, and NGO and business leaders to discuss the elements of a possible architecture for a post-Kyoto global climate change agreement. In addition to these presentations, Metcalf presented research on energy conservation at the NBER's Environmental Economics annual meeting in Cambridge, Massachusetts, as well as MIT's Center for Energy and Environmental Research Policy's annual policy workshop in Cambridge, Massachusetts.

Department of Economics Seminar Series

The seminar series in Economics, co-sponsored by the Department of Economics and the Fletcher School, had another successful year. The seminars were co-organized by Professors Matthew Kahn and Rajeev Dehejia in the fall and by Professors Joshua Fischman and Michael Klein in the spring, with support from many other faculty members.

The speakers in the fall were our own Gilbert Metcalf who discussed "The Role of Energy Conservation in climate Policy"; Philip Strahan of Boston College discussed the impact of bank finance on loan supply; Alberto Abadie of the Kennedy School discussed the effect of terrorism on business districts; George Hall of Brandeis discussed the response to demand shocks in the auto industry; Dilip Mookherjee of Boston University discussed land reform and rural development; Rohini Pande of the Kennedy School discussed political corruption in India; Erzo Luttmer of the Kennedy School discussed racial bias in charitable giving; Lisa Lynch of the Fletcher School discussed investments in organizational capital; Ben Olken of the Harvard Society of Fellows discussed extortion in the trucking

industry in Indonesia; Till von Wachter of Columbia discussed mass layoffs and health outcomes; and Kristen Butcher of Wellesley discussed determinants of immigration and incarceration rates.

The spring featured a series of job talks by faculty hiring candidates, followed by an abbreviated schedule of invited speakers. The spring featured two speakers from our own department: Jay Shimshack whose topic was "Information Disclosure Policies: Evidence from the Electricity Industry" and George Norman who discussed competition between movie theaters. In addition, the spring series included talks by Paolo Mauro of the IMF who presented "Pooling Risk Among Countries" and Erich Muehlegger of the Kennedy School who presented his discussion on regulatory innovation and tax evasion.

The department was fortunate to have so many exciting speakers presenting a wide range of topics. We look forward to the continuation of the seminar series in the coming academic year.

STUDENT NEWS

Finding the Next Alan Greenspan



The Jumbo Team: Alexander Antoniou, Alejandro Taylor-Escribano, Professor Chris McHugh, Jonathan Mazumdar, and David Kelley. (Photo by Andrew Reitano, Federal Reserve Bank of Boston.)

Four Tufts University students now have a deeper appreciation for the complexity of choosing national monetary policy. David G. Kelley (A&S '07), Alejandro Taylor-Escribano (A&S '07), Alexander Antoniou (A&S '07), and Jonathan Mazumdar (A&S '09) competed as Tufts' team in the 2006 Boston Regional College Federal Reserve Challenge.

The College Federal Reserve Challenge is an educational competition in which teams of college students make and defend a recommendation for national monetary policy. Each team has twenty minutes to discuss facts, figures, and trends relevant to current policy and make a policy recommendation for the target U.S. Federal Funds interest rate. The presentation is followed by fifteen minutes of questioning by Federal Reserve economists who serve as competition judges.

The November 9th Boston Regional included teams from Tufts University, Boston College, Bridgewater State College, Bryant University, Dartmouth College, Harvard University, Salem State College, University of Massachusetts at Boston, and Western New England College. Each team competed against two others in the first round, and the three first round winners competed in a second round. Regional winners received travel expenses to attend the national competition in Washington D.C. and a chance at a \$25,000 first prize.

The Jumbo team drew stiff first-round competition and was matched against Boston College and Dartmouth College. The team's presentation was framed as a meeting of the Fed-

eral Open Market Committee and used the interaction of FOMC members to raise issues and present pertinent information. The judges complemented them on their dynamic and creative presentation, their use of a wide variety of information, and their poise during questioning. Unfortunately, Tufts was edged out by Boston College, the ultimate winner of the Boston Regional and the national competition runner up.

The team was coached by Professor Chris McHugh with the help of David Garman and Ed Kutsoati. As first-time participants, neither the students nor their advisors knew quite what to expect. Now that they have a year of experience and one returning participant, plans for the 2007 competition have begun.

Returning veteran, Jonathan Mazumdar observes that the "College Federal Reserve Challenge" was a fantastic learning experience. Not only did I get a better understanding of the underpinnings of the U.S. Federal Reserve System, I was also able to apply concepts from the classroom to an exciting and realistic competition. It was great to be a part of the first team from Tufts and I hope that our participation is something that continues long into the future. Given that we now have one year's experience to build upon our already high scores, I think we are poised for greater success. I'll definitely be back next year and I'm already eager to start preparing for next year's competition."

STUDENT NEWS

Departmental Awards for 2006-2007

The Department congratulates the winners of our 2006-2007 academic awards:

The Charles G. Bluhdorn Prize in Economics is awarded annually to the most outstanding senior economics majors. This prize was founded in 1983 by Donald Gaston in memory of Charles G. Bluhdorn.

Honorees for 2006-2007: Vittoria R. Reimers and Steven D. Zisman

The Marion Ricker Houston Prize Scholarship in Economics is awarded to junior or senior economics majors who have been responsible citizens of the Tufts community and demonstrated mastery of economics. This prize was established in memory of a faculty wife whose friendship and gracious hospitality enriched the lives of many students.

Honorees for 2006-2007: Alexander Antoniou and Lala Xun Ma

The Lewis F. Manly Memorial Prize is awarded to undergraduates who combine a record of academic excellence with superior athletic performance. This prize was established in memory of Lewis F. Manly, a member of the Tufts faculty for 40 years, and chairman of the Department of Economics for 26 of those years. He also served for 6 years as head coach of basketball and for 15 years as head coach of football.

Honoree for 2006-2007: Jennifer Fratto

The Daniel Ounjian Prize in Economics is given to junior economics majors who are encouraged to pursue graduate studies in economics. This award was established to honor Daniel Ounjian, who graduated from Tufts in 1957, received his Ph.D. in Economics from Harvard in 1966, and returned to teach at Tufts until his retirement in 1993. He served for over a decade as chairman of the Department, and was an important contributor to many University committees and activities.

Honorees for 2006-2007: Eric T. Hansford

2007 Summer Scholars

For the fourth consecutive summer, our Department is again sponsoring Summer Scholars Program which offers research apprenticeships with faculty mentors to motivated Tufts undergraduates. The Program gives students a chance to be on the front line of discovery and scholarship at Tufts today.

Eric Hansford (A '08) and **Professor Gilbert Metcalf's** project is entitled: "Why is the United States' Gas Tax So Low?" This project addresses the various socioeconomic explanations on the low rate of taxation including: inadequate US public transportation, higher dispersion of populations in and between US cities, different lobbying procedure in law making, higher general opposition to taxes in the US, and higher US national debt. The project will aim to answer this question through an empirical investigation by data collection from a set of European countries. Taking a

political economy perspective, the goal is to see if the variability in socioeconomic characteristics of different countries can explain the choice for high or low gasoline taxes.

Arlen J. Spiro (A '08) and **Professor Anna Hardman's** project is entitled: "Evolution of Density and Density Gradients: How Somerville Grew Project Proposal". This project will undertake research to answer questions regarding the intensifying debate over the environmental, economic and social costs of low density urban growth which has renewed interest in high density, low rise urban communities. When and how did Somerville become so dense? How has the city's residential density changed over time? And how has the age, ethnicity, and economic status of the population evolved with the city's density?

HIGHLIGHTS FROM THE MASTERS PROGRAM

The department's Master of Arts (MA) graduate program continues to attract bright and talented students from diverse backgrounds. Our alumni have a range of careers spanning from further pursuit of doctoral education at Yale, UCLA, Maryland, Johns Hopkins and others; to investment banking at UBS, Fidelity and others; to consulting firms at the Analysis Group, NERA and others; to world organizations such as the World Bank and many others.

The 2006-2007 MA class had 18 enrollments with a split of 45% female and 55% male. This year we had a majority of US nationals from different areas and backgrounds and several foreign nationals, including students from Japan and China. A record number of seven students have been accepted to stay a second year, and they will be working with selected faculty on a Masters thesis next year. Ms. Wei Yao is particularly notable; she is, and will continue working with Professor Margaret MacMillan on a microfinance thesis project, and was selected for a competitive internship over the summer with the office of microfinance here at Tufts.

Another outstanding student was Lala Xun Ma, who completed the program in one year, received the Frank Holzman Award, and completed a Masters thesis in April 2007 entitled "I'll Trust You if I Expect You to Trust Me: An Analysis of Interpersonal Trust, Friends, and Social Interactions within Social Networks", under the advice of Professor Yannis Ioannides. From the class of 2005-2006, one student, Kaipin Shan, stayed for a second year and in April 2007, successfully completed a Masters thesis titled: "Essays on Labor Markets". Advisors were Marcelo Bianconi and Yannis Ioannides. Kaipin has accepted a position at Bank of America in Hong Kong.

Our congratulations to Lala and Kaipin!

In the 2006-2007 academic year, we welcomed two new additions to our teaching roster. Professor Joshua Fischman, a recent PhD from MIT, taught the upper graduate Microeconomics class, and Professor Rajeev Dehejia, a distinguished new tenured addition to our department, taught the graduate Econometrics course. Our research colloquium, where faculty members present a research project interactively with students, specially designed for students to improve their research skills, has had successful presentations by Professors Yannis Ioannides, Enrico Spolaore, and a special guest, Professor Paola Giuliano from Harvard, during the academic year.

Last, but not least, the class of 2006-2007 has been very much engaged in departmental and campus activities with the newly created Graduate Economics Society. The society has been awarded the prize by the Graduate Student Council as the best new graduate organization on campus this year. Our congratulations to the Economics Graduate Society, wishing many more awards in the years to come!

We hope you keep in touch with us by writing to Caroline Kalogeropoulos at caroline.kalogeropoulos@tufts.edu; and for the latest news and events, please check our website at http://ase.tufts.edu/econ/ma_program/index.html

Best wishes in your endeavors,

Marcelo Bianconi
Director, MA in Economics Program

(Continued from page 3)

in common is their link to crucial policy issues in the Boston area; the evaluation of schools based on high-stakes testing as a result of the Federal No Child Left Behind law of 2001 (NCLB) and the increasing concerns about affordable housing given the recent run-up in prices in the Boston area.

The issue of housing affordability is receiving increasing attention; particularly in places like Boston where house prices have increased by 81% between 2001 and 2005. A check of the Boston Globe shows that there has been, on average, approximately one article per week that has mentioned "high housing costs" or "high housing prices".

Academic and policy work on housing affordability typically focuses on the ability of individual households to afford a hypothetical housing unit at a certain price. In contrast, we develop a new measure of *area affordability* that characterizes the supply of housing that is affordable to different households in different areas of a metropolitan region. We have received excellent

feedback on our work from local affordable housing practitioners at an annual affordability conference run by CRE. We received the best paper award at the 11th Asian Real Estate Society annual conference in Vancouver in July 2006 for our paper "[Job Accessibility-Based Housing Affordability Indexes](#)". We have also developed similar indices for Providence, Springfield, and Worcester and we will ultimately produce a housing affordability index for all of New England.

Over the past decade, about half of the states have established accountability systems that focus on school performance. With NCLB, the federal government now makes funding to states and districts contingent on schools meeting performance levels and /or progress toward them. In Massachusetts, school effectiveness is based on the Massachusetts Comprehensive Achievement System (MCAS) exams; schools that fail to meet performance standards or show adequate progress in the percentage of students that are proficient in reading and math can be subject

(Continued on page 11)

ECONOMICS SOCIETY

Guest Lecture Series

The Economics Society ended its guest speaker series with a lecture on Economic Modeling by Tufts graduate Rick Henken. Along with being a double jumbo in Economics, Mr. Henken also holds a Masters of Science Degree in Management, with a concentration in Marketing and Finance from MIT Sloan. He is the President of Schochet Associates, which provides services in real estate development and property management. So far, Mr. Henken has closed over \$250 million in transactions, including the procurement of more than 1600 apartments in ten developments. Having formerly also worked as a marketing and strategy consultant to Fortune 500 companies, Mr. Henken used his past experience to incorporate real life examples into his lecture.

He started off by pointing to one of the greatest pitfalls associated with economic modeling, which is to fall prey to an abundance of data and analysis easily available today. Instead, students should dedicate themselves to creating a transparent process that allows for easy re-assessment and re-evaluation of a model. To illustrate his point, he told a story about an assignment he had to model the market for chocolate in a European country. He asked the audience where they would begin on an assignment like this. The chuckling

audience responded with several suggestions, including examining retail receipts and surveying preferences. In response, Mr. Henken encouraged the audience to keep it simple – “it’s candy – the first question I asked myself was ‘how many young children are there in the region?’”

The event was a huge success for the Economics Society, which strives to strengthen student-alumni relations in order to create direct opportunities for students to learn about the many applications of Economics. Students from all years benefited from the event by asking questions and taking away advice from a former Jumbo after the lecture.

Greg Hering, ('10) a student starting his own energy development company at the time, spoke with Mr. Henken regarding venture funding and effects of energy infrastructure when modeling small, rural economies. Mr. Henken told him that the best way to model the interaction between an industry and an economy, especially a micro economy where minute errors have greater effects on forecasting, is to gain first-hand experience and learn about the industry.

(continued on page 10)

Note from Rick Henken

A few months ago I had the great pleasure of talking with the Tufts Economics Society about how my training in economics, as both an undergraduate and a graduate student at Tufts, provided an excellent foundation for my career as a practicing economist, and, for the last twenty years, in business.

That talk was focused on economic modeling and how the discipline associated with specifying and creating good models is applicable to structuring and evaluating a broad range of business decisions. At Tufts I learned that the beauty of a good model is that the discipline involved in creating it forces the user to (a) clearly define and identify his/her assumptions; and (b) understand the extent to which outcomes are sensitive to changes to those assumptions. Therefore, while the actual results that a model spits out may be valuable, what is more important is the understanding of cause and effect relationships that results from the process of creating the model.

When I was just beginning my career as an economist, I had the opportunity to listen to one of my early mentors give a speech about economic forecasting to a group of important bank clients. One statement that he made that day has stayed with me my entire career. That was, “As soon as I publish a forecast, the only thing I know for sure is that it will be wrong.”

Having just spent the last year of my life struggling through Math for Economists; graduate level Statistics; and Econometrics, I quickly questioned that investment and my choice of careers. But upon further reflection, I came to understand what he really meant. What he was really saying was that while it is impossible to develop models that provide perfect predictions of future states, the process of specifying a good model is what allows us to really understand the world around us.

Building a model forces us to think hard about what variables to include and to test them. It makes us test our assumptions in a disciplined, rigorous way. It provides clarity regarding the relative importance and sensitivity of outcomes to changes in assumptions. And, yes, it does in the end provide very valuable predictive information. While it may be impossible to create a model that perfectly predicts the future, the building process elicits a better understanding of the relationships between causes and effects. This understanding enables us to predict the future, albeit not perfectly, but with confidence.

FEATURED TALKS AND LECTURES

Domestic Policy Forum - Wellington-Burnham Lecture Series

Tufts Forum Explores the Human Dimension of Domestic Policy. Public policy doesn't always achieve its intended goal because policy makers frequently fail to account for the range of human sensitivities involved, a Nobel Prize laureate told a Tufts audience at the Domestic Policy Forum held on campus this fall.

George A. Akerlof, co-winner of the 2001 Nobel Prize in economics and president of the American Economic Association, said, traditional economic analysis tends to miss "an important part of economics," namely that people typically have opinions and views about themselves. This, he said, translates into hidden motivations which can thwart policy goals.



Mahzarin Banaji

He and Mahzarin Banaji, a social psychologist at Harvard University, engaged in lively debate during two standing-room-only sessions of this year's Forum, hosted by Tufts.

The Forum, a joint effort of the economics and psychology departments and the office of the provost, with support from Tisch College, examines domestic U.S. policy from a multi-disciplinary perspective and provides faculty and students the opportunity to hear and interact with leading thinkers.

"We want to stimulate student thinking about the subtlety of policy," explained Yannis Ioannides, the Max and Herta Neubauer Professor of Economics at Tufts, who organized this year's Forum jointly with several colleagues, Linda Loury and Sharun Mukand, associate professors in the economics depart-

ment, and Keith Maddox, associate professor in the psychology department.



George Akerlof

"For example, racial profiling can be quite subtle and certain policies to combat discrimination may not work. People bring their own sensitivities to each issue, and that can profoundly affect the way policies evolve and are implemented."

Speaking on "Economics and Identity," Akerlof said the hidden motivations that traditional economic analysis fails to account for can be applied to analyses of economics of gender in the workplace, the economics of the household, the economics of impoverished minorities, and the economics of education.

Banaji addressed a similar theme in a presentation on "Identity: The Unconscious Shaping of Lives." She discussed the psychological evidence outlining the role that both conscious and unconscious notions of identity play in a wide variety of decisions that people make every day.

Ioannides said the Forum generated a lot of discussion and was received enthusiastically by students and faculty alike. He recalled that "one student said the Forum was the highlight of his college years."

Kaipin Shan, working on her masters of economics at Tufts, was quoted in the campus student newspaper as saying Akerlof's lecture was "great because I've studied economics for a while and he really introduced what I feel is a missing motivation. I still have lots of questions, though; his theory is so brand-new."

(Continued from page 9)

"The lecture was an eye opener," commented Hering upon leaving the event. Since the lecture Hering has used Mr. Henken's principles of reevaluating, and remodeling to update economic benefit forecasting for communities in which his company is planning wind energy parks. "Taking commodity market forecasts for steel and copper, one can, with reasonably accuracy, estimate tax base increases for communities of the future wind farms. I never thought of that process before Mr. Henken's lecture," said Hering, further underlining the significant impact Mr. Henken's lecture has had on his company.

Mr. Henken himself enjoyed returning to his alma mater, noting that "Tufts was such a special place for me on so many lev-

els, that whenever I am back on the Hill, it is a really good feeling. Tufts provided me with so many of the tools that I have relied on throughout my career that I appreciate the opportunity to be able to give back in some small way by sharing my experiences with today's students." He found Tufts students to be "incredibly bright, very creative, and ready and willing to challenge me intellectually."

Philip Haslett ('09), who double majors in Quantitative Economics and Math is currently interning at Schochet Associates for the summer, being the first Tufts student to intern with Mr. Henken's company.

Contributed by: Shrutih Tewarie ('09) & Nick Haslett ('08)

FEATURED TALKS AND LECTURES

Launched in the fall of 2006 by Professor Gilbert Metcalf and the Fletcher School's, Bill Moonaw, the **Energy Climate Forum** was conceived as a means of gauging interest in the topics of climate and energy, an area identified as being particularly promising for development as a cross—university effort. Sponsored by the Economics Department, the Tufts Institute of the Environment, and the Fletcher School's Center for International Environment and Resource Policy, it consisted of monthly seminars featuring both internal and external speakers addressing critical issues surrounding energy and climate.

September 19, 2006	<u>Gilbert Metcalf</u> Professor of Economics,	<u>"Energy Conservation in the United States: Understanding its Role in Climate Policy"</u>
October 19, 2006 4:00-5:30p.m.	<u>Denny Ellerman</u> Senior Lecturer, Sloan School of Management, MIT	<u>"European CO2 Emissions Trading System: Its Role in Global Climate Policy"</u>
October 24, 2006 4:00-5:30p.m.	<u>James Bushnell</u> Research Director, Univer- sity of California Energy Institute, UC Berkeley	<u>"The Economic Effects of Vintage Differentiated Regulations: The Case of New Source Review"</u>
November 16, 2006 4:00-5:30p.m.	<u>Arnulf Grubler</u> International Institute for Applied Systems Analysis	<u>"Can Technologies Respond to Climate Change? Which Ones, and How"</u>
January 25, 2007 4:30-6:00p.m.	<u>Charles Heaps</u> Stockholm Environment	"Energy Systems Analysis for Sustainable Development: Past Experiences and Future Directions"
March 1, 2007 4:30-6:00p.m.	<u>Kelly Sims Gallagher</u> Belfer Center for Science and International Affairs, Harvard University	"China Shifts Gears: Automakers, Oil, Pollution, and Development"
March 29, 2007 4:30-6:00p.m.	<u>William Moomaw</u> The Center for Interna- tional Environment and Resource Policy, The	<u>"Climate Change: The 3% Solution"</u>
April 19, 2007 6:00p.m.	<u>Susan Tierney</u> Managing Principal, Analysis Group, Inc.	<u>"Sitting Energy Facilities in New</u>

(Continued from page 8)

to fairly severe sanctions that come with little additional financial support. The problem is that these test scores reflect both the school inputs themselves, as well as the contribution of the school itself. The fact that Weston has higher test scores than Somerville does not necessarily mean that Weston has a more effective school system but may only reflect that it has greater school and family resources.

I use econometric techniques to "level the playing field" and come up with a better measure of the "value-added" of the

school. I show that this can result in a very different ranking of schools than what is obtained using the Massachusetts Department of Education approach which focuses on the actual test scores. This has important ramifications for establishing the best policy for improving the performance of schools in Massachusetts. Professor Tom Downes and I have recently received a contract from the Massachusetts Institute for a New Commonwealth to analyze the 1993 Education Reform Act of Massachusetts. We will apply some of my techniques in this study to identify which school districts most benefited from these new reforms.

FACULTY AND STAFF

Full-Time Faculty

Lawrence S. Bacow	<i>Environmental</i>	bacow@tufts.edu
Andreea Balan-Cohen	<i>Health economics</i>	andreea.balan-cohen@tufts.edu
Marcelo Bianconi	<i>Macroeconomics, international</i>	marcelo.bianconi@tufts.edu
Drusilla Brown	<i>International trade theory and policy</i>	drusilla.brown@tufts.edu
David Dapice	<i>Development</i>	david.dapice@tufts.edu
Rajeev Dehejia	<i>Applied econometrics, labor economics</i>	Rajeev.dehejia@tufts.edu
Thomas Downes	<i>Public finance, education</i>	thomas.downes@tufts.edu
Karen Eggleston	<i>Health, transition, Chinese development</i>	karen.eggleston@tufts.edu
Joshua Fischman	<i>Law and economics</i>	josua.fischman@tufts.com
David Garman	<i>Applied econometrics</i>	david.garman@tufts.edu
Yannis Ioannides	<i>Macroeconomics, growth, urban, housing</i>	yannis.ioannides@tufts.edu
Henry (Sunghyun) Kim	<i>Open economy macroeconomics</i>	sunghyun.kim@tufts.edu
Edward Kutsoti	<i>Money and financial markets</i>	edward.kutsoti@tufts.edu
Linda Loury	<i>Labor, education</i>	linda.loury@tufts.edu
Margaret McMillan	<i>Development</i>	margaret.mcmillan@tufts.edu
Gilbert Metcalf	<i>Public finance, applied microeconomics</i>	gilbert.metcalf@tufts.edu
Sharun Mukand	<i>International political economy</i>	sharun.mukand@tufts.edu
George Norman	<i>Industrial organization, spatial economics</i>	george.norman@tufts.edu
Lynne Pepall	<i>Industrial organization</i>	lynne.pepall@tufts.edu
Daniel Richards	<i>Macroeconomics, industrial organization</i>	dan.richards@tufts.edu
Jay Shimshack	<i>Environmental and resource economics</i>	jay.shimshack@tufts.edu
Enrico Spolaore	<i>Political economy, international growth & development</i>	enrico.spolaore@tufts.edu
John Straub	<i>Public finance, applied econometrics</i>	john.straub@tufts.edu
Chih Ming Tan	<i>Macroeconomics, growth</i>	chihming.tan@tufts.edu
Jeffrey Zabel	<i>Econometrics, labor economics</i>	jeff.zabel@tufts.edu

Adjunct and Part-time Faculty

Siddiq Abdullah	<i>Microeconomics</i>	siddiq.abdullah@tufts.edu
Michael Fenellosa	<i>International Finance, Monetary Economics</i>	michael.fenellosa@tufts.edu
Jack Green	<i>Business law</i>	jack.green@tufts.edu
Anna Hardman	<i>Urban, migration</i>	anna.hardman@tufts.edu
Felipe Martin	<i>Microeconomics, statistics</i>	felipe.martin@tufts.edu
Christopher McHugh	<i>Finance</i>	chris.mchugh@tufts.edu
Deborah Menegotto	<i>Microeconomics, Industrial Organization</i>	deborah.menegotto@tufts.edu
William Mosher	<i>Macroeconomics</i>	william.mosher@tufts.edu
Charles Murphy	<i>Accounting</i>	charles.murphy@tufts.edu
Winifred Rothenberg	<i>Economic history</i>	winifred.rothenberg@tufts.edu

Staff

Debra Kendrick	Department Administrator	debra.kendrick@tufts.edu
Linda Casey	Staff Assistant	linda.casey@tufts.edu
Caroline Kalogeropoulos	Staff Assistant & Editor of the Maximizer	caroline.kalogeropoulos@tufts.edu



TELL US ABOUT YOURSELF!

Name:

Year of Graduation: **Degree:** BA/BS or MA or PhD **Major:** Economics or Quantitative Economics

Address:

Email Address:

Occupation:

Questions, Comments, or Personal Update:

Please mail to:

The Maximizer, Department of Economics, Tufts University, 8 Upper Campus Dr., Medford, MA 02155

THE MAXIMIZER



Braker Hall
8 Upper Campus Dr.
Medford, MA 02155
Phone: 617-627-3560
Fax: 617-627-3917

Visit our Web Site!
<http://ase.tufts.edu/econ/>



Tufts University
Department of Economics
Braker Hall
8 Upper Campus Dr.
Medford, MA 02155

Non-Profit Organization
U.S. Postage
Paid
Boston, MA
Permit No. 1161