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SPECIAL NOTE: HOW TO VISIT US ON OUR WEB SITE!
The department invites you to connect with us online, via our web site or Twitter and Facebook! You can visit our site at http://economics.emory.edu and we invite you to browse all our online content, but in particular, the special section of our site dedicated to our alumni, at http://economics.emory.edu/alumni. You can find us on Twitter at http://www.Twitter.com/EmoryEconomics and on Facebook by visiting http://www.facebook.com/home.php#/group.php?gid=94851204114&ref=ts. We hope these pages will enhance our ability to communicate with the department’s current students, as well as alumni, faculty, staff and friends. A big thank you to Dr. Tanya Molodtsova for developing and moderating our social network accounts!

**MONICA:**
HASHEM INCLUDED THIS (below) IN THE LAST “CHAIR’S CORNER”. DO WE NEED IT?
We are also initiating changes that will help us reach a broader student base and maintain connection with our alumni. Among these are a new web design that integrates audio and video into the standard text based content and a Facebook page (http://www.facebook.com/home.php#/group.php?gid=94851204114&ref=ts) that is intended to provide a platform for communication with alumni and students as well as a networking option for our valued constituencies. The redesigned web will be launched in late January 2010. Video inputs will feature faculty, current students, and alumni discussing program focus and strength, course offerings, and professional opportunities for economists.

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CHAIR’S CORNER:
What an exciting time: The Emory College has a new Dean, Dean Robin Forman, who is bringing renewed energy and ideas to the University. The department also underwent a change in administration as I became the new Department Chair while Prof. Dezhbakhsh is on leave. I started my two years term in August and quickly adjusted to a new pace of work. While I sometimes miss my quite study time, I am very excited and honored to be at the Head of such a productive department. Many exciting things are happening in the Department and more will come in the next few months.

Professor Kaiji Chen has joined our department, bringing his macroeconomics expertise from China to Norway and now Atlanta. He is a theoretical macroeconomist who has already published in the top journals in his field. His presence will bring cutting edge knowledge and strengthen our ties with the Atlanta Federal Reserve Bank. We are very excited to have Kaiji among our group. Unfortunately we lost Professor Richard Luger who moved to Georgia State.
The number of economic majors and minors continue to increase and this semester we have an all-time record number of economics majors. To keep up with the increasing number of students, we have been authorized to recruit a new assistant professor in the area of econometrics/quantitative analysis. We are screening candidates and we will interview at the American Economic Association Meetings in Denver. We hope to fill the position by early February.

We are continuing to strengthen our relationship with various units within the university. In collaboration with the Halle Institute we hosted a lunch in honor of Sheila Tschinkel. Dr. Tschinkel served as Senior Vice President and Director of Research at the Federal Reserve Bank of Atlanta and was a member of the bank’s Management Committee. She was the first woman in the Federal Reserve appointed to this position. She served as Resident U.S. Treasury Economic Advisor in several Eastern European and Central Asian countries and worked with Prime Ministers, Finance Ministers and central bank Governors on macroeconomic policy issues and cash and debt management. Her ability to facilitate discussion was instrumental in obtaining an agreement to divide the assets and liabilities of the former Yugoslavia among the five countries that succeeded it. At the luncheon, Dr. Tschinkel gave an interesting talk about the role of Central Banks in time of crisis and what we should to do to push the US economy toward a recovery. (Please see the summary below.) We plan to invite Dr. Tschinkel to visit the department to talk with our students and we hope to convince her to teach a class to our undergraduate students.

The new college administration, together with a slow but steady economic recovery, brings a renewed energy to Emory and to the department. I see many more exciting things ahead for us. I hope you will continue to follow our development and future adventures.

Elena Pesavento, Associate Professor and Department Chair

FEATURED FACULTY:
Each newsletter will feature one or two members of the department’s faculty.

**MONICA----INCLUDE PICTURE OF HIM

Kaiji Chen joined the faculty in September 2010. His previous affiliations include the School of Economics and Finance at the University of Hong Kong where he served as an Assistant Professor and the Department of Economics at the University of Oslo where he served as a Research Fellow. Dr. Chen received his Ph.D. from the University of Southern California in 2005 writing “Essays on Social Security” as his dissertation. He holds a BA in economics from Shanghai Institute of Foreign Trade and a MA from Fudan University, both in China. His research interests focus on macroeconomic implications of financial contracts, business cycles, social security and consumption and savings. His publications include: “The Japanese Saving Rate,” American Economic Review, 2006; “A Quantitative Assessment of the Decline in the U.S. Current Account,” Journal of Monetary Economics, 2009; “A Life-Cycle Analysis of Social Security with Housing,” Review of Economic Dynamics, 2010.

I asked him what attracted him to Emory. In his reply, he recognized Emory as a top research university in the United States, as having one of the best undergraduate programs in the world, and as providing great opportunities for close collaboration between faculty and students. In addition, he considered the chance to interact with the Federal Reserve Bank of Atlanta and to link his research to macroeconomic policy analysis.
FACTS AND FUNDS

A great university needs a great department of economics!
Moving forward, we need your help in the form of donations to one or both of the following:
Kafoglis Lectureship Fund
Research and Teaching Fund

All donations are tax deductible.

**MONICA: ARE WE GOING TO MOVE THIS TO A LINK??????

You may make a donation:
By going to our web page at economics.emory.edu/giving for detailed instructions.
By mailing your gift to:
   Office of Gifts and Records
   Emory University
   1762 Clifton Road
   Atlanta, GA 30322-1710
By calling 404-727-4494 between 8:00 a.m. and 5:00 p.m. to speak to an Emory Annual Fund representative.

Matching Gift Program: If you work for a company that matches gifts to higher education, you can double or triple the value of your contribution by following your employer’s matching gift procedures. Many companies match the gifts of spouses, retirees, and surviving spouses or retirees in addition to gifts from current employees. Please contact your personnel or human resources office for eligibility information and to obtain a matching gift form.

Memorial Gifts: When friends and loved ones suggest gifts to your favorite charity in lieu of flowers, we hope that you’ll remember the Kafoglis Lectureship Fund and/or the Research and Teaching Fund.

PLEASE HELP US! THE FUNDS AREN’T GROWING VERY FAST.

I need to revise the figure for the Kafoglis Fund for mid-2010 because it reflected both donations and earnings. Since earnings will fluctuate, this newsletter will track donations only. The inclusion of earnings in the last newsletter’s figure resulted from a miscommunication between the development office and me.

Kafoglis Lectureship Fund: November 19, 2009: $103,244.81
Kafoglis Lectureship Fund: March 31, 2010: $118,394.18 (revised: $105,064.81 as of June 26, 2010)
Kafoglis Lectureship Fund: November 15, 2010: $105,143.00
Economics Research and Teaching Fund: May 24, 2010: $6,370.00
Economics Research and Teaching Fund: November 23, 2010: $6,720.00

NEWS AND NOTES:
Sheila Tschinkel Speaks at Emory on the Day The Federal Open Market Committee (FOMC) Announces QE2! Her Topic: Is America Becoming a Third World Country?

On November 3, 2010, the Department of Economics hosted a Halle Speaker Series luncheon with Sheila Tschinkel, principal of SLT Finance and Economics consulting company and formerly a resident U.S. Treasury Economic Advisor in several Eastern European and Central Asian countries. Before working abroad, she served as Senior VP and Director of Research for the Federal Reserve Bank of Atlanta.

Dr. Tanya Molodtsova wrote the following summary.

In her lecture, Sheila emphasized that fiscal and not monetary policy should be used to reduce unemployment and stimulate the U.S. economy. With so much cash sitting idle, we need people and businesses to start spending again. Sheila thinks that the second round of quantitative easing (QE2), or purchasing more assets by the Federal Reserve System to push interest rates lower, is not the answer. Because keeping interest rates low will not make credit more available for consumers and small businesses, the effectiveness of the policy is doubtful. On the other hand, fiscal policies, such as cutting payroll taxes at the lower end of income distribution, has the potential for increasing aggregate demand by bolstering spending quickly by those who spend essentially all of their incomes. Accelerated consumer spending will generate demand and reduce unemployment, which will eventually help to reduce fiscal deficits.

Interestingly enough, the FOMC announced its decision to pursue QE2 and expand its holdings of securities by another $600 billion of longer-term Treasury securities by the end of the second quarter of 2011, while Sheila was giving her talk. There are a few reasons to believe that the effect on interest rates could be small. Some observers report that most of the effect of this quantitative easing has been mostly absorbed by the markets before its announcement. Another reason is that financial markets are functioning much better than in the spring of 2009, when the FOMC first purchased 1.725 trillion in mortgage-backed securities and government and agency debt. Banks are currently holding about $1 trillion in excess reserves rather than making loans to the non-banking sector. It is quite likely that this additional supply of credit will be added to excess reserves. Even if QE2 is able to affect interest rates, many believe the effect on employment and output will be small. Charles Plosser, President of the Philadelphia Fed and a nonvoting member of the FOMC recently suggested that “[I]t is difficult …to see how additional asset purchases by the Fed, even if they move long-term bonds down by 10 or 20 basis points, will have much impact on the near-term outlook for employment”. QE2 may have a modestly stimulating effect on the economy by increasing availability of credit to small businesses, encouraging more refinancing to enable more spending, and improving the trade balance.

“WHY IS THE GULF CLEANUP SO SLOW?”

In an article that appeared in the July 2, 2010 issue of the Wall Street Journal, Paul Rubin, The Samuel Candler Dobbs Professor of Economics, questioned the reason that the EPA failed to relax restrictions on the amount of oil in discharged water and why the Obama administration didn’t waive the Jones Act, which restricts foreign ships from operating in U.S. Coastal waters when additional ships would advance the cleanup. Paul also suggested that the administration could have freed up skimmers based in other parts of the U.S. and permitted more state and local initiatives. By way of explanation for the failure to proceed more quickly, Paul offers:
possible administrative incompetence, pursuit of other administration interests, and political opposition to off-shore drilling. This article also appeared on Yahoo’s Finance News, July 7, 2010.

In “A GULF SPILL TORT PRIMER”, that appeared in the Wall Street Journal on August 2, 2010, Paul Rubin set out the case for holding BP fully liable for all economic damages caused by the oil spill but not for punitive damages. He drew a distinction between parties to controversial forms of tort action – product liability and medical malpractice– that have a pre-accident relationship and parties to tort action that do not have such a pre-accident relationship. In the former case, the parties “can decide beforehand what form of liability will govern if there is a mishap.”

For example, the parties could agree that victims will not sue for “pain and suffering” damages in the event of an accident. Such an agreement would be possible precisely because the parties are in a relationship before there is an accident and potential victims (who are customers or patients) would benefit from lower prices associated with lower liability. This is why states that have passed medical malpractice reforms actually have lower accidental death rates: Lower tort liability leads to more physicians in emergency rooms, which results in lower death rates. The benefits from increased availability of physicians outweigh any incentive to take less care.

In a classic third-party tort, however, there is no such prior relationship. Automobile accidents are of this sort. Drivers and pedestrians can’t bargain in advance over standards of care, or prices and damages, so arguments for reducing damages are less powerful and tort reform is less appropriate. (These are arguments for no-fault insurance, but these are based on reducing transactions costs.)

The Gulf spill is exactly this second class of accident—one with no pre-accident relationship. Hotel and restaurant owners and fishermen had no contractual relationship with BP before the oil spill, so arguments for reducing damages are less powerful and tort reform is less appropriate. There is little justification for limiting economic damages. And since most or all harms were economic, there is little scope for pain and suffering damages.

Two other concepts are worth noting: strict liability and negligence. Under strict liability, the injurer is liable no matter what level of precautions were taken before the accident. Under negligence, the injurer is liable only if he took insufficient care. The advantage of the negligence standard is that it provides potential victims with incentives to take sufficient care. For example, if drivers were strictly liable for car accidents, then pedestrians might be less careful. But for the Gulf spill, strict liability will also give other well owners proper incentives to be careful in the future.

Lawyers will undoubtedly seek punitive damages against BP. But these are mainly appropriate in cases where the injurer might have been able to hide his culpability. When some injurers escape liability, those who are detected must pay larger damages to deter others. In the Gulf spill, there is no chance of BP concealing anything. Everyone in the world knows that it caused the spill. In this case there is no advantage of punitive damages.

Both proponents and critics of tort reform should agree: This is a case where full economic damages are appropriate but punitive damages should not be pursued.

“TEN FALLACIES ABOUT WEB PRIVACY”: In an opinion piece that appeared in the Wall Street Journal on August 30, 2010, Paul Rubin discussed the issue of additional regulations on the use of information about people’s habits, interests or preferences on the Internet. He listed the 10 most important misconceptions about privacy on the Web. (1) Privacy is free. According to Paul, a strong trade-off exists between privacy and
information. The more privacy a consumer enjoys, the less information. (2) If there are costs of privacy, they are borne by companies. If regulations reduce the revenues from advertising or if costs increase, providers will make fewer services available on the Web. (3) If consumers have less control over information, then firms must gain and consumers must lose. (4) Information use is “all or nothing.” (5) If consumers have less privacy, then someone will know things about them that they may want to keep secret. (6) Information can be used for price discrimination which will harm consumers. (7) If consumers knew how information about them was being used, they would be irate. (8) Increasing privacy leads to greater safety and less risk. (9) Restricting the use of information (such as mandating consumer “opt-in”) will benefit consumers. (10) Targeted advertising leads people to buy stuff they don’t want or need.

FOR NOW, JUDGES MUST OVERSEE LAWSUIT FUNDERS
In a piece that appeared in the Sacramento Bee on November 20, 2010, Paul Rubin observed that “(n)ews that large banks, hedge funds and other private-investors are bankrolling plaintiffs’ lawsuits raises a courthouse full of ethical questions.” For now, he said, judges must oversee lawsuit funders in what is the most litigious society in the world, the United States.

TEENS WHO TAKE RISKS MATURE FASTER
Greg Berns, Distinguished Professor of Neuroeconomics, and some Emory School of Medicine neuroscientists, wanted to better understand the relationship between high risk-taking and the brain’s development. “In the past, studies have focused on the pattern of gray matter density from childhood to early adulthood. With new technology, we were able to develop the first study looking at how development of white matter relates to activities in the real world,” said Berns. “We were surprised to discover that risk-taking was associated with more highly developed white matter- a more mature brain. We were also surprised to learn that except for slightly higher scores in risk-taking, there was no significant difference in the maturity of the white matter between males and females.”
A report on this study appeared in The Times of India, November 15, 2010.

In a Newsweek article dated August 24, 2010 on “HOW AMERICANS WILL BUILD WEALTH FOLLOWING THE RECESSION”, author Nancy Cook noted that, with a weak housing market and volatile stock prices, people will have to save money if they want to feel flush again. Discussing the changing attitudes, she cited Leonard Carlson, Associate Professor of Economics at Emory, when noting that in the past, “the shift in attitude toward the stock market and housing harks back to the 1950s-style of personal finance….” Then, housing was seen as a product to consume rather than an investment. Following World War II, Americans put money in savings-and-loan accounts that earned a little interest each month. There was no big, rapid accumulation…. That generation also did not contend with flat wages, or with massive college debt….”

CRIME RATES HAVE PLUMMETED. SHOULD WE CREDIT PROZAC?  A study by Sara Markowitz, Associate Professor, and Dave Marcotte, Professor at the University of Maryland in Baltimore County, attributes the decline, at least in part, to the expansion of the use of psychiatric drugs. First, the authors say, the correlation between mental illness and crime is well documented. They found evidence that the expansion of psychiatric drugs is associated with decreased violent crime rates, but not property crime rates. The magnitudes of the estimated effects of expanded psychiatric treatment on violent crime are small, however. Their estimates imply that about 5 percent of the decline in crime during the study was due to expanded mental health treatment. They found no strong evidence of effects on homicide or arrest rates. The Informant, October 11, 2010

CAN A HIGHER TAX ON BOOZE REDUCE DISEASE AND CRIME?  On September 14, 2010, CNN health reporter, Corina Storrs, wrote about research on the relationship between the price of alcohol
and public health and crime. She cited **Dr. Sara Markowitz** who says that even small increases in the price of alcohol are likely to result in measurable gains in public health and safety. “The proportion of crime and suicide that are alcohol-related would be far smaller than diseases such as liver cirrhosis,” she said. In her research, Sara studies the impact of alcohol taxes on violence, suicides, crime and risky sexual behavior.

In a paper titled **“TORTURE IN COUNTERTERRORISM: AGENCY INCENTIVES AND SLIPPERY SLOPES”**, Hugo Mialon, Associate Professor; Sue Mialon, Assistant Professor; and Maxwell Stinchcombe of Clemson University, found that legalizing torture in strong-evidence cases produces off-setting effects on agency incentives to combat terrorism by means other than torture. Legalizing torture in strong-evidence cases increases torture of the innocent and can reduce security. Moreover, it can increase agency incentives to torturing even in weak-evidence cases—a slippery slope.

**DO WE NEED IMMIGRANTS TO HELP PAY THE DEFICIT?**

**Dr. Jeffrey Rosensweig**, an Economist in Emory’s Goizueta Business School, thinks we do. He said, “when some people think of immigrants, they think of people coming in and immediately absorbing our resources.” He added, “most immigrants come here to work. They’re young workers and they are paying taxes.” His comments appeared in an article in the Atlanta Journal-Constitution on November 19, 2010.

**Esfandiar (Essie) Maasoumi, Distinguished Professor of Economics**, will join the Board of Advisors of the Journal of International Economic Studies. He gave invited talks to the Montreal Econometrics Group and to the Conference on the Iranian Economy at the University of Chicago. Next March he will give the Keynote speech at an Economic Coloquium on Panel Data Econometrics in Mexico. His research with students includes: a policy evaluation approach to inflation targeting effects by Central Banks (with Mizi Ginningza), and retirement decisions by different market education levels in Chile.

**Christopher Curran, Associate Professor of Economics**, and Skip Garibaldi expect their book, **Optimization in Microeconomics** to be published in 2010 by University Readers, San Diego.

**Monica Capra, Associate Professor of Economics**, received the Phi Beta Kappa award for excellence in teaching.

Genoil announced that **Paul Rubin** will join its Advisory Board. He joins colleague **Hashem Dezhbakhsh** on this Board. They will be working on a Genoil business plan for cleaning up the slop oil for one of the largest ports in the world. The project has been approved by the port.

In November, **Paul Rubin** discussed a paper at the General Meeting of the Mont Pelerin Society, an organization formed in 1947 by Frederich Hayek for the purpose of advancing the principles of classical liberalism.

**GOOD NEWS!** The U.S. Census Bureau will open a research data center in Atlanta. Read more at:

The Dalí Lama visited Emory for three days from October 7 or 17, 2010.

Emory ranked tenth nationally among medium sized universities for contributing the greatest number of 2010 graduates to Teach for America. This fall 36 Emory graduates are teaching in urban and rural public schools across the country.
Seminar Series: Check out the seminar calendar at [www.economics.emory.edu/events](http://www.economics.emory.edu/events). We invite you to attend. No reservation is necessary.

Job Search: Please send us any information that you might have regarding internships (paid and unpaid) and positions that might be of interest to our undergraduate and graduate students. The department will post these notices. Please help us help our students.

Happiness Police: Several members of the faculty, Essie Maasoumi, Kaz Miyagiwa, Tanya Molodtsova, and Sue Mialon, formed the “happiness police.” They plan various events for faculty, staff and graduate students. On the evening of December 8, 2010, the faculty, staff, and graduate students will gather at a restaurant in Decatur, GA, for the annual holiday party.

**STIMULATING STUDENTS:**

Undergraduate Student News:

The New Freshman Class:
This fall, Emory officials announced that this year’s freshmen class is one of the college’s most diverse and academically strong group of students. More than 15,500 students applied and 1,348 are on the Atlanta campus for fall semester. Their average unweighted high school grade point average is 3.84 and they averaged a combined math and reading SAT score of 1399 out of 1600, according to the freshmen profile. Students come from 47 states, with the top five being Georgia, Florida, New York, California and Texas, and 24 foreign countries. Fifty-six percent are female and 44 percent are male. Forty-one percent are white, 33 percent are Asian, 9 percent are black, 6 percent are Hispanic and 3 percent are multiracial, according to university data.

Christopher Curran, Associate Professor and Director of the Honors Program in Economics, reports that 16 students seek honors this year, eight men and eight women. Six foreign students enrolled in the program. They come from Thailand, South Korea, India, and Singapore. Their research focuses on:
Sports (3)
California budget crisis (1)
College admissions of international students (1)
Company pricing strategies (1)
Game Theoretical analysis of the holdout problem (1)
Public health and fertility (2)
Economics of the social media (1)
Women and access to credit (1)
Human trafficking (1)
Currently undecided (4)

Majors and Minors: As of this writing, the department has 551 majors and minors. Of the majors, 40 pursue a joint business/economics degree. Others pursue various interests such as economics/mathematics, economics/history, and economics/business/mathematics. If my information is correct, more students major in economics than in any other subject in Emory College.

Graduate Student News:

In the coming academic year, we look forward to working with seven Ph.D. students with interests in such areas as: applied econometrics, industrial organization, law and economics, international economics, financial economics and macroeconomics. They are:
Jeffrey Haynes (USA), Matthew Nicklay (USA), Eliska Repkova (Czech Republic), Vinish Shrestha (Nepal), Chenying Tang (China), Ke Wu (China), and Margarita Zabelina (Russia).


We are proud to announce that three of our graduate students plan to graduate in May and so are in the job market. They are:

- **Griffin Edwards** whose research fields are: Law and Economics, Applied Microeconomics, Economics of Education, and Health Economics. His dissertation is titled, “Adverse Consequences of Tort and Statutory Law.”
- **Lei Jiang** whose research fields are: Financial Economics and Econometrics. His dissertation is titled, “Essays on Stock Return Predictability and Market Efficiency.”
- **Mary Schroeder** whose research fields are: Health Economics, Labor Economics, and Applied Microeconomics. Her dissertation is titled, “Essays in Health and Labor Economics: The Effects of Paid Family Leave.”

**ACTIVE ALUMNI**


**AnaMaria Conley (Ph.D., 2004)** is in her third year as an Assistant Professor of Economic on the tenure-track at Regis University, a Jesuit University in Denver, Colorado

**Michael Hammock (Ph.D., 2010)** currently teaches part-time at MTSU and spends the rest of his time providing childcare for the two foster children that he plans to adopt.

**Jeffrey Moore (Ph.D., 2006)** serves as an officer in the Markets Group at the Federal Reserve Bank of New York where he is involved in the operations and management of the Fed’s portfolio of securities.

**Francisco Parodi (Ph.D., 2002)** currently serves as the Director of the Office of Middle East and North Africa at the U.S. Treasury. He manages 10 economists and five financial attaches throughout the region. He frequently travels to hotspots such as Lebanon, Dubai, Iraq and Yemen. His main responsibility is to ensure that events in the region do not surprise the U.S. Treasury. He finds the position intense but very rewarding. He is married to a political scientist with whom he has two children, Sofia (5) and Tomas (2).

**Peter Terrebonne (Ph.D., 1992)** teaches at Young Harris College, a small liberal arts college in the north Georgia mountains. The undergraduate program there just transitioned from a two-year to a four-year program and will graduate its first seniors this coming spring.

**Yan Li (Ph.D., 2008)** works as a portfolio manager at TFS Capital LLC

We want to continue this alumni news feature and hope that you will send us your news. Send it to me at bschaff@emory.edu or econdept@emory.edu. Address letters to me at: Department of Economics, Emory University, Atlanta, GA 30322-2240
PLEASE STAY IN TOUCH!