From the chair

Life in the Economics Department continues at a lively pace, reflecting the growing size and quality of our faculty and graduate and undergraduate programs. Four faculty members held NSF grants during 1986—one of them new awards—with good prospects for a fifth award and a renewal before the end of the year. Our workshops bring a large number of visiting scholars to the campus each year. We now run six of them with the addition of the applied microeconomics workshop. We are very fortunate to have hired Pravin Trivedi in econometrics during last year’s recruiting efforts, and will recruit for positions in labor and international trade this year.

Our undergraduate program continues to grow in several dimensions. We have added specialized minors in economics during the past year and are working with the College of Arts and Sciences on a proposed Arts and Administration major that is designed to combine an Arts College and a Business curriculum. Roy Gardner, James Walker, and Arlington Williams have been designated as Honors Faculty by the Honors Division and will take primary responsibility for honors courses and our honors program. We are proud of the quality of our economics majors. Those who have been successful in winning departmental and university awards are noted elsewhere in the Trend Line.

You probably have received a letter this fall soliciting contributions for the department. Your donations have increased each year since the Economics Enrichment Fund was established in 1982. These funds are invaluable in the face of current budget stringencies. Last year they enabled us to purchase word processing equipment and software for our staff. They also pay for our part of the newsletter and help with expenses of the reception at the annual meetings of the American Economic Association (see announcement in this newsletter). We hope to greet many of you there and to hear from many others during the year. We greatly appreciate your support, both in dollars and in maintaining contacts over the years.

Chang wins Young Faculty Award

Fwu-Ranq Chang, assistant professor in the Economics Department since 1983, was one of five faculty on the IU Bloomington campus to receive the newly-established Outstanding Young Faculty Awards for 1986-87. The awards are designed to support the research of untenured faculty members and are given to young faculty who show promise of achieving distinction as scholars. Chang was nominated by faculty in the Economics Department and was chosen by a committee designated by the Dean of Faculties and the Dean of Research and Graduate Development. The other recipients were faculty in the departments of Urban Studies, psychology, political science, and fine arts. Each faculty member will receive a $4,000 summer fellowship, $4,000 for the 1986-87 academic year, and a $2,000 grant-in-aid.

Professor Chang, who has PhD's in both mathematics and economics, will apply advanced techniques from these disciplines to solve fundamental theoretical questions in economics. His research is in the theory of consumer behavior, which is of interest also for empirical studies and policy analysis. Chang poses several questions that he will attempt to answer: What is the effect of the recent sharp increase in life expectancy on the retirement date? Is past consumption a good predictor of future consumption? Can we describe the economic environment in terms of tastes and opportunities that underlie a given savings function? In particular, what theoretical structure is implicit in the Keynesian consumption function in an economic growth context? The object of Chang's research is to solve Stochastic Inverse Optimal problems and related areas.

Thurow to visit campus

Lester C. Thurow, Gordon Y. Billiard Professor of Economics and Management at Massachusetts Institute of Technology, will be on the Bloomington campus from March 1-5, 1987. His visit is sponsored by the Patton Foundation and will include at least one public lecture during the week. Members of the Economics Department hope to arrange some informal meetings so that students, as well as faculty, will have an opportunity to talk with the well-known economist.

IU ECONOMICS DEPARTMENT ALUMNI PARTY
at the AEA meetings
in New Orleans
Monday, December 29, 1986
5:30 - 7:30 p.m.
New Orleans Marriott Hotel
Bonaparte Room
ALL ARE WELCOME
Greet former classmates and teachers
Saunders wins Washington Honor Medal

Phillip Saunders, professor of economics, was awarded the George Washington Honor Medal for excellence in economics education by the Freedoms Foundation at Valley Forge, Pennsylvania. The award was presented at an honors luncheon held in Indianapolis in June.

The citation accompanying the award said in part: “during the 1984-85 academic year no less than seven separate economic education projects were operating or initiated in which Professor Saunders provided the intellectual guiding force, either as chief consultant, author, or presenting lecturer. These programs and projects range from year-long national television/film series to one-day seminar workshops, and the target audiences range from elementary school students through high school students to college students and practicing clergy. Two themes that unite these programs and projects are their proven effectiveness, as established by independent evaluators, and their tremendous multiplier effect beyond the confines of Professor Saunders’ own classroom. It is safe to say that his ideas and influence reached more students in 1984-85 than most educators reach in a lifetime.”

Editor’s Note: Professor Saunders joined the IU Economics Department in 1970. For more details about Professor Saunders and his work on economics education, we refer you to articles in previous Trend Line newsletters: fall 1984 and winter 1981.

Massoumi, Wildasin promoted

Esfandiar Maasoumi and David E. Wildasin have been promoted to full professor, effective July 1, 1986. Maasoumi has been a member of the IU faculty since 1982. He was instrumental in developing the current graduate program in econometrics and in establishing the Econometrics Workshop (see related article in this issue). Maasoumi has many publications in theoretical econometrics and is extending his current research interests to include some areas in economic theory. An example of the new interest is his paper, “The Measurement and Decomposition of Multidimensional Inequality,” which appeared in Econometrica last July. Maasoumi will be on leave in the spring to serve as visiting professor of economics at the University of California at Santa Barbara.

Wildasin joined the department in 1979 and has been active in developing the curriculum in public finance at both the graduate and undergraduate levels. He is the author of numerous articles and a book on public sector economics, published recently. In 1978 he received a grant from the National Science Foundation for a study of general equilibrium welfare analysis of intergovernmental grants. Professor Wildasin is on leave during the 1986-87 academic year to continue and expand his research interests in analysis of tax policy in credit-rationed economies. He will work at the Center for Operations Research and Econometrics (CORE) at the University of Louvain in Belgium.

Gardner on the road

Professor Roy Gardner spent the 1985-86 academic year at the University of Bonn in West Germany (reported in our 1985 Trend Line). From the many communications we received from Gardner while he was in Germany, it was apparent that he also spent much of his time visiting other places in Europe, giving conference papers and seminars on his research interests in economics. Professor Gardner, who was an Alexander von Humboldt Fellow at the University of Bonn, conducted research in two major categories: the application of game theory in economics and the application of game theory in biology. He shared his research with colleagues at several European institutions, including the University of Paris, Hebrew University (Jerusalem) and Tel-Aviv University, the University of Prague and the Hungarian Academy of Sciences, Catholic University of Louvain, and the University of Bielefeld. On several occasions Gardner gave his papers in French or German.

Before returning to the US in June, Gardner met with the president of the Federal Republic of Germany, Richard von Weizsacker, whose father and brother both are economists. Professor Gardner and the German president compared notes on training for economists and noted the growing emphasis on mathematical skills at major universities in both countries.

Alumni help majors with careers

Three alumni of the Economics Department participated in an Economics Career Night meeting for undergraduates on October 9 in Ballantine Hall. Lloyd C. Lyons, BA’66; Peter Gould, BA’74; and Thomas J. Rillo, BA’82, described their own career paths after graduation from IU and offered suggestions to students about valuable coursework in economics and other areas and described a range of job possibilities. Professor Willard E. Witte, graduate studies director for the Economics Department, talked to students about graduate work in economics and outlined the job market for those with master’s and doctor’s degrees. Presentations were also given by representatives from IU’s Business Placement and Arts and Sciences Placement offices.

Lyons is senior vice-president of the Indiana National Bank in Indianapolis, Gould is an employee benefit consultant in Bloomington, and Rillo is an investment broker in Bloomington. After the presentations, students asked questions of the speakers and also had the opportunity to talk individually with them at the conclusion of the meeting.

ECONOMICS DEPARTMENT BOX SCORE—FALL 1986

32 full-time faculty members (projection of 35 by 1988)
73 graduate students on campus (14 entered this fall)
280 undergraduate majors
5,393 students enrolled in economics courses
6 active workshops (total of 58 visiting speakers last year)
Degrees granted in 1985-86: 85 BA's
12 MA's
9 PhD's
Williams, Walker use laboratory to study economic behavior

Arlington W. Williams, associate professor, and James M. Walker, assistant professor, are leaders among a growing group of economists who utilize laboratory methods to conduct their research. In a relatively new field called "experimental economics," Williams and Walker have made important contributions through the design of computerized market experiments used in the research, and through refinements of the economic theory used to explain market behavior. The published results of their experiments appear in the leading journals of the profession. Both Williams, who joined the IU faculty in 1979, and Walker, who joined the faculty in 1984, have maintained substantial funding from the prestigious National Science Foundation in an era of funding scarcity.

Traditional research in economics involves the forming of economic hypotheses that have emerged from the applications of economic theory. The researcher designs an abstract model, or theory, which contains the major elements, in a simplified version, of the real-world situation being studied. Using the model, the researcher derives real-world implications that are then tested for validity by econometric methods, defined as the application of statistics to the testing of economic models.

Experimental economists, including Williams and Walker, have changed the traditional approach to economic research by testing the validity of economic models in controlled laboratory settings. This means that some of the predictions of the economic models can be tested more precisely with the results of the laboratory experiments. A substantial and growing body of economic research can be conducted in a way that parallels research done in the natural sciences.

While both Williams and Walker use the computer to conduct and evaluate their experiments, other earlier experimental economists used different means to carry on their research, ranging from blackboards to telephones and electronic equipment designed for particular experiments. Williams has been perhaps the most prominent developer of the software that has allowed him and others to use the interactive PLATO computer system as the basis for experiments. This has meant that experiments can be carried out simultaneously by subjects in different locations. Williams and Walker use human subjects competing for cash rewards in their experiments. Other researchers in both economics and psychology have followed a long tradition in experimental psychology by using nonhuman subjects such as rats or pigeons in experiments where it is prohibitively expensive or unethical to use human subjects. (NOTE: rats display the inverse relationship between price and quantity demanded!)

Professor Williams has devoted most of his work in experimental economics to analyzing various types of auction market mechanisms. These include double-auction markets and posted-offer markets. The double-auction market involves sellers and buyers who are free to make a series of offers and counter-offers until "acceptance" occurs and a contract is made. Participating subjects are given a monetary reward based on their performance in the experiment, so there is a real incentive to "buy low" and "sell high." In the posted-offer market, the sellers present offers to buyers that the buyers either accept or not, with no negotiation permitted. This is analogous to our ordinary retail shopping arrangements.

The most recent focus of William's expanding research using double auctions is financial asset markets. In the financial asset market, a designated number of shares is divided among competing traders who formulate price quotations (bids to buy and offers to sell) for asset shares on the basis of future price and dividend expectations. According to Williams, "an exciting result from the initial series of PLATO asset market experiments is that we have been able experimentally to observe 'speculative price bubbles' where asset prices are driven far above the underlying value (determined by the dividend structure) due to a 'snowballing' effect of inflationary expectations." The ability to observe this phenomenon in a tightly controlled laboratory setting is of tremendous interest to both theorists and empiricists in the fields of finance and economics.

Research interests in experimental economics have taken a different course of development for James Walker. Continuing the subject of his PhD dissertation, he conducted studies of energy demand related to time-of-day electricity pricing and responses to conservation incentives. One aspect of his work showed that earlier research was based on invalid specifications of an experimental design. By re-analyzing the data, Walker and his colleagues provided important new information on a prominent current problem and helped establish new guidelines for policy decisions.

Over the past four years Professor Walker has spent much of his research time on bidding behavior in the sealed-bid auctions (as used in the sale of US Treasury bonds) and on laboratory experiments that explore the "free rider" problem of public goods provision. In both of these areas Walker developed extensive computer skills that allowed him to devise the programs necessary to conduct the experiments on the PLATO computer network. Walker's studies of the sealed-bid auction use a setting in which buyers privately submit bids for an item. The bids are arrayed from highest to lowest, and the highest bidder is awarded the item. Buyers are paid in cash for the accumulated difference over a series of auctions between the assigned value for sale items and the price paid. Results of these studies have raised questions about some traditional assumptions concerning bidding behavior and have illustrated the interconnection of theory and experimentation that is possible with the research methodology used.

The "free rider" problem is a behavioral hypothesis modelled in all of the social

(Continued on next page)
Econometrics bolstered by new faculty member

Led by the efforts of Professor Esfandiar Maasoumi, the department is increasing its effectiveness and visibility in the field of econometrics with the addition of Professor Pravin K. Trivedi to the faculty. Professor Trivedi will come to Indiana in January 1987 from his present post on the Faculty of Economics and Commerce at The Australian National University. His interests include both theoretical and applied econometrics and macroeconomics.

Professor Trivedi received the BSc, MSc, and PhD degrees from the London School of Economics. He served as a research assistant at the London School of Economics from 1966-68; lecturer in econometrics at University College, London, from 1968-70; and lecturer, senior lecturer, and associate director of Southampton Model Unit at the University of Southampton, 1970-74. He has held visiting positions at a number of academic institutions, including the University of British Columbia, the India Statistical Institute, and the University of Chicago. Trivedi is the author of more than 40 publications and has earned an international reputation for both theoretical and applied econometrics.

Professor Trivedi’s appointment is the most recent of several positions in econometrics in the last five years. Each of the faculty members possesses different interests and skills, so that the econometrics program is developing with impressive range and strength. The group not only can offer wide-ranging coursework to our undergraduate and graduate students, but it can also give important impetus to students who need help with research topics and methodology. Professor Trivedi’s appointment is significant for the department as a whole and fosters substantial growth of econometrics as a field of study at Indiana.

Campbell to visit China

Professor Robert W. Campbell is one of six American specialists in Soviet studies invited to participate in a workshop in China in December. The scholars will meet with a group of Chinese specialists on the Soviet Union in December 14-16 at the Institute for Contemporary International Relations in Beijing. The visit is sponsored in the US by the International Research and Exchanges Board (IREX). The American delegation includes three economists and three specialists in Soviet domestic politics and foreign policy.

Campbell states that “study of the Soviet Union languished in China for a number of years, but is now undergoing a revival, and the Chinese are interested both in the way research and training in this field are organized in the US and in the substantive views on Soviet affairs of scholars in other countries.” He expects to spend 10 days in China visiting a number of other institutes and universities that conduct research and training in Soviet studies. Campbell was director of IU’s Russian and East European Institute from 1984-86.

Retired economics professor dies

William Charles Cleveland, emeritus professor of economics, died on January 28, 1986 in Bloomington. He joined the IU faculty in 1927 and retired in 1967. Professor Cleveland was chair of the department from 1950 through 1954 and helped develop the graduate program in economics. In 1949 he was the co-author of a study entitled Greek Monetary Developments 1938-1948, still recognized as an important contribution to professional literature on the effects of ending inflation. During World War II Cleveland was an economist with the National Resources Planning Board and the War Production Board in Washington, DC.

Williams, Walker use laboratory

(Continued from previous page)
Alumni trends

BEFORE 1970

Said Youssif Amin, MA’67, is deputy president, Presidency of Civil Aviation and director, International Airports Project in the Kingdom of Saudi Arabia.

Virapong Boonkittichardnen, PhD’68, is chief of foreign trade for the Commerce Department in Bangkok, Thailand.

Stephen C. Crawley, BA’66, is branch manager for human resource information for McDonnell Douglas Corporation in St. Louis.

Sherman F. Dallas, BA’55, is on the faculty of the University of Texas at Austin. He is director of the Economics Department there.

Peter Fortune, BA’67, professor of economics at Tufts University, writes that he is director of the economics graduate program there.

Edwin D. Gillie, Jr., BA’65, is president of Dunhill Personnel in Fort Wayne, IN.

Donald S. Holm, PhD’52, is treasurer and vice-president of the University of Missouri at Columbia.

James L. Jordan, BA’67, MBA’69, is a partner in the accounting firm of Roy J. Pile and Co. in Indianapolis.

Peter I. Leonard, BA’58, is assistant field manager for the US General Services Administration in Raleigh, NC.

Preston Martin, PhD’52, formerly vice chairman of the Federal Reserve Board, is chief executive officer for H. F. Holdings Savings and Loan Bank in Hawaii.

Marjorie J. Stanley, PhD’53, is professor and chair of finance at Texas Christian University in Fort Worth.

1970-1980

Stephen L. Able, PhD’79, is manager of the Demand and Analysis Staff at Indiana Bell in Indianapolis, but has saved enough time to teach an evening introductory microeconomics course for the Economics Department in Bloomington during the first semester, 1986.

Mushtaq Ahmad, PhD’72, is an economic analyst in the finance division of the Government of Pakistan in Islamabad.

Professor Jeremy Atack, PhD’76, on the faculty of the University of Illinois economics department, has been awarded a National Science Foundation grant to gather data on American industrialization. The two-and-a-half-year grant was made jointly to Atack and to J. Fred Bateman of the IU Business School.

Maurice Girgis, PhD’70, is a member of the economics faculty at Ball State University in Muncie, IN.

Katherine A. Goeddel, BA’77, MBA’80, is a systems analyst for Tektronix, Inc. in Wilsonville, OR.

Robert E. Keleher, PhD’76, was a senior economist with the President’s Council of Economic Advisers in 1985-86. On September 1 he became special assistant to governors Martha Seegar and Manual Johnson of the Board of Governors, Federal Reserve System, in Washington, DC. Keleher is on leave from his position with the Federal Reserve Bank of Atlanta.

Paula Sue Leman, BA’75, is an account executive with Dean Witter Reynolds in Southfield, MI.

David H. Mersereau, BA’76, has formed his own law firm in Anchorage, AK. The Trend Line editor enjoyed a brief visit with David this summer in his law office, located in a restored historic house in Anchorage.

(Continued on next page)
Alumni trends

Stanley P. Stephenson, Jr., PhD'73, is associate professor of management in the University of Hartford Barney School of Business in West Hartford, CT.

1981-1986

Hans I. Boerner, BA'85, is serving in the Peace Corps and is stationed in Cameroon (Africa).

Timothy N. Cason, BA'86, entered the PhD program in economics at the University of California-Berkeley this fall. He received an assistantship from the department of economics.

Richard Clements, BA'86, entered IU's School of Business this fall to begin study for an MBA.

Josh J. Coughlin, BA'85, is a marketing representative for IBM in Indianapolis.

Mark W. DuBois, BA'86, has been hired as a management trainee by the First National Bank in Cincinnati, OH.

Marcus D. Dunlop, BA'83, is working in the investigation unit for the Attorney General of Ohio, and is also finishing his law degree.

Carolyn A. Edelson, BA'86, is a sales representative with Xerox Corporation in Indianapolis.

Thomas C. Froehle, BA'85, is a student at the University of Michigan School of Law.

Deborah J. Heger, BA'86, entered the IU-Bloomington School of Law this fall.

Daniel M. Kiley, BA'84, is sales coordinator for Mayflower Corporation in Indianapolis.

Kendrick J. Middleton, BA'84, began work last spring as an assistant manager for American Fletcher Financial Services in Indianapolis. Ken had been working for a pharmaceutical company in Chicago before moving to Indianapolis.

Jennifer Young Pioch, BA'81, is a credit analyst with Pittsburgh National Bank.

Ross M. Richardson, BA'83, visited the Economics Department last summer. He is a member of the technical staff for Bell Laboratories in Holmdel, NJ.

Randall S. Strause, BA'85, is in his second year at Vanderbilt School of Law.

Janice Chabes Whittington, BA'86, began work in August as the managing bookkeeper for Quality Coatings, Inc., Evansville.

Undergraduate award winners at the department's spring pizza party included, left to right: Scott A. Anderson, winner of the Carroll Christenson Prize for best major with broad interests; Richard Clements and Timothy N. Cason, co-winners of the James Moffat Prize for best senior in economics. Clements was also the co-winner of the Stadelmann Scholarship in economics, and Cason also won the prize for the best honors thesis.

We need your input!

The IU Department of Economics and the IU Alumni Association are always interested to learn about the personal activities, professional advancements, awards, and publications of our graduates. Please complete this form and return to Alumni Records, M-17 Memorial Union, Indiana University, Bloomington, Indiana 47405. PLEASE USE THIS FORM FOR CHANGE OF ADDRESS.

Name ___________________________ Degree/date ___________________________

Address ___________________________ City ___________________________ State ___________ Zip ___________

Present position/employer ___________________________

Professional and personal news ___________________________

THE TREND LINE

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