

CRUSHED EXPECTATIONS

Domestic Violence Rises 10 Percent After NFL Upsets

CHAIR'S CORNER

Welcome to *Economics in Action*.



ALUMNI SPOTLIGHT

Victor Ng, Ph.D. '89
Economists Shape Alum's Interests and Career

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Introducing the First Holders of the Sir Clive Granger Endowed Chair in Econometrics

The chair will be co-held by assistant professors Andres Santos and Brendan Beare.

The Economics Leadership Council and the Department Launch the Rising Leaders Internship Program

New program expands alumni network and opportunities for undergraduates.

Early Childhood Health and Academic Achievement

Is there a relationship between birth weight and educational success?

Conference Honoring Hal White on His 60th Birthday

The Department of Economics and Colleagues honored Hal on May 6-7, 2011.

Faculty in the News

[Math Assessments Give San Diego Students Testing Boost](#)

[Economists Predict Slight Improvement One Year From Today](#)

Department Awards

This year's awards honor graduate students, undergrads and faculty.



Graduate Student Recipients »

Samuel Bazzi, Kelly Paulson, Andrew Chamberlain, Matthew Goldman, Charles Lin, Matthew Niedzwiecki, Lawrence Schmidt, Fan (Dora) Xia, Aislinn Bohren, Kristy Buzard, Soojin Jo and Antung Liu

Undergraduate Student Recipients »

Hio Kuan Yung, Nicholas Burk, Kevin Staight and Allison Rudd

Faculty Recipients »

Maria Candido, Melissa Famulari, Laura Gee, Troy Kravitz, James Hamilton, Giacomo Rondina, S. Nageeb Ali, Yixiao Sun and Julie Cullen

Jobs Bill Should Pass, Says Tax Expert Gordon
Union Tribune feature on Hal White
Does Stimulus Spending Work?
US Study on Iraq, Afghanistan Say Focus on Small Projects to Win Hearts, Minds
Women Hit Hard by Budget Cuts
Hamilton Sees Faster U.S. Growth as Recession Odds Rise (video)
Fed May Weigh More Stimulus on Flagging Recovery Signs
How Much Did Politics Play Into The Debt Deal?
Public Still Remains Skeptical of QE2 Effectiveness
Will an NFL Lockout Really Start a Crime Wave?
Double Standard for Fuel Efficiency is Literally Killing Americans
Private Sector Recovering at Expense of Public Sector
High-Stress Motherhood: Souped-up schedules, helicopter parenting and a lack of social support combine to create a new level of pressure. And then there's the day care issue.

Feb 9 **UCSD Alumni Inspiring Minds – Lighting up the Dark: Galaxies, Dark Matter and Dark Energy (Silicon Valley)**

Feb 22 **Economics Roundtable: Marc Doss, Senior Director of Investments, Wells Fargo Wealth Management**

Feb 25-26 **Southwest Economic Theory Conference**

March 21 **UCSD Alumni Inspiring Minds – The Use of Deep-Sea Landers to Explore the Biology of the Deepest Spots on Earth (Bay Area)**

April 12 **Economics Roundtable: Darrell Duffie, Dean Witter Distinguished Professor of Finance, Stanford University**

May 31 **UCSD Alumni Weekend (May 31–June 3)**

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Economics

IN ACTION

FACULTY SPOTLIGHT

Ted Groves

Teacher and Advisor

By Ben Gilbert, Ph.D. '11

Few people leave as illustrious a legacy to their field and their department when they retire as Ted Groves. It is as difficult to summarize his many contributions as it is easy to celebrate them. As a grateful beneficiary of Ted's outstanding scholarship and warm friendship, I am honored to highlight the important impact he has had on the field of economics, on the UC San Diego community, and on me as an economist. I hope you will join me in wishing him a happy and adventurous retirement, and in thanking him for all he has done for the profession, the university, the department and all the students and young faculty he has helped to develop over the years.

An All-Around Good Guy

No description of Ted's accomplishments would be complete if not seen through the context of his personality. Ted is the nicest, most caring person you could ever hope to meet. He is frequently seen in a Hawaiian shirt and fedora, shouting hello from the third floor of the economics building to a student 150 feet away. He is enthusiastic about life, family, travel, scuba diving, wildlife conservation and the happiness and success of his students. He's an all-around good guy, which makes his accomplishments that much more enjoyable to celebrate.



Contributions to the Field of Economics

Ted has truly been a powerhouse in our profession. His contributions are profound. As a pioneer in mechanism design theory, he helped develop entirely new ways of thinking about resource allocation, public goods and private information. An elected Fellow of both the Econometric Society and the American Academy of Arts and Sciences, his work has given rise to an entire class of allocation mechanisms that bear his name and that help solve the problems of hidden information, free-ridership and inefficiency. Ted has applied these discoveries to a broad set of important problems ranging from survey methods for valuing environmental goods in the absence of markets to bandwidth allocation in video multiplexing. Even in retirement, Ted demonstrates his passion for solving real problems and improving institutions as he continues to take on projects designing fishing rights allocation schemes and to serve as director of [UC San Diego's Center for Environmental Economics \(CEE\)](#), which he created.

Contributions to the Department of Economics

Ted has had an enduring influence on the composition and culture of the UC San Diego Department of Economics. As department chair, Ted helped build UC San Diego's strength in applied microeconomics. More recently he has been a major force in developing the campus' reputation as a place for strong environmental economics research and graduate training and has co-authored the most cited paper in the environmental economics field. Ted's friendliness and enthusiasm for teaching and advising help set the tone in a department that prides itself on both academic rigor and collegiality.

A Tough, Insightful and Kind Critic of Students

As a teacher and as an advisor, Ted is known for pushing his students. He has a talent for provoking fruitful class discussions even in classes of more than 100 students. Many undergraduates see Ted as a hard professor, but the other professors in the department almost immediately know when students have taken classes with Ted: They are better prepared and work harder.

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As a Ph.D. advisor, Ted is like a blacksmith: He hammers away on your blunt edges until you get sharper. He doesn't accept slack effort, simple extensions of the literature, reusing fashionable but flawed models, or reduced-form empirics without clear hypotheses motivated by good theory. He doesn't care if a particular research strand is in vogue and likely to land a publication but does not have impact over time; he cares about meaningful results.

Graduate students know that Ted can be the toughest, most insightful critic of their papers. He has pushed students to ask deeper questions that solve relevant problems and to reason from first principles, then challenged their answers with hard questions about the assumptions, methods, conclusions and interpretations. He has been known to argue vehemently from one point of view one week, and then argue the opposite point of view of the same research question with equal vehemence the following week. This approach has not only prepared students for the harshest criticism they will face in seminars, but helped them develop stronger ideas from the start. At the end you feel that you're a better, more developed version of yourself rather than a clone of your advisor.

Although he's rigorous with research, Ted is kind and supportive. Perhaps the most striking aspect of his advising style has been his generosity of time and intellectual resources. Virtually all of the environmental economics graduate students in recent years have spent considerable time with Ted, either their advisor or committee member, and found that his Socratic questioning style made them stronger in both development and presentation of research. Ted's impact on graduate students will continue through his ongoing presence on campus and leadership in the Center for Environmental Economics.

Finance, Stanford University

May
31 UCSD Alumni Weekend
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Economics

IN ACTION

Ted Groves

Impact on Economics

By Richard Carson, Ph.D.

The occasion of Professor Ted Groves' retirement marks the end of a second era for the Department of Economics. Groves came to the department after holding positions at the University of Wisconsin, Madison and Northwestern University. At the time, hiring Groves – then seen as a rapidly rising star – helped signal the intent of the fledgling UC San Diego department to become one of the country's top economics departments.



Pioneering Work in Microeconomic Theory

Groves is now viewed as one of the preeminent microeconomic theorists of his generation. He did pioneering work on how to effectively organize teams of people in organizations and on approaches to getting people to reveal their private information about public goods. His work fundamentally changed how researchers thought about the structure of economic incentives. Less well known is that Groves' work is the foundation of how Google and others sell online advertising. So much for the oft heard complaint that economic theorists only look at esoteric problems that have no real world relevancy!

In the mid-1990s, Groves participated in a major research project with [UC San Diego's School of International Relations and Pacific Studies](#) to look at the evolving incentive structure of Chinese state-owned enterprises as they grappled with the

transition from direct state control to managerial control. The findings played a key role in understanding how managers were picked, the incentive structure they faced, the degree of control they had over production, and the role that hiring and firing of workers played in boosting output and making profits.

Center for Environmental Economics

Groves later turned his attention to environmental policy issues. His interests were broad. He started with how to design programs to reduce the likelihood of oil spills, and his latest paper looks at how nongovernmental organizations can structure successful ongoing agreements with local communities to preserve key habitats. Along the way he worked on how to place monetary values on environmental amenities, fishing agreements, water conservation and protecting sea turtles. He established the [Center for Environmental Economics](#) at UC San Diego and has been tireless in working with both undergraduates and graduate students. His commitment to this project has not ended: Groves has retired from teaching only and remains charge of the center's regular activities, actively participating in several research endeavors.

Ensuring the Strength of the Department of Economics

Groves has made two other major contributions to the department that could not have been foreseen when he was hired. First, soon after becoming department chair, Groves put the department on firm administrative footing by hiring Paulette Gregg, its first professional manager. This led to the hiring of top-notch staff over the years and a reputation of being consistently one of the best-run departments on campus. Perhaps Groves' administrative talent was related to the notion of incentives in teams that he had studied abstractly. It was reprised on several other occasions when he served as chair of the Academic Senate, associate dean of Social Sciences and associate vice chancellor for Academic Affairs. Stories abound of Groves saving UC San Diego from one disaster or another, including converting the

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Faculty Club from having waiters in black tuxedos serving mostly empty tables to the current buffet style that continues to pack in diners.

Groves' second major accomplishment as department chair was to successfully start a high-quality applied economics group at UC San Diego. It is difficult to hire junior faculty in areas where there are no senior faculty members to serve as mentors. Groves recognized that the department needed to hire people who were self-starters and who already had a network of contacts. He knew it would help if they were somewhat unconventional. I was one of those new junior faculty hires and still remember Groves' words as I was considering taking a position at a more highly ranked department: "You can come here and get tenure doing anything you want as long as you are really good at it and the profession takes note what you are doing." It is a stance that the department has maintained to this day, creating an atmosphere that is largely free of the doctrinal infighting that typifies many places and continuing to attract the best new faculty to work here.

Finance, Stanford University

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 UC San Diego

Economics

IN ACTION

Department Awards

Each year the Department of Economics honors students and faculty with awards for scholarship and teaching. Please join us in congratulating the 2010–11 winners.

Graduate Students

Walter Heller Memorial Prize (Best Third-Year Paper)

The Walter Heller Memorial Prize is given annually in memory of [Professor Walter Perrin Heller](#) (1942–2001) and provides formal recognition to our graduate students who have shown the most promise for their future careers in research. Professor Heller was a leading 20th-century economic theorist and an early member of the UC San Diego faculty who joined the department in 1974 and remained active until his death in 2001.



Samuel Bazzi

“Credit Constraints and Investment in International Contract Migration: Theory and Evidence from Indonesia”



**Honorable Mention:
Kelly Paulson**

“Using Conditional Exogeneity to Identify the Dynamic Binary Choice Model”

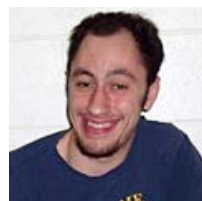
Teaching Assistance Excellence

Annually the department recognizes graduate students who demonstrate great efforts in their teaching, which is emphasized by glowing teaching evaluations from undergraduates, graduate peers and their faculty supervisors. Nominations are solicited from the faculty and awards are made by the graduate committee. Each of these recipients for the 2010–11 academic year showed clear commitment to the teaching mission of UC San Diego.



Andrew Chamberlain

Undergraduate teaching



Matthew Goldman

Undergraduate teaching



Charles Lin

Undergraduate teaching



Matthew Niedzwiecki

Undergraduate teaching



Lawrence Schmidt

Undergraduate and graduate-core teaching



Fan “Dora” Xia

Undergraduate teaching

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Clive Granger Research Fellowship

Six fellowships, named after Nobel Prize-winner Sir Clive Granger, are awarded each year for the most promising graduate student research.

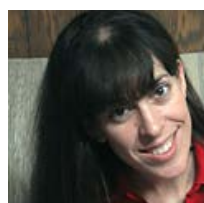
Each fellow received a small stipend, which allowed for more rapid dissertation progress by minimizing work obligations for a quarter. Nominations are made by the faculty running the thesis workshops (in consultation with their colleagues), and awards are made by the graduate committee.



Samuel Bazzi



J. Aislinn Bohren



Kristy Buzard



Soojin Jo



Antung "Anthony" Liu



Matthew Niedzwiecki

Undergraduate Students

The Department of Economics grants three annual awards to the top graduating senior from each of our three undergraduate majors: economics, management science and joint mathematics-economics. Recipients are chosen by faculty vote from a pool of top students in the graduating class of each major. The award is mentioned at their college commencement ceremonies, and awardees receive a total cash award of \$500 from the department and UCSD Alumni. The award winners for 2011 were as follows:

Seymour Harris Award for Excellence in Economics

Recipient: Hio Kuan Yung

After graduation, Hio returned to her hometown of Hong Kong, where she is developing her career. She works in the field of research and analysis, specializing in global mobility and cost of living. Hio had this to say about the award: "I appreciated UCSD for presenting me the Seymour Harris Award; more importantly, I would like to take this opportunity to thank my mother and my boyfriend, Kelvin. They provided me with the greatest support and love. In the future, I hope to travel round the world to keep learning and broadening my horizons even though I left the university."

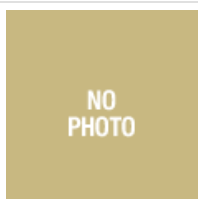


This award commemorates Seymour E. Harris, a prominent government advisor from the 1940s to the 1960s. He was a noted member of the Harvard Economics faculty and the founding chair of UC San Diego's Department of Economics.

Joel Dean Award for Excellence in Management Science

Recipients: Nicholas Burk and Kevin Staight

Kevin is currently pursuing an M.B.A. at the New York University Stern School of Business, specializing in global



business and leadership, and chance management. Upon graduation, he hopes to work in the field of international management consulting, focusing on the Middle East and North African region. Nicholas Burk could not be reached for comment.

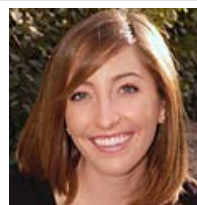
Nicholas Burk

Kevin Staight

This award commemorates Joel Dean, a prominent management scientist who was also a noted faculty member of the business school at Columbia University. He was a visiting professor at UC San Diego's Department of Economics throughout the 1970s and was one of the pioneers of our management science major.

Award for Excellence in Joint Mathematics-Economics

Recipient: Allison Rudd



Allison is currently working as an economic consultant at Bates White, LLC. She chose consulting for the opportunity to work at the intersection of economics, business and law. Using her analytical skills to answer questions and solve problems in new and different fields has been exciting. In her spare time, Allison is involved in community service at her church and trained for the San Diego Rock 'n' Roll Marathon.

This award was established in 2008 and is granted to our most outstanding joint mathematics-economics student.

For more information on these annual awards, email economics@ucsd.edu.

Faculty

Graduate Faculty Teaching Awards

In recognition of faculty and graduate students who demonstrate great effort in teaching, the department awards annual prizes for the best undergraduate teaching in six categories. The recipients are selected by a committee comprising the department chair and past awardees.



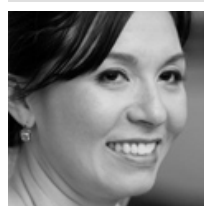
Maria Candido, Ph.D.

Undergraduate teaching
Lecturer



Melissa Famulari, Ph.D.

Undergraduate teaching
Faculty



Laura Gee

Undergraduate teaching
Associate-In



Troy Kravitz

Undergraduate teaching
Summer instructor



James Hamilton, Ph.D.

Graduate core-course
teaching



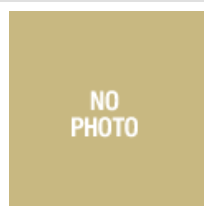
Giacomo Rondina, Ph.D.

Graduate core-course
teaching



S. Nageeb Ali, Ph.D.

Graduate elective-course
teaching



Yixiao Sun, Ph.D.

Graduate elective-course
teaching

Julie Berry Cullen, Ph.D.



Graduate elective-course
teaching
Honorable Mention

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IN ACTION

Introducing the First Holders of the Sir Clive Granger Endowed Chair in Econometrics

By the Department of Economics

The Department of Economics is proud to introduce the first holders of the **Sir Clive W. J. Granger Endowed Chair in Econometrics**. The endowed chair was made possible by a generous group of donors in honor of the life of UC San Diego Professor Emeritus Clive W. J. Granger. The chair will be co-held by UC San Diego Department of Economics assistant professors Andres Santos and Brendan Beare.



Andres Santos, Ph.D.

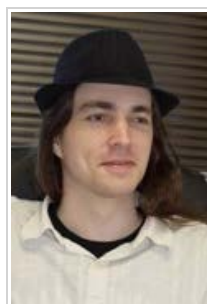
Reflecting back on the day he received the news, Santos recalled, "When Hal White told us about the chair, Brendan and I stared at him in disbelief! It is just an incredible honor, and we are both extremely grateful for the generosity of the donors and their support of junior faculty." In recent work, Santos has examined the implications of deteriorating data quality for conclusions about changes in the U.S. wage distribution. Due to the recent high nonresponse rates to income questions in the U.S. Census, it has become increasingly difficult to measure changes over time. Santos has helped develop econometric tools for dealing with these kinds of data problems. When asked about the impact of establishing the chair, Santos commented: "I think the Granger Chair will be a fantastic asset in recruiting assistant professors in econometrics. Not

only will it help make offers extremely attractive, but I believe it also sends a strong signal that UCSD is incredibly supportive of junior faculty."

Brendan Beare, Ph.D.

Beare also responded to the news with admiration: "The Granger Chair name carries a great deal of prestige. Professor Granger was undoubtedly one of the most widely respected and admired figures in the history of the econometrics discipline." Beare's recent research focuses on anomalies in the prices of options written on market indices such as the S&P 500. In joint work with Larry Schmidt, an economics graduate student at UC San Diego, Beare has developed a new statistical procedure for identifying anomalies in option prices. Empirical results suggest that such anomalies exist and cannot be easily attributed to statistical noise. This has implications both for strategies that individual investors might follow as well as for understanding how financial markets function.

As the first of what will be a long line of researchers, Beare noted: "I would like to extend my heartfelt thanks to all the donors to the chair. It is a huge honor for me to be the inaugural co-holder. Professor Granger's contributions to time series econometrics were inspirational to me when I first encountered them as an undergraduate student, and certainly one of the main reasons I chose to pursue further study in this area. So, this is a really wonderful honor for me, and very humbling." From a personal point of view, Beare looked forward to the future: "The funds from the Granger Chair will certainly help with my work. They come at a good time, as I appear to have just exhausted the research funds made available to me when I started my position at UCSD. Those funds were used to purchase financial data on options markets, hire a research assistant for one summer, travel to conferences and obtain summer income support. The Granger Chair funds will allow me to continue investing in similar ways."



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The Sir Clive W. J. Granger Endowed Chair in Econometrics



The Granger Chair endowment fund will yield an estimated \$20,500 annually to sponsor econometric research. Patricia Granger had the following message about Beare and Santos: “Clive would be so pleased to have this chair filled by promising academics like Brendan and Andres. Clive found the environment at UC San Diego to be ideal for academic exploration and discovery. He truly believed that investing in young, brilliant professors would foster more discoveries. The growth of these professors would be the bedrock for UC San Diego’s strength as an economics force moving forward. I am deeply grateful for all of the wonderful people who contributed to this chair in Clive’s honor.”

Department Chair Valerie Ramey is especially appreciative of those who contributed to establish this chair ensuring UC San Diego’s prominence in econometrics. She explains how the generosity of our

donors “allows us to maintain the tradition of world-class econometrics at UCSD by supporting our most talented junior econometrics faculty. Clive was a wonderful mentor to his junior colleagues throughout his career and this chair is part of his legacy.”

A very special thank you to each of our donors:

John and Kim Iorillo, Ken and Jennifer Kroner, W. P. Carey Foundation, Samuel and Leslie Armstrong, Richard and Jessica Attiyeh, Julian Betts and Carolyn Lee, Richard and Julia Carson, Susan Charette, Xiahong Chen, Siu Cheung and Clara Chu, Vincent and Zoe Crawford, Zhuangxin Ding and Lei Shen, Alvaro Escribano and Isabel Sanchez, Carroll and Helen Foster, Devajyoti Ghose, Michelle Glenn, Tae-Hwy Lee and Tammie Park, Craig and Stephanie Leupold, Robert and Alison Leupold, Jin Lin, Norman and Darlene Morin, Loan Nguyen, Marianne Ramer, Russell and Marilyn Robbins, David and Takako Selover, Joel Sobel, Ross and Susan Starr, Norman Swanson, Joel Watson and Carina York, Alice Marie Young and Inigo Zapater

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The Economics Leadership Council and the Department Launch the Rising Leaders Internship Program

By the Department of Economics

The environment for the most sought-after business internships is highly competitive. To better prepare our undergraduates for the rigors of the internship selection process, the **Economics Leadership Council** (ELC) partnered with the Department of Economics to create the Rising Leaders Internship Program. Launched in summer 2011, the program aims to connect our top undergraduates with quality internships in private industry. After a rigorous selection process, the four undergraduates chosen for the inaugural class have begun working closely with ELC council members to prepare for the competitive selection process for prestigious internships. The students' preparation includes personalized resume development, professional mentoring sessions with ELC council members and in-person mock interviews.

The Internships

Alumni and other ELC members have compiled a bank of internship opportunities for summer 2012 with global banks, hedge funds, private equity firms, consulting firms and corporations. Each of the selected students will be assisted in getting a placement in his or her area of interest. Selected candidates will receive letters of endorsement from the ELC, access to a bank of prequalified internship opportunities at prestigious firms and assistance in applying. In some instances, selected students may receive professional mentoring from alumni. Internships will be offered by companies throughout the U.S., with a high concentration in San Diego and New York. Some of these internships also serve as a recruitment process for permanent staff positions that start in summer 2013.

The Program

Rising Leaders was created with the hope of expanding our alumni network. Alumni have repeatedly requested assistance in expanding our network so that markets outside the San Diego region are more aware of the academic rigor that graduates from our department have faced as well as how our alumni can be great assets to the professional business market. Students were selected for the Rising Leaders Internship based upon their academic merit, professional work experience, faculty recommendations and a statement of career objectives they believe the ELC could help them achieve. We are lucky to have found such a strong group of candidates.

How Alumni Can Participate

We hope to expand the Rising Leaders Internship Program next year to include a few more students. If you work for a company that offers a rewarding internship program for undergraduate students and would like to get involved with the program, please contact the Department of Economics Undergraduate Student Affairs Office at econugadvisor@ucsd.edu for more information. If you would like to learn more about the ELC and are interesting in getting involved, contact Doug Kurtz at dpkurtz@ucsd.edu.

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Economics

IN ACTION

Early Childhood Health and Academic Achievement

By Prashant Bharadwaj, Ph.D.

In one of the more celebrated stories in Indian mythology, a warrior learns the secrets of his enemy's defense while still in his mother's womb. This ancient story references what is still a significant debate today: Does the fetal environment play an important role in determining later life outcomes? Recent economic research has empirically established far-reaching implications of in utero health. Some of my work focuses on the determinants and consequences of early childhood health – in particular, the relationship between infant health at birth and educational achievement in school.

Role of Birth Weight in Educational Outcomes

One of the most common metrics used to measure an infant's health is birth weight. Many policies in developed and developing countries are designed to increase birth weight and reduce the incidence of low birth weight (birth weight less than 2,500 grams). Apart from the short-term health benefits that might accrue from having higher birth weight, these policies must consider the long-term benefits of increasing birth weight.

An important relationship in this context is the role of birth weight in educational outcomes. A barrier to understanding this relationship is the idea that mothers who have high-birth-weight infants might be different parents, in ways that could also affect success in school. For example, mothers with higher incomes might have higher-birth-weight infants. They might also be able to afford a tutor for their children. Thus, the relationship between birth weight and school outcomes might be income driven rather than explained by birth weight alone.

To get around these types of issues, I examine a large dataset of twins from Chile that contains information on birth weight and academic achievement in school. Since twins have access to identical resources (mother's income, for example, is the same for any given twin pair), the variation in birth weight within twins is used to examine the *causal* impact of birth weight on achievement. I find that birth weight plays an important role in determining test outcomes in school. Being born with low birth weight reduces test scores by nearly 0.10 standard deviations. This is an important consideration for policies in the developing world: According to UNICEF, nearly 25 percent of births in South Asia are low birth weight.

Reversibility of Early Childhood Health Deficiencies

While establishing the relationship between birth weight and educational outcomes is an important research task in itself, a deeper issue in this literature is the question of reversibility of early childhood health deficiencies. I attempt to answer two questions in this area. First, is it possible to make up for the loss in test scores via parental investments? Second, does providing extra medical attention to infants with lower birth weight help them perform better in school?

Role of Parental Investments

To get at the role of parental investments, I first estimate the impact of birth weight in each grade, starting in grade one and measuring through grade six. The results from the twins data suggest that the relationship between birth weight and academic achievement in each grade is approximately the same every year. However, when I examine data on siblings (not twins, but sharing the same mother), I find that effect of birth weight greatly diminishes by grade six. This suggests a convergence, or some sort of "catch up" in the effect of birth weight on test scores. To suggest a potential mechanism for this catch up, I examine detailed data on parental investments and find that parents devote more time and resources to their child with lower birth weight. Parents seem to act in ways that might *compensate* for low birth weight. Among twins, however, it is difficult to differentially invest: Reading to one twin benefits the other.

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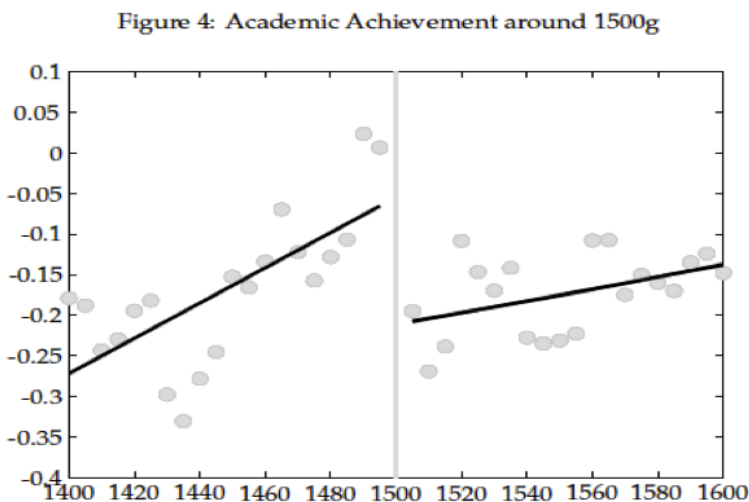
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Thus, among twins, there does not appear to be any catch up. This is suggestive evidence that differential parental investments can reduce the effect of low birth weight on test scores.

Role of Medical Interventions

In considering whether medical interventions can mitigate the impact of low birth weight on test scores, I examine medical recommendations for newborn care in Chile. In Chile, as is the case in the U.S., newborns under 1,500 grams (the threshold for “very low birth weight”) are subjected to a wide range of medical interventions ranging from incubator use to the use of surfactant (a protein that helps lung development). Perhaps due to various constraints from the public health-insurance system, these recommendations are often used as *rules* for assigning care. Thus, children just above 1,500 grams – while essentially similar to those just below 1,500 grams – are not given extra care. As a result, I find that children born just below 1,500 grams in birth weight perform much better in school compared to children born just above 1,500 grams. A simple graph showing standardized test scores on the Y-axis and birth weight on the X-axis drives home the point:



Going back to the story that started it all, it just so happens that while our brave warrior knew how to penetrate the enemy’s defenses, he ultimately meets his death because he did not (in utero) overhear the part on how to escape. Thus, while fetal environment is crucial for later life success, post-birth parental and medical investments play a very important role. However, there is much work to be done to understand the mechanisms and pathways that drive these overall results.

You can find papers that this piece draws from [on my website](#).

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Conference Honoring Hal White on His 60th Birthday

By *Graham Elliott, Ph.D.*



UC San Diego hosted a conference May 6-7, 2011, to honor Chancellor's Associates Distinguished Professor of Economics Halbert L. White Jr. on the occasion of his 60th birthday. The conference focused on Hal White's lifelong achievements and accomplishments in the field of econometrics. Former students Norm Swanson, Shinichi Sakata and Valentina Corradi were the primary organizers, and many of Hal's former graduate students from around the world participated in the program committee, including his first graduate student, Charley Bates, and Hal's former graduate student and the second female ever to be tenured in the Yale University economics department, Xiaohong Chen.

Hal has had a remarkable career in econometrics. More remarkably, he started out not as an econometrician but as a labor economist (at the University of Rochester) after graduate studies at Massachusetts Institute of Technology. Discouraged by the empirical methods available to him – especially assumptions of correct specification of models and homogeneity of agents – Hal became interested in tools to avoid these assumptions. The result is a long line of articles and books that have led to a great understanding of when these assumptions cause problems and what to do instead. A recent study found his 1980 publication “A Heteroskedasticity-Consistent Covariance Matrix Estimator and a Direct Test for Heteroskedasticity” in *Econometrica* to be the most highly cited paper in all of economics since 1970. Hal has published more than 120 articles, not only in economics but also in machine learning, law and medicine. In addition he has written three books and edited many more. Hal is a Fellow of the Econometric Society (1983) and the American Academy of Arts and Sciences (1999).

The program featured more than 20 papers presented by Hal's former students, co-authors and colleagues. The majority of the papers were inspired by Hal's work over the years. Speakers came from Asia and Europe as well as various locations around the U.S. There will be two sets of published materials from the conference: a Festschrift published by Springer Verlag and a special issue of the

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Journal of Econometrics, both edited by Norm Swanson and Xiaohong Chen.

After the program, participants were entertained at dinner with a performance by Hal's jazz big band with Hal on trumpet. Afterward, speakers included Jerry Hausman (MIT, Hal's thesis advisor), UC San Diego research professor and Nobel laureate Rob Engle, and Sir David Hendry. It was left, however, to Hal's mother-in-law to bring the crowd to its feet with her appreciation of Hal.

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 UC San Diego

Economics

IN ACTION

Victor Ng, Ph.D. '89

Economists Shape Alum's Interests and Career

By Lexi Killoren

While studying economics at UC San Diego, Victor Ng, Ph.D. '89, had an unparalleled opportunity to work with two world-renowned professors: Michael Rothschild and Nobel laureate Robert Engle.



Rothschild introduced Ng, who was initially interested in financial economics, to Engle and suggested that Ng use his academic prowess to "translate between Rob's expertise and my economic and financial theory." And that is exactly what Ng did. Ng worked closely with the two professors, who ultimately co-chaired his dissertation committee.

Engle attributes Ng to contributing to the growing literature of the ARCH (Autoregressive Conditional Heteroskedasticity) model that Engle designed, which helped him earn the Nobel Prize. Gradually, this area of analysis became an important component of what is now known as financial econometrics.

Public and Private Sectors

Now managing director, global head of corporate risk and chief risk architect of market risk management and analysis at Goldman Sachs, Ng

never planned for a career in the private sector. He began his career as a finance professor at the University of Michigan at Ann Arbor. While on leave from Michigan as an economist at the International Monetary Fund, Ng received a call from Robert Litzenger, then-director of the derivative research group at Goldman Sachs. Litzenger asked if he would be interested in a position in Goldman Sachs' fixed income research department because of his strong econometrics background. Litzenger's recruitment effort was successful and Ng joined Goldman Sachs in 1995.

At the time Ng joined Goldman Sachs, his department was very much like an academic circle, comprising ex-professors or professors on leave from some of the top universities in the nation such as Stanford, MIT, and the University of Chicago. "If we were a university department of finance, I think we would have been one of the top in the nation," Ng said.

After spending a few years at the research department designing trading strategies, Ng was tapped to run the modeling efforts of the market risk department and eventually its corporate risk group. Ng and his staffers assess the capital needs of the firm, attribute capital to business units, and develop risk and capital methodologies that cover everything that Goldman Sachs trades in their business areas.

Advice to Students

Ng applauds the UC San Diego Department of Economics for its increased focus on preparing students for their professions. "I like what the department is doing – reaching out to alumni and helping students think about their future careers. This is very important," Ng said.

When asked what advice he'd give to students, Ng shared, "Don't be afraid to learn more. In my years at Goldman Sachs, the professionals who advanced were the ones who generated new ideas and brought something extra. You might not be as creative as Steve Jobs, but you can find that special 'thing.'"

Ng also encourages the Department of Economics to make sure the good work from students and professors gets known. "Be sure to emphasize strengths. Organizations need experts and that adds a great deal of value."

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Campus Memories

UC San Diego also had a profound effect on Ng's personal life. While on campus and frequenting the International Center, he met his future wife, Angelie Cheung '89, who is an alumna of the university's Department of Communication.

Ng also fondly recalls the beauty and relaxed atmosphere on campus. The Department of Economics had a courtyard, close to a great view of the ocean. This space promoted interactions between students and faculty, which is not something you see at all universities.

Ng is proud of his alma mater. He believes his academic training is on par with any other graduate from a top economics graduate program: "UCSD was a special experience."

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Economics

IN ACTION

Chair's Corner

Welcome to this edition of *Economics in Action*. This is my first time writing to you, as I recently took over as department chair. Our former chair, Julian Betts, did a great job steering the department through a rather difficult three years of budget cuts. Among the many accomplishments during his tenure were the creation of the [Economics Leadership Council](#) and the retention of all but one of the numerous faculty members who received attractive offers from other universities. We all owe Julian Betts a hearty thank-you for his three years of outstanding service as chair of the department.

Kudos

We congratulate [James Andreoni](#) and [Joel Watson](#), who were just elected [Fellows of the Econometric Society](#). Also, congratulations go to [Karthik Muralidharan](#), who was awarded CESifo's [Distinguished Affiliate Award](#). This prize is for the best Economics of Education paper presented by someone 35 or under at the CESifo Annual Area Conferences. We also congratulate [Julian Betts](#), who was made a [Bren Fellow](#) of the Public Policy Institute of California for 2011-12.

Our faculty members continue to be quoted in the news. Among those cited during the last several months were Julian Betts on math test scores, James Hamilton on oil prices and the federal debt ceiling, Valerie Ramey on government spending multipliers and time use of parents, Roger Gordon on the jobs bill, Julie Cullen on the effects of government budget cuts on education, and Mark Jacobsen on fuel efficiency regulations.

Several awards were announced at this fall's department welcome party. The awards for Best Undergraduate Teaching were given to Melissa Famulari (faculty), Maria Candido (lecturer), Laura Gee (associate instructor) and Troy Kravitz (summer instructor). The awards for Best Graduate Teaching in the Core Courses went to James Hamilton and Giacomo Rondina, and the awards for Best Graduate Teaching in an Elective went to S. Nageeb Ali and Yixiao Sun, with an honorable mention to Julie Cullen. The Teaching Assistance Excellence award was given to Andrew Chamberlain, Matthew Goldman, Charles Lin, Matthew Niedzwiecki, Lawrence Schmidt and Fan (Dora) Xia. In the area of research, the Walter Heller Memorial Prize for Best Third-Year Paper went to Samuel Bazzi, with Kelly Paulson as the runner-up. The Clive Granger Research Fellowship was awarded to Samuel Bazzi, Aislinn Bohren, Kristy Buzard, Soojin Jo, Antung Liu and Matthew Niedzwiecki. We congratulate all of these winners.

Undergraduate Program

Our undergraduate student majors have stabilized at around 2,400. With assistance from our Economics Leadership Council, we have started a new program to help our most promising undergraduates compete for the top internships. To read more about this program, see the article in the newsletter on the [Rising Leaders Internship Program](#).

Graduate Program

This year we had the largest entering class in our history with 30 new doctoral students. One of the students, Florian Blume, is the son of Andreas Blume, an economics professor at the University of Pittsburgh who earned his Ph.D. in our department in 1989. Another entering student, Leland Farmer, is the son of Roger Farmer, who is an economics professor at UCLA. We are delighted to welcome a second generation of economists to our department.

Outreach

Formed only last January, the Economics Leadership Council has already grown to 14 members. This

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group of business leaders (most of whom are alumni) not only makes generous financial donations to the department, but also serve as mentors to our students and advise us on how to form important ties to business and the community in general.

Marjorie Flavin is the new director of the **Economics Roundtable** speaker series. In October, **Carmen Reinhart**, the co-author of the book ***This Time Is Different: Eight Centuries of Financial Folly***, presented at our October Roundtable. She spoke about the ramifications of the recent financial crisis. Marjorie is already putting together a great lineup of speakers for next year. We look forward to talks from Marc Doss in February and Darrell Duffie in April. Keep checking the **Economics Roundtable Web page** for updates on our entire speaker series for 2012.

In times like these, the department is especially appreciative of donations that friends and alumni have made. We have used some of these funds to create endowed chairs, to support our various seminar series, to subsidize several undergraduate organizations (although we would like to be able to do much more here) and to subsidize graduate student summer fellowships. Generous donations have also enabled us to provide assistance for our most promising students in the advanced stages of their thesis, through fellowships named after Clive Granger and supported in part by Patricia Granger. Please contact Doug Kurtz at dpkurtz@ucsd.edu or me at econchair@ucsd.edu if you would like to learn more about **giving back** possibilities.

Sincerely,



Valerie Ramey, Chair

Finance, Stanford University

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IN ACTION

CRUSHED EXPECTATIONS

Domestic Violence Rises 10 Percent After NFL Upsets

By Gordon Dahl, Ph.D.

Violence by men against members of their own families is one of the most common yet perplexing forms of criminal behavior. While there are several explanations for family violence, one of the leading theories is that family violence arises unintentionally when emotional situations escalate out of control. This interpretation suggests an important role for emotional cues in precipitating violence. According to recent theories by economists and psychologists, the strongest emotional cues should come from events that are both unexpected and upsetting.

Football games are emotionally laden events of widespread interest, typically garnering 25 percent or more of a local television viewing audience. Could the disappointment of an unexpected loss raise the risk that football fans react inappropriately and abuse their spouses or partners? In a recent paper co-authored with Professor David Card at UC Berkeley, we set out to answer this question.

We analyze the effects of the emotional cues associated with wins and losses by local professional football teams, using police reports of family violence during the regular season of the National Football League (NFL). We hypothesize the risk of violence was affected by the "gain-loss utility" associated with game outcomes around a rationally expected reference point. In layman's terms, the gain-loss theory says two things: (i) an individual's happiness depends not on actual outcomes, but on outcomes judged relative to expectations, and (ii) unexpected disappointments have a larger impact compared to pleasant surprises.

Gain-Loss Utility: Emotions and Expectations

To illustrate this theory, think about what happens when you get a 3 percent raise when you expected 5 percent. If you're like most people, you're disappointed and in a bad mood after hearing the news. In contrast, now think about what happens when you get a 3 percent raise you were expecting. You probably aren't especially happy or sad, since the raise was completely anticipated. This example demonstrates the first prediction of the gain-loss theory: Your expectation (or "reference point") plays an important role in modulating your emotions. Now take the scenario one step further. What happens when you get a 5 percent raise but only expected 3 percent? The theory predicts your happiness increases due to the unexpected good news, but not by as a large an amount as your happiness decreases when you receive unexpected bad news.

Experiment

It has proven difficult to test this theory of "gain-loss utility" outside of laboratory experiments. Even inside the lab, it is difficult to create emotionally charged expectations and then crush them (or exceed them) to see how violent behavior changes. So, to test the theory of gain-loss utility in the context of domestic violence, we take advantage of what might be called a "natural experiment." We use the emotional cues



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created by unexpected wins and losses of NFL football broadcasts and analyze how police reports of domestic violence change in areas near a local NFL team.

A key feature of our natural experiment is that there is a well-organized betting market that allows us to infer the expected outcome of each game. We use the point spread from these betting markets to construct the reference point for gain-loss utility. We compare the pregame betting odds to the game results of regular-season games between 1995 and 2006 for six NFL teams: the Carolina Panthers, Detroit Lions, New England Patriots, Denver Broncos, Kansas City Chiefs and Tennessee Titans. This information is matched to records collected from 763 jurisdictions in the relevant states from the National Incident-Based Reporting System (NIBRS), a database of local police reports.

Results

We find that police reports of male-on-female intimate partner violence rise 10 percent in areas where the local NFL team lost a game they were favored to win by four or more points (i.e., after an upset loss). This spike is relative to weeks the local NFL team did not have a game, and the result controls for both the pregame point spread and the size of the local television viewing audience. The increase in violence after an upset loss are concentrated in a narrow time frame at the end of the game, as one might expect if the spike in violence is due to a transitory emotional shock. Consistent with reference-point behavior, losses when the game was expected to be close do not have a significant effect on family violence. Upset wins (i.e., victories when the home team was expected to lose) also have no significant impact on the rate of violence, suggesting an important asymmetry in the reaction to unanticipated losses and gains.

Interestingly, the pattern is most pronounced for games that are more emotionally charged. Upset losses to a traditional rival result in a 20 percent increase in police reports compared to an 8 percent increase for upset losses to a nonrival. Violence also increases by a larger amount when the team is still in playoff contention or has a particularly frustrating performance (i.e., a large number of sacks/turnovers or an excessive number of penalties).

A related question is whether individuals update their expectations (i.e., their reference points) slowly or quickly. If people update their expectations quickly, then there is more opportunity for a series of small surprises and less opportunity for large surprises. We find no evidence for reference-point updating based on the halftime score, even though the halftime score is more predictive of the final game outcome than the pregame betting odds. Apparently, in this setting at least, people are slow to update their expectations when presented with new information.

Managing Expectations

Our findings suggest that emotional cues based on the outcomes of professional football games exert a relatively strong effect on the occurrence of family violence. The estimated impact of an upset loss is comparable to the effect of a hot day, or about one-third as large as the jump in violence on a major holiday like the Fourth of July. The magnitude of the cueing effect attributable to an upset loss is especially large, considering that only a fraction of the population are serious football fans.

From a policy perspective, our paper suggests that better awareness and management of expectations could help to reduce violence within families. Managing expectations could also be very useful when it comes time for your next salary raise!

The [complete paper](#) was published in The Quarterly Journal of Economics.