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THE KENNETH C. GRIFFIN DEPARTMENT OF ECONOMICS • Fall-Winter 2018 Newsletter Vol. 4 Issue 2

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MESSAGE FROM THE CHAIR

Robert J. Shimer

Dear Alumni, Students, and Friends,

As the incoming Chair of the Kenneth C. Griffin Department of Economics, I am pleased to write you with an update on the status of the department, on our many new projects and accomplishments, and with thoughts on the opportunities and challenges we face.

To start, I would like to thank John List for his tireless leadership, enthusiasm, and vision during his six year chairmanship. The Department has undergone a significant renewal and transformation. We expanded the breadth of the undergraduate major, introduced a successful master’s program, and made advances in improving the Ph.D. program. Two major program developments are the undergraduate Business Economics track and a new Data Science specialization in our Ph.D. program, which will provide an explicit economic context to advances in data science, including applications to substantive economic problems. Our faculty has grown from 19 to 35 members, rejuvenating our research environment while retaining the rigorous intellectual atmosphere that makes Chicago Economics unique. In the near future, we hope to expand the Department by at least an additional five faculty members.

Through extraordinary support from Kenneth C. Griffin, as announced in October 2017, we are cultivating vital new initiatives like the Economics Research Incubator, which will
provide increased opportunities for interdisciplinary collaboration across the University of Chicago. More broadly, this gift will help us attract and retain the best faculty and most promising students from around the world. It will also help sponsor Economics conferences on campus every year and create ongoing support for research on topics of crucial importance to society, including early childhood health and development, environmental change, and immigration.

I am pleased to report that our faculty, both past and present, received a number of distinctions this year:

- **Casey Mulligan**, currently serving as Chief Economist with the White House Council of Economic Advisers (CEA), received the 2018 Richard A. Musgrave Prize for his work on labor market behavior and health insurance coverage.

- **Azeem Shaikh** was elected a Fellow of the Econometric Society, joining 17 other living members of the Kenneth C. Griffin Department of Economics who were previously elected Fellows.

- **Harald Uhlig** was appointed the inaugural Bruce Allen and Barbara Ritzenthaler Chair in Economics.

- **John List** and **Steve Levitt** were recently cited among the world’s leading scholars in the rapidly expanding field of behavioral economics.

- On this 50th year of the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel, we congratulate Chicago Economics alumnus and former faculty member **Paul M. Romer** (SB’77, PhD’83) on sharing this year’s award for his work on innovation. Paul is the 30th economics scholar from the University of Chicago to receive the Nobel Prize.

Over the past year, the University of Chicago led the nation in both economics National Science Foundation (NSF) Graduate Research Fellowship Awards and National Science Foundation (NSF) Honorable Mentions. Last year’s Ph.D. placement results were excellent: more than half of our graduates entered tenure-track academic positions, and many others chose high-level public or private sector placements. I expect this year’s placement results to match or exceed these metrics. Our Core pass rate made outstanding gains: last year’s first-time PhD pass rate was 95%, with a three-year average of 90%. We have made these dramatic performance improvements as a direct result of our enhanced admissions recruiting process and individually tailored first-year advising.

We still have much hard work ahead of us to reach our goals. As our alumni and colleagues, you know the University of Chicago intimately, and you are the representatives of Chicago Economics to the country and the world. As you well know, the Department’s day-to-day work involves advising and placing undergraduate and graduate students; evaluating and recruiting new scholars; and for faculty, participating in meetings and discussions about changes in the undergraduate and graduate program. And of course, we have our everyday work of seminars, teaching, conferences, and research.

I am writing also to ask for your support of the Chairman’s Fund. The work we do together now is more important than ever, and the fund helps us recruit and retain the world’s best and brightest students and faculty. Your gift helps solidify and extend our commitment to the future of Chicago Economics by expanding faculty resources, providing crucial financial aid to undergraduate and graduate students, and by creating new research access. Your investment in the Kenneth C. Griffin Department of Economics also helps strengthen an institution with which you will be affiliated the rest of your life and ensures we continue to graduate young scholars that can improve the world wherever they go. Please consider making a gift, as every dollar supports our students and faculty. Your generous support helps us move closer toward our ultimate goal - to be the best department in the world.

I sincerely thank you for your interest and generosity, and I look forward to working with you.

Regards,

Robert J. Shimer

Kenneth C. Griffin Department of Economics Chair and the Alvin H. Baum Professor in Economics and the College
"The University of Chicago is a place that supports challenging mainstream opinion and established norms. Since I focus on methodology this is particularly important to me, because it’s a large part of what my work entails.

In practice, the impact of this culture comes through having colleagues who are committed to preserving an environment of open engagement and fierce intellectual honesty."
**Q: What are currently the most important questions and topics you are addressing in your research?**

I am working on a project (with Pietro Tebaldi and Hanbin Yang) about estimating the demand for health insurance plans in California’s Affordable Care Act (the ACA or “ObamaCare”) marketplace. Estimating demand is a fundamental task in economics, and one that is essential for evaluating alternative policies. For example, to assess the impacts of decreasing premium subsidies in the ACA, we need to estimate how consumers will react when their effective premium is increased.

To do so, we need to combine data with assumptions on consumer behavior. The traditional solution to this problem maintains not only assumptions on consumer behavior, but also a technical assumption called the logit restriction. This stipulates how variation in preferences for different health care plans is distributed across consumers.

The logit restriction is widely acknowledged to be unattractive, in part because economic theory has little to say about why otherwise similar individuals have different preferences, yet is widely used due to convenience and lack of practical alternatives.

In our work, we develop a new methodology that enables estimation of demand without the logit restriction. When we apply this methodology to the California ACA, we find evidence that the logit restriction leads to a potentially large understatement of how sensitive consumers are to premiums. The policy implications are important: If consumers are more sensitive to premiums, then decreasing premium subsidies will have a smaller impact on consumer welfare, while having a bigger impact on government expenditure. Our current estimates are that a decrease of $10/month in premium subsidies would lead to yearly consumer surplus losses of between $56 and $70 million while saving between $440 and $768 million in expenditure on premium subsidies. This project is a representative example of my overall research agenda of providing methodological innovations that improve the transparency of empirical work in economics.

Empirical work always rests on a set of maintained assumptions, and whether one finds a set of assumptions attractive or not is largely subjective. However, in order to even evaluate an assumption, one must be able to talk clearly and transparently about what the assumption means.

**Q: What impact has the University of Chicago's scholarly environment had on your research?**

The University of Chicago is a place that supports challenging mainstream opinion and established norms. Since I focus on methodology this is particularly important to me, because it’s a large part of what my work entails. In practice, the impact of this culture comes through having colleagues who are committed to preserving an environment of open engagement and fierce intellectual honesty. Besides making me look forward to going to work everyday, it also means that discussions with my colleagues are productive and useful for generating new research ideas.

Website: [https://a-torgovitsky.github.io/](https://a-torgovitsky.github.io/)
Thibaut Lamadon specializes in labor markets and matching theory. His most recent work examines the effect of productivity shocks on other variables in labor markets. He joined the University of Chicago Department of Economics faculty as an assistant professor after spending the 2014-2015 year as a Becker Friedman Institute Research Fellow to the institute. In 2011, Lamadon was a visiting student at the Cowles Foundation at Yale University. He was also awarded the Outstanding Teaching Assistant Award at the University College London. He went on to earn a masters of science at the Georgia Institute of Technology in 2005. He received his doctorate in economics from the University College London.

A sampling of his recent research in progress includes “Productivity Shocks, Long-Term Contracts and Earnings Dynamics,” which examines how employer and worker specific productivity shocks transmit to wages and employment. Lamadon characterizes the optimal contract in an equilibrium directed-search model and provides conditions for identification. He estimates the model on Swedish matched employer-employee data.

In “A Distributional Framework for Matched Employer Employee Data,” (joint with Stéphane Bonhomme and Elena Manresa), the authors propose a framework to estimate earnings distributions and worker and firm unobserved heterogeneity while allowing for complementarities and rich mobility and wage dynamics. They estimate their model on Swedish data, and find that log-additivity provides a good approximation for earnings. They find strong sorting, small firm effects and evidence of endogenous mobility.

“Discretizing Unobserved Heterogeneity” (joint with Stéphane Bonhomme and Elena Manresa) develops two-step and iterative panel data estimators based on a discretization of unobserved heterogeneity. The authors view discrete estimators as approximations, and study their properties in environments where population heterogeneity is individual-specific and unrestricted. Two applications suggest computational and statistical advantages of the method.

In his working paper “Imperfect Competition and Rent Sharing in the U.S. Labor Market,” (joint with Magne Mogstad and Bradley Setzler), Lamadon uses the universe of tax records from the Internal Revenue Service to evaluate the size of rents captured by worker and firms in the U.S. labor market. Within a structural model where firms have wage-setting power, the authors show that the size of rents is linked to the pass-through of firm shocks to employees’ earnings. Their estimates suggest that workers are willing to pay 17% of their earnings to keep their current job versus moving to their second best.

Website: lamadon.com.
PAUL ROMER SHARES 2018 NOBEL

On the 50th anniversary of the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel, the award was given to William D. Nordhaus and Paul M. Romer for their work on climate change and innovation. Paul Romer [SB’77, PhD’83], quoted from a news conference with the Swedish Academy, “I hope the prize today could help everyone see that humans are capable of amazing accomplishments when we set about trying to do something. If we set about trying to make the policy changes that are required here, we can absolutely make substantial progress towards protecting the environment—and do it without giving up the chance to sustain growth.” Romer received his Ph.D. from our department in 1983. His dissertation was supervised by Robert E. Lucas, Jr., Charles Kahn, and Jose Scheinkman. He served as an Assistant Professor at University of Rochester from 1982-1988, and then joined our department as Professor of Economics for the period of 1988-1990. Recently, Romer served as Chief Economist of the World Bank. He is the 30th economics scholar from the University to receive the Nobel Prize.

OUR 2018 LEE PRIZE WINNERS

The Kenneth C. Griffin Department of Economics announced our recipients of the Lee Prize, awarded for receiving the highest score on the Core exams: Yiran Fan, Macro Core (left); Younghun Shim, Quant Core and Macro Core (center); Myungkou Shin, Price Core (right).

SHAIKH NAMED ECONOMETRIC SOCIETY FELLOW

We congratulate Azeem Shaikh on being named one of the Econometric Society’s 22 new 2018 Fellows. Shaikh’s recent research studies econometric theory, partial identification, multiple testing, resampling methods, and empirical likelihood.

MULLIGAN RECEIVES 2018 RICHARD A. MUSGRAVE PRIZE

Professor Casey Mulligan was named a recipient of this year’s Richard A. Musgrave Prize, for his work with Trevor S. Gallen on “Wedges, Labor Market Behavior, and Health Insurance Coverage under the Affordable Care Act.” The prize was created in 1999 in honor of economist Richard Musgrave (1910-2007) and is presented annually to the author/s of the best article published in the National Tax Journal. Winners are selected by the journal’s Editorial Advisory Board on “the basis of the degree to which their paper exemplifies the attributes of Musgrave’s work — strong analytical underpinnings, rigorous argument buttressed by solid empirical evidence, respect for the importance of historical and institutional factors, and relevance for public policy.”
THE CHICAGO ECONOMICS EXPERIENCE REDESIGNED

The Becker Friedman Institute proudly celebrated the opening of two exciting new exhibits at the Chicago Economics Experience Museum: a retrospective of Nobel Laureate George Stigler’s influential career, and a survey of the many important contributions that D. Gale Johnson and Nobel Laureate T.W. Schultz made to agricultural economics. In addition, the museum debuted a panel on the groundbreaking career of Margaret Reid.

ARCHIVES OF TWO GIANTS OF ECONOMICS DONATED TO UCHICAGO LIBRARY

The papers of former University of Chicago scholar and Nobel laureate George Stigler, PhD’38 and international trade expert Harry G. Johnson are now part of the University of Chicago Library archives. These works will expand scholars’ understanding of the legacy of the Chicago school of economics and the ways in which UChicago scholars shape the field on a global scale. Prof. Stephen Stigler said he donated his father’s papers because “the University of Chicago was such an important part of my father’s life.” (Photo courtesy of the UChicago Special Collections Research Center)

UHLIG NAMED INAUGURAL RITZENTHALER CHAIR

Professor Harald Uhlig has been appointed the inaugural Bruce Allen and Barbara Ritzenthaler Chair in Economics at the University of Chicago. Prof. Uhlig served as Department Chair from 2009 to 2012, and currently serves as Head Editor of the Journal of Political Economy. He assumed the Ritzenthaler Chair on July 1st.

LIST AND LEVITT NAMED LEADING BEHAVIORAL ECONOMISTS

TheBestSchools.org recently named the world’s “Top 25 Behavioral Economists,” including among them two members of our department: John A. List and Steve Levitt. Of the ranking, James Barham, president and general editor of TheBestSchools.org, states “These people are doing some of the most innovative, exciting, and potentially useful intellectual work going on anywhere today...[they] give us insight into how other people—and we ourselves—work that we just can’t get from either traditional psychologists or economists alone.” John A. List, the Kenneth C. Griffin Distinguished Service Professor in Economics at the University of Chicago, is renowned for his pioneering use of field experiments as a methodology for learning about behavioral principles across different domains. In 2004, Levitt was awarded the John Bates Clark Medal, and in 2006, was named one of Time magazine’s “100 People Who Shape Our World.” Levitt co-authored the New York Times Best Seller Freakonomics and its sequel, SuperFreakonomics. He is also the co-author of the popular Freakonomics Blog.
2018 HONORS

Marking a year of scholarly excellence at home and around the world

(Top) Congratulations to our 2018 Kenneth C. Griffin Department of Economics Ph.D. Graduates (alphabetic listing) Misung Ahn, David Argente, Russell Bittmann, Oliver Browne, Santiago Caicedo Soler, Peter Evangelakis, Jorge Luis Garcia, Victor Gay, Kerstin Holzheu, Ryan C. Hughes, Cree Jones, Joonhwi Joo, Gita Khun Jush, Ayumu Kikkawa, Felipe Labbe, Jaeyoon Lee, Simone Lenzu, Qi Li, Yuan Mei, John Mountjoy, Ging Cee Ng, Ngoc Thi Nguyen, Cullen Roberts, Pablo Robles Santamarina, Jorge Rodriguez, Albert Shyn Kwan Tan, Jose Tudon Maldonado, Sergiy Verstyuk, Arvid Viaene, Yue Yuan, Liya Zhu.

(Below) Nobel Laureate Lars Peter Hansen was presented with an honorary doctorate from Tilburg University for “his great achievements in economics, and particularly the interaction of financial markets and macroeconomic developments; for the pure application of mathematics to the social sciences, thereby arriving at a deep understanding of what can and cannot be clarified; and for being committed to integrity in his pursuit of science.”

Photo: Maurice van den Bosch/Tilburg University, 91st Dies Natalis, November 15, 2018.

Photo from the 531st Spring Convocation at the University of Chicago on June 9, 2018.