Greetings from the Chair

WELCOME

I am pleased to send you this newsletter highlighting the many accomplishments of the Department and its students, faculty and staff. Our goal is to communicate more effectively and regularly with the Department’s alumni and we trust this newsletter will be a good first step.

We have some mixed news to share on the faculty front. On the bright side, we have over the last couple of years, been successful in attracting some very high quality faculty to our ranks. We are pleased to welcome to our department Eiichiro Kazumori, Zhen Liu, Goncalo Monteiro and Hye Mi You.

The Department also saw two successful tenure cases in the last year. Assistant Professors Mingliang Li and Chetan Subramanian will both be promoted to the rank of Associate Professor of Economics with tenure following the expected approval of the SUNY Chancellor. This development is also of great significance to the Department. These two promotions come at the heels of the earlier promotion of our colleague Zhiqiang Liu and amount to a vote of confidence in the Department’s future, given the quality of the people we have hired and supported for promotion.

Sadly, we have also had to bear some difficult losses. Michael Gort, our most senior faculty member passed away last November. Michael was widely acknowledged as one of the leading scholars in the area of Industrial organization. We at the Department are forever indebted to Michael, for we knew him as an outstanding economist, an inspiring teacher, a generous mentor, and a cherished friend. We also deeply mourn the loss of our long time Department secretary and my own close friend Rebecca Neiss who passed away last July. She was a star team player and her friendship, camaraderie and generous spirit will forever be remembered.

The Department’s graduate programs have continued to grow in size. Not only have we achieved an increase in the number of enrollments, we have maintained high quality standards. The Masters program has become a signature program for the Department. Starting with only a handful of students, the Master’s program has evolved into two full-time, stand-alone daytime programs – a Master of Arts (M.A.) and Master of Science (M.S.). Together with our doctoral program, Economics continues to maintain its position as the largest graduate program in the College of Arts and Sciences.

One of the most exciting developments has been the establishment of the Center of Excellence on Human Capital, Technology Transfer and Economic Growth and Development through a faculty development grant awarded to me by the New York Office of Science, Technology, and Academic Research (NYSTAR). The Center pursues cutting edge research, data gathering, and
Chair’s greetings

top-level academic publications about the dynamic role human capital plays in diverse areas of economic science ranging from education, health, and demographic changes to technological innovations, entrepreneurial and intellectual capital, and endogenous growth and development.

Through the Center, we are housing and promoting an innovative new journal, published by the prestigious University of Chicago Press, named the Journal of Human Capital. The editorial board includes four Nobel Laureates, two John Bates Clark Medalists and major contributors to the field of Human Capital Economics. The JHC shares with the Journal of Political Economy, the premier journal in economics, the same managing editor and is related to the JPE also by the breadth of the areas of economic research it covers. This is a rare honor and testimony to the growing visibility of the department in academic circles.

The Center has been hired by the Comptroller of the State of New York to provide annual forecasts of State Revenues, which are a prerequisite for passing a budget law in NYS, as well as monitoring the fiscal health of the State throughout the year. The researchers at the Center were the first in the nation to call the start of the recession in the State of New York in fall 2008, ahead of the National Bureau of Economic Research, which is officially designated to date the start and end of recessions in the national economy. The Center has also been involved in a number of activities with agencies involved in economic development projects in Western New York, including the Buffalo-Niagara Partnership, the Erie County Industrial Development Agency, and the Buffalo Branch of the New York Fed.

These “service” activities of the Center have generated public visibility for the Center and UB in the nation as well. I was also appointed a member of the Council of Economic Advisors of New York Governor David Paterson in August 2008, adding another dimension to the Center’s public service activities for the benefit of the citizens of the State of New York.

Conferences in Chicago and Buffalo are on the Center’s agenda for this year. In another exciting development, the Center is partnering with the prestigious Milton Friedman Institute for Research in Economics at the University of Chicago to present a conference titled “New Directions in the Economic Analysis of Education” on November 20-21, 2009 in Chicago, IL. And in April 2010, the Center will host a conference in Buffalo focusing on financial economics. In addition to academics, conference organizers will invite presentations from business leaders. Several papers from our conference in Chicago have also been invited to be presented at a special session of the American Economic Association.

These are just a few examples of the recent accomplishments of the Department. A bright future is on the horizon for the Department and the Center. However, sustaining high standards of excellence while expanding our reach and impact requires substantial resources.

I encourage you to consider the great strides the Department is making and how the Center of Human Capital can be a vehicle for our department’s growth. With this in mind, the Center Advisory Board has developed The Institute Advancement Fund to facilitate this growth from a center to a full-fledged research institute. This necessitates an expanded research staff, funding for graduate students and faculty research projects, and resources to hold additional conferences bringing the world’s best and brightest to UB. Your support would be greatly appreciated and you can easily make a gift through the Department and Center websites. I thank you in advance your support.

Please read on to find out more about our academic programs, the Center of Human Capital and other exciting news. We also encourage you to share any alumni news you may wish to see published in our next newsletter. If you have any feedback, please don’t hesitate to contact us.

Best wishes,

Isaac Ehrlich, Ph.D.
Professor and Chair
Department of Economics
DEPARTMENT NEWS - Recruiting

Tenure - Track Hires

We have added four new tenure-track assistant professors in the past two years: Dr. Zhen Liu, Dr. Eiichiro Kazumori, Dr. Hye Mi You and Dr. Goncalo Monteiro.

2009-2010

EICHIRO KAZUMORI

Dr. Eiichiro Kazumori joined the Economics Department as an assistant professor this Fall. His research focuses on microeconomics, finance, and industrial organization. He joins us from the University of Tokyo, where he has been a research fellow in the Center for Advanced Research in Finance.

Dr. Kazumori completed his PhD from Stanford in 2004. His dissertation examined the game theoretic foundation of the efficient market hypothesis and studied the conditions under which the transaction price is the consistent and asymptotically normal estimator of the fundamental value. His current research focuses on a comparative study of financial markets among US, Japan and East Asia.

ZHENG LIU

Dr. Zhen Liu was appointed as an assistant professor at SUNY Buffalo starting Fall 2009. He received his Ph.D. in Economics from SUNY-Stony Brook in August 2007. He had previously served as a Visiting Assistant Professor at Ohio Northern University (2007-2008) and SUNY Buffalo (2008-2009).

Dr. Liu’s current research focuses on the link between Social Security knowledge and well-being. He is also interested in the implications of “consumer unawareness” on firms’ business strategies. His research has received support from the V.P. for Research and the Center for Survey Research at SUNY-Stony Brook, and the Michigan Retirement Research Center. His paper, Fair Disclosure and Investor Asymmetric Awareness in Stock Markets, won him the 2007 Outstanding Doctoral Student Paper Award at the American Accounting Association’s Mid-Atlantic Regional Meeting.

2008-2009

GONCALO MONTEIRO

After graduating from the University of Washington in 2004 with a Ph.D. in Economics, Dr. Monteiro worked in the U.K. as an assistant professor at the University of York. He has been at UB since returning to the U.S. in 2007.

Dr. Monteiro’s research interests lie in the area of growth and development and he has already published a series of articles on the subject. He is currently working on the implications of anticipated consumption for economic growth and welfare.

HYE MI YOU

Dr. You joined the UB economics faculty in August 2008. Her research focuses on the macroeconomics of labor markets, human capital and economic growth. She received her Ph.D. from the University of Rochester.

Her dissertation examined the impact of growth in human capital on U.S. economic growth and the role of economic environments in explaining changing patterns of investment in human capital by U.S. workforce. Recently, she has started working on the link between labor supply and human capital accumulation and its macroeconomic implications. She has received a number of fellowships and awards from the University of Rochester, the International Monetary Fund, and the W. Allen Wallis Institute of Political Economy.
DEPARTMENT NEWS - Promoted Faculty

MINGLIANG LI

Dr. Li has been an assistant professor at UB since 2003 after completing his PhD from the University of California at Irvine. His research aims at developing innovative econometric tools, especially Bayesian methods that provide insights into phenomena in various economic fields such as labor economics, economics of education and health economics.

He has been working on issues such as the determinants of early withdrawal of students from high schools, differences across public high schools in the rates of return to future education, and parents' decisions in sending their children to private schools. Most recently, he has been working on the Bayesian estimation of a variant of the correlated random coefficient model. In the future, he plans to continue working on Bayesian methods in microeconomics.

CHETAN SUBRAMANIAN

Dr. Subramanian joined the department in 2000 and his research interests include open economy macroeconomics and monetary economics. He completed his dissertation from the University of Southern California. The thrust of his work is on “stabilization policy”-focusing on the role of government in steering the economy to normal performance during serious cyclical fluctuations-and international finance. His papers have focused on issues such as the positive and normative aspects of quantity-based capital controls, dynamics of asset prices in crisis hit economies, the impact of currency substitution in emerging markets and the role of money in business cycles. Much of his recent work has focused on inflation stabilization and the design of monetary policy.

DEPARTMENT NEWS - In Memoriam

Obituary of Professor Michael Gort's passing in The Buffalo News

Michael Gort, longtime UB economics professor

Sept. 30, 1923 — Nov. 11, 2008

Michael Gort, Ph. D., an economics professor at the University at Buffalo for nearly a half century, died last Tuesday in University of Miami Hospital, Miami, Fla., after a brief illness. He was 85.

Born in the Soviet Union, Dr. Gort was 3 years old when his parents fled to China. As a young man, he came to the United States and earned his master’s degree and doctorate from Columbia University in 1954.

He taught at the University of California, Berkeley, the University of Chicago and Northwestern University prior to coming to UB in 1963.

He remained a full-time faculty member ever since, and this semester was to be his last before retirement.

His research and publications focused on the economics of innovation, the measurement of technical change and the economics of regulation.

At a 2006 conference, Dr. Gort was honored for his contributions to the “Evolution of Ideas in Innovation and Entrepreneurship.”

He also had a special issue of the Review of Economic Dynamics dedicated to his contributions in economics.

Dr. Gort, of Snyder, enjoyed skiing. His wife of more than 50 years, Elizabeth, died in 2004.

He is survived by two sons, William and Adam, and a sister, Luba Forman.
DEPARTMENT NEWS – In Memoriam

Plaque in memory of Rebecca Neiss’s passing

We were all terribly saddened by the news that Rebecca Neiss passed away on July 3, 2008. To commemorate her 27 years of devotion and service to the department, a plaque was dedicated to her memory outside the department’s office in 415 Fronczak. It reads:

“In memory of Rebecca ‘Becky’ Neiss, Department Secretary and Office manager, June 8, 1961 – July 3 2008. An unabashed patriot, avid gardener, inspired cook and yoga enthusiast, Becky cared about all things in life. For 27 years, she was a star team player. She showered immense love, loyalty and devotion upon the Economics Department and everyone she knew, including her beloved cattle dog and constant companion, Bailey. Her friendship, camaraderie and generous spirit are sorely missed, but never forgotten. We’ll be forever touched by her warmth, kindness and genuinely caring nature. We’ll be forever humbled for having had the privilege of knowing her.”

The faculty and staff from the Economics Department, led by the chair, Professor Issac Ehrlich, who unveiled the plaque, offered their condolences to Rebecca Neiss’s family.

Academic Programs

The department’s graduate programs have continued to grow in size – without sacrificing quality in admissions standards. The Master Programs have continued to witness a steady growth in enrollment. Last year alone, we had over 200 students in residence. This is a significant achievement and one that we are very proud of. This enrollment equals the current UB MBA program since they admit 100 students each fall. Nearly all Masters students are self-financed and approximately 60% of these students are international. We offer two day-time, stand-alone, Masters Programs: the Master of Arts and Master of Science, to satisfy the needs of students with different objectives. We understand that our program appeals to students for a variety of reasons including: the quantitative-exposure nature of the program, the comprehensive skill set our students obtain, as well as the flexibility of the program. Collaboration with other academic departments and schools has enabled our students to focus their studies in financial economics, health economics, international economics, law and regulation and other areas. The J.D./M.A. program is also a popular dual-degree option for students pursuing their law degree at the UB Law School.

The level of our Ph.D. students has shown a steady improvement over the years, measured by both the GPA performance of students and the fraction successfully passing the preliminary examination and staying as students. Our graduates have been placed in positions commensurate with their specialties, and in reputable universities and other institutions. Thus last year for example, one graduate has secured a visiting adjunct professor appointment at the University of Michigan (Ann Arbor), another has landed an appointment at the R.I.T. in Rochester and another was placed at the Central Bank of Korea. A few others have returned to their home countries to take positions at such prestigious institutions such as the Beijing University. Mention may also be made of one other student, with the degree conferred two years ago, who has recently taken a position at the University of Georgia as a health economist.

Undergraduates also continue to benefit from the education provided by the UB economics department. There has been a significant increase in the number of undergraduate majors in Economics in the last couple of years. The department has also seen a steady increase in the demand for joint majors with Economics. The expanding programmatic development of our graduate programs has enabled us to offer a modest increase in course offerings at the UG level, largely through elective courses dual-listed with M.A. courses. This has also enabled us to increase offerings at the undergraduate Honors level.
Establishment of the Center

With a $750,000 faculty development grant from the New York State Office of Science, Technology, and Academic Research (NYSTAR) and matching funds from UB, Isaac Ehrlich, Ph.D., established the UB Center of Excellence on Human Capital, Technology Transfer, and Growth and Development in 2006. Known in short as the Center of Human Capital, the Center’s mission is to become the internationally recognized center of research and study on “human capital and the information economy.”

The economics of human capital can be described as the study of the “knowledge economy.” Human Capital has been the driving force behind the United States’ emergence as the world economic superpower in the past century. Increased education, training, experience and even health all contribute to increasing human capital; which, in turn, drives economic growth. The general idea is that increasing human capital attainments have positive economic benefits. Studying this “engine of growth” is the main focus of the Center.

In order to fulfill its mission of becoming the leading authority on human capital economics, the Center is focusing on several programs and projects:

- The Center houses and promotes the Journal of Human Capital - a major general interest journal dedicated to the theme of human capital, that is published by the prestigious University of Chicago Press
- The Center organizes and participates in conferences bringing together leading economists from around the world. This increases the visibility of the Center, the department and U.B.
- A public service agenda is pursued by the Center through applied research and consulting work for policy makers at the local, state and federal levels.
- The Center’s mission includes conducting applied research that addresses economic issues affecting the region and New York State as a whole.
- Expert economists from around the world are invited for seminars and speaker programs.

Center Advisory Board & Institute Advancement Fund

The Center is fortunate to have the support and advice of a board of experts in industry and economics. Composed of alumni and friends of UB, the Center Advisory Board (CAB) has been instrumental in formulating and developing a long-term plan to support the growth of the Center into a full-fledged institute. (Please visit the website for CAB member bios). To this end, the Center is inviting all alumni to support the Institute Advancement Fund through a gift of any size. Participation at any level is the key to successful continuation of ongoing projects and the development of future projects.

Please consider using the enclosed envelope to make a gift and support the research and teaching mission of the department and the Center, as well as provide financial support for the economics department. You can also visit the Center’s website and choose ‘Support’ and then ‘Give Now’ to make a gift online or make a recurring credit card payment. Your support is greatly appreciated.

If you are interested in a major gift or including the Center or the department in your will, please contact the College of Arts and Sciences Development Office.

Your support will help both the Center and the economics department with:
- Scholarships for undergraduates
- Fellowship support for grad students
- Recruiting and retaining top faculty
- Faculty research funds
- Conferences
- Alumni communications and newsletters
- Guest speakers and seminars
- Increased visibility
THE CENTER OF HUMAN CAPITAL

Center Staff

The Center’s leadership team is composed of three faculty members of the UB economics department. Isaac Ehrlich, Ph.D., serves as the director, bringing a wealth of expertise in the economics of human capital to the Center. Dr. Ehrlich is a SUNY and UB Distinguished Professor, Chair of the Department of Economics in the College of Arts & Sciences, and Melvin H. Baker Professor of American Enterprise in the UB School of Management.

He is aided by two associate directors – Yong Yin, Ph.D. and Zhiqiang Liu, Ph.D. Dr. Yin is Assistant Professor in the Department of Economics. Dr. Liu is Associate Professor and Director of Undergraduate Studies in the Department of Economics. Full bios are available on the Center’s website.

In addition to the executive team, a number of faculty research associates assist with the Center’s projects while others form an in-house review board for the Journal of Human Capital. Economics professors Goncalo Monteiro, Mingliang Li, Shaowen Wu, Chetan Subramanian, Hye Mi You, and Qingyan Shang all currently work with the Center. Several top doctoral students in the economics department serve as research assistants, providing research and analytical support to the Center’s staff while being supported financially by the Center.

Board Members
Ravi Bansal, Ph.D.
– Chairman & CEO, AirSep
Milton Ezrati
– Sr. Economist, Lord Abbett
George Gellman
– Chairman & CEO, Benchmark Group
Pat Kennedy
– Chairman & CEO, Cellport Systems
Andrew Mesches
– Executive VP & Chief Risk Officer, Key Finance
Robert Morris
– Ret. Chief Investment Officer, Lord Abbett

JOURNAL OF HUMAN CAPITAL

The Journal

One of the most successful and visible components of the Center is the fledgling Journal of Human Capital. Housed in the Center and published by the prestigious University of Chicago Press, the Journal is published quarterly and includes leading theoretical and empirical research on the role of human capital in economics. The very best submitted papers are selected for publication after a rigorous review process by editors, referees, and an in-house review group in the Center.

UB’s own Isaac Ehrlich, Ph.D., has served as Editor-in-Chief since the journal’s inception in 2007 and leads an editorial board composed of world-renowned economists. The Board of Editors includes four Nobel Prize winners in economics and other leading economists from the world’s most prestigious universities, including MIT, Chicago, Harvard, Stanford and Arizona State. The Associate Editors are among the most accomplished scholars in their fields, holding faculty positions at Stanford, Northwestern, Ohio State, Chicago, Penn, London School of Economics, CUNY, Western Ontario, Hong Kong University of Science & Technology, and U. Washington.

Six issues have been published to date and the seventh will be available very soon. You can check the Center’s website for updates on the latest issue and to get a free copy of the first issue! The non-technical synopsis of one selected lead article can be found in this newsletter (refer to page 9), and others can be found on the website: http://www.journals.uchicago.edu/page/JHC/brief.html
<table>
<thead>
<tr>
<th>JOURNAL ISSUES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SPRING 2009</strong></td>
</tr>
</tbody>
</table>
| The Century of Education  
Christian Morrison and Fabrice Murtin |
| The Effect of Breast Feeding on Educational Attainment: Evidence from Sibling Data  
Daniel I. Rees and Joseph J. Sabia |
| Overeducation and Instructional Quality: A Theoretical Model and Some Facts  
Patrizia Ordine and Giuseppe Rose |
| **WINTER 2008** |
| Marriage and Career: The Dynamic Decisions of Young Men (†)  
Eric D. Gould |
| From Ties to Gains? Evidence on Connectedness and Human Capital Acquisition  
Philip Babcock |
| Cooperation in Knowledge-Intensive Firms  
Ola Kvaløy and Trond E. Olsen |
| **FALL 2008** |
| Asset Management, Human Capital, and the Market for Risky Assets  
Isaac Ehrlich, William A. Hamlen Jr., and Yong Yin |
| Fertility Decline, Baby Boom, and Economic Growth  
Kevin M. Murphy, Curtis Simon, and Robert Tamura |
| The Impacts of Task Repetition and Temporal Breaks in Production on Human Capital and Productivity  
Jason Hockenberry, Hsien-Ming Lien, and Shin-Yi Chou |
| **SUMMER 2008** |
| Specific Capital and Technological Variety  
Boyan Jovanovic and Peter L. Rousseau |
| Childhood Educational Disruption and Later Life Outcomes: Evidence from Prince Edward County  
Paul Heaton |

---

**SPRING 2008**

Earnings Functions and Rates of Return  
James J. Heckman, Lance J. Lochner, and Petra E. Todd

Labor Outflows and Labor Inflows in Puerto Rico  
George J. Borjas

Do Students Care about School Quality? Determinants of Dropout Behavior in Developing Countries  
Eric A. Hanushek, Victor Lavy, and Kohtaro Hitomi

Education, Self-Selection, and Intergenerational Transmission of Abilities  
Adalbert Mayer

**WINTER 2007**

Why Does Human Capital Need a Journal?  
Isaac Ehrlich and Kevin M. Murphy

Education and Consumption: The Effects of Education in the Household Compared to the Marketplace  
Gary S. Becker and Kevin M. Murphy

The Changing Role of Family Income and Ability in Determining Educational Achievement  
Philippe Belley and Lance Lochner

The Production of Cognitive Achievement in Children: Home, School, and Racial Test Score Gaps  
Petra E. Todd and Kenneth I. Wolpin

The Evolution of Income and Fertility Inequalities over the Course of Economic Development: A Human Capital Perspective  
Isaac Ehrlich and Jinyoung Kim
Major Research Areas

The Journal’s dedication to the theme of human capital allows for research across a broad spectrum of economic research areas including:

- Income and wealth distributions
- Household economics
- Social mobility
- Entrepreneurship
- Labor economics
- Productivity
- Health economics
- Immigration and economic globalization
- Economic growth and development
- Social and political institutions
- Aging and value of lifesaving
- Crime and corruption
- Education and training
- Information markets
- Technology Transfer
- Financial markets

Synopsis of Marriage and Career: The Dynamic Decisions of Young Men by Eric Gould

Eric Gould of Hebrew University studied the relationship between the marriage, education and career decisions of young men and found a strong dynamic relationship among them. Using data from the National Longitudinal Survey of Youth (NLSY), Dr. Gould looked at the educational attainments and career choices of young men in the survey aged 16 to 39.

It is commonly accepted that the decision to attend college is partially motivated by the financial benefits in the workplace of earning a college degree. College graduates have better luck than non-graduates in finding good-paying white-collar jobs. But, Dr. Gould goes further by studying another contributing factor -- marriage.

His findings, published in the winter 2008 issue of the Journal of Human Capital, show that desired future marriage options make men more likely to enroll in college and pursue white-collar jobs. Interestingly, he finds not only that success in the “marriage market” is influence by human capital investments, but also that the quality of the marriage affects these decisions. Men want to find an educated spouse; especially one that is a good match. In fact, if these factors did not influence human capital decisions, men would actually work less, pursue less schooling and choose blue-collar jobs over white-collar jobs more often.

Dr. Gould’s paper is available in the Journal of Human Capital and a more in-depth synopsis is available for free on the Center of Human Capital website.
The Center’s activities

Tax Revenue Forecasts
Escalating deficits at the state and national levels are concerning policymakers desperately in need of accurate revenue forecasts. Researchers in UB’s Center of Human Capital have been under contract to provide forecasts of state tax revenue to New York Comptroller Thomas P. DiNapoli.

State law requires the executive and legislative branches to come to a consensus on revenue forecasts for the upcoming fiscal year by March 1, otherwise the comptroller is required to issue such a forecast by March 5. As such, independent revenue forecasts could play a significant role in current and future budget negotiations. Since developing the model in 2007, the Center’s continual forecasts have proved to be the most accurate when compared to the additional sources lawmakers rely upon.

Isaac Ehrlich, Ph.D., directs the project as head of the Center and is aided by Yong Yin, Ph.D., and several research assistants. The forecasts are issued twice a year by the team to the Office of the State Comptroller.

Council of Economic Advisors
Almost one year ago, New York Governor David A. Paterson convened a Council of Economic Advisors to provide him and his administration with expert economic advice. Among the 18 experts named to the council was SUNY and UB Distinguished Professor Isaac Ehrlich, Chair of the Department of Economics in the College of Arts & Sciences and Melvin H. Baker Professor of American Enterprise in the School of Management.

The council’s membership includes leading economists, business executives, and former policymakers among them; distinguished members are Robert Rubin, former Treasury Secretary and former member of the Executive Committee of Citigroup; Joseph Stiglitz, 2001 Nobel Laureate; and Roger Altman, former Deputy Treasury Secretary and current CEO of Evercore Partners. Academics and economists from the University of Pennsylvania, Columbia University, and the Federal Reserve join other prominent business executives in making up the council.

Their first meeting was held in fall 2008, and since then the council has contributed advice informally to the Governor’s administration. Ehrlich is one of only two members from Western New York.

Recession Dating
As the country continues to battle the recession, government officials are concerned not only with how to escape it, but also with how to prevent such a deep recession in the future. The national economy is often declared to be in recession several quarters after a recession’s start - long after policy makers can act to prevent it or lessen its impact. While the National Bureau of Economic Research (NBER) is charged with making such declarations at the national level, economists in the Center of Human Capital have developed a model to be more proactive in declaring recessions at the state level.

The proprietary model developed by the Center actually predicts the onset of a recession using a number of economic variables and sophisticated econometric techniques. The model was validated through backwards testing performed by Center researchers. Essentially, this means that going back through time, the model correctly predicted the starting quarter of each recession in New York. The current recession is New York’s fifth since the recession of 1973-1975.

Professor Ehrlich is quick to point out that this model cannot predict the length or magnitude of a recession. Nonetheless, the ability to predict the onset of a recession is a valuable tool for policymakers. If they can know earlier that the economy is going into recession, they can theoretically be more proactive in stopping or dampening the effects of the recession.

It is also worth noting that New York’s recessions historically tend to be longer than national recessions. Ehrlich comments that the 2001 recession lasted three quarters at the national level, but lasted 10 quarters in New York State. We can likely expect a longer recession in New York this time around as well.

At the national level, the NBER’s Business Cycle Dating Committee is responsible for declaring the existence of a recession; generally defined as a decline in economic activity for at least two consecutive quarters. However, as the NBER notes on their website, this is not the exact formula they use to assess recessions. They incorporate many more economic variables than just real GDP. They also consider the depth and length of the economic contraction.

The team in the Center is working to see if their model can be adapted to predict recessions at the national level. Check the Center’s website for more information as the model is developed.

Stimulus Package
A number of programs and spending bills have been enacted in an attempt to pull the economy out of recession. Their purpose and expected effects have been hotly debated by economists, politicians and average Americans. New York’s leaders in Albany are trying to figure out what all of this means for the state. Earlier this year, New York Comptroller Thomas P. DiNapoli engaged the Center to perform additional work for policy makers in Albany. He asked UB economists to assess the impact of President Obama’s stimulus package for New York State.

Known formally as the “American Recovery and Reinvestment Act of 2009”, the $787 billion stimulus bill allocated funds to areas of domestic spending, as well as tax credits, in an effort to stimulate the economy.

Professor Isaac Ehrlich led the team of Yong Yin, Ph.D., Alejandro Rodriguez, Ph.D., and Michael Qin, recent UB Ph.D. graduate, to determine how this spending might help New York. The research team gathered information on how federal policy makers developed the stimulus package and created an econometric model that analyzed the impact on New York State.
The Center’s activities

Conferences

In October 2006, the Center held its first conference at the Buffalo-Niagara Marriot, which included Nobel Laureate Gary Becker, author of seminal works in the field of human capital economics; and Nancy Stokey, Kevin Murphy and Sam Peltzman of the University of Chicago.

Now the Center is partnering with the Milton Friedman Institute for Research in Economics at the University of Chicago to present a conference titled “New Directions in the Economic Analysis of Education” on November 20-21, 2009 in Chicago, IL.

Nobel Laureates Gary Becker (1992) and James Heckman (2000), as well as John Bates Clark Medal winner Kevin Murphy (1997), join Dr. Isaac Ehrlich, Director of the Center, in planning the conference. Accepted papers will be presented at three sessions. Anticipated topics include the role of education in gender issues, financial markets, family economics, health, and other human capital issues. Presented papers, as well as videos and pictures from the conference, will be available via the Center of Human Capital’s website following the event.

The Milton Friedman Institute for Research in Economics is a collaborative effort among the University of Chicago’s Department of Economics, Booth School of Business, and Law School. According to its website, the MFI “…was established to preserve and foster the vibrant research environment that characterizes economics at the University of Chicago.” The staff of the Center is pleased to be partnering with the Milton Friedman Institute on this important endeavor and we invite everyone to follow the conference proceedings in November.

In April 2010, the Center will host a conference in Buffalo focusing on financial economics. In addition to academics, conference organizers will invite presentations from business leaders. This unique approach provides perspectives from both academic economists and practitioners so that conference proceedings will be relevant to a wide range of audiences. Check the Center’s website for more information and updates as the planning process continues.

Newsletter published annually by the Department of Economics, University at Buffalo

Your comments, suggestions and news are most welcome!
Please direct your comments to:

Xiaohui Ma  
Research Assistant for the Center of Human Capital  
434 Fronczak Hall  
BUFFALO, NY 14260  
xma3@buffalo.edu

Newsletter Supervisor: Chetan Subramanian  
Editor: Xiaohui Ma  
Contributing Writer: Paul Cronin  
Newsletter Design: Xiaohui Ma  
Thanks to: Matt Blum, Sharon Consentino