

Department of Economics

The MIT [Department of Economics](#) is widely regarded as one of the world's premier institutions for economic research and education. Its faculty balance substantial commitments to training both undergraduates and doctoral students with active and influential research programs. With one of the youngest senior faculties among its peer institutions, the department is well positioned to play a central role as an innovator in economics research and a source of exciting new directions in undergraduate and graduate economics education.

Recent MIT Economics PhDs have an outstanding record. Between 2009 and 2011, the department placed PhD graduates in the economics departments at Harvard University (four), Yale University (three), and Stanford University (two), among many other excellent institutions. In 2010, MIT had four of the seven students invited to participate in the honorary Review of Economic Studies (REStud) tour. In the current year, MIT students accounted for three of seven new PhDs selected for the REStud tour; no other institution contributed more than one student to this distinguished roster. Each year, the American Economic Association (AEA) awards the John Bates Clark Medal to the American economist under the age of 40 judged to have made the most significant contribution to economic thought and knowledge. Remarkably, the three most recent Clark Medal awards went to members of the Class of 1999: Emmanuel Saez in 2009, Esther Duflo in 2010, and Jonathan Levin in 2011.

This year, the Department of Economics awarded the bachelor's degree to 65 undergraduate majors, the largest cohort in more than a decade. Several of these graduates will enter leading economics PhD programs this fall.

In summer 2011, Whitney Newey will succeed Ricardo Caballero as department head, as Professor Caballero enters his sabbatical year. David Autor remains associate head of the department.

Highlights of the Year

In AY2011, numerous awards and honors were given to Department of Economics faculty. Most significantly, Peter Diamond (PhD '63) shared the Nobel Memorial Prize in Economic Sciences with Dale Mortenson of Northwestern University and Christopher Pissarides of the London School of Economics and Political Science for their pioneering work on labor market search theory. Other significant recognitions include Esther Duflo's receipt of the Médaille de l'innovation at Le Centre national de la recherche scientifique, Bengt Holmström's receipt of the Lifetime Achievement Award from the Financial Intermediation Research Society (FIRS), Arnaud Costinot's receipt of an Alfred P. Sloan fellowship, Mihai Manea's receipt of the Aliprantis Award for his work in economic theory, and Parag Pathak's receipt of a National Science Foundation (NSF) CAREER research grant for his work on school choice mechanisms.

Economics faculty have also been recognized in the popular press. Daron Acemoglu and Esther Duflo were selected by *Foreign Policy* magazine as Top 100 Global Thinkers

in 2010. Professor Duflo was also included in the 2011 *Time* magazine Top 100 Influential People. Amy Finkelstein was named a World Economic Forum Young Global Leader.

Economics faculty members continue to provide outstanding leadership and service to the economics profession. James Poterba recently completed his service as National Tax Association president and currently serves as vice president of AEA, and as president and chief executive officer of the National Bureau of Economic Research (NBER). Glenn Ellison (PhD '92) joined Daron Acemoglu as an Econometric Society council member, and Bengt Holmström is serving as the Society's president. Daron Acemoglu and Jonathan Gruber '87 also serve on the executive committee of AEA. David Autor edits the *Journal of Economic Perspectives*; Daron Acemoglu is editor of *Econometrica*; and Esther Duflo has had great success in building the *American Economic Journal: Applied Microeconomics* as its founding editor. Victor Chernozhukov is an associate editor of *Econometrica* and several other journals. Iván Werning is associate editor of *Econometrica* and *American Economic Journal: Macroeconomics*. Jonathan Gruber directs NBER's health care program. Nancy Rose directs the industrial organization program at NBER and this year joined the board of directors of the Whitehead Institute for Biomedical Research. Amy Finkelstein codirects the NBER Public Economics Program, and Parag Pathak its Market Design Working Group.

The Abdul Latif Jameel Poverty Action Lab (J-PAL), directed by Abhijit Banerjee and Esther Duflo, continues to expand its scope and influence and is widely recognized as one of the leading global institutions for research on poverty alleviation. Several major new J-PAL research initiatives have begun with support from many organizations.

The successful fundraising campaign for the Robert M. Solow Professorship Chair of Economics culminated in the chair's endowment in January 2011.

The department looks forward to welcoming the incoming class of graduate students. Eight of the top 10 prospective students (and 17 of the top 20) have chosen to attend MIT. Recruiting efforts included focusing on the outstanding record of recent MIT PhDs (mentioned above), personal attention by many faculty, and early supplements for fellowships to make MIT competitive with other top programs. The financial costs of this effort are high, and the department hopes to defray the costs through fundraising and help from other sources.

The Department of Economics has recently modified its first-year graduate curriculum with the objective of getting students into advanced research more rapidly. In addition, an innovative policy was recently introduced that encourages students to voluntarily commit to a third-year paper. Students who enlist for the paper in their first or second year are held to rigorous standards of evaluation in their third year. Almost all students now choose to commit to the third-year paper during their first or second year, and this has accelerated their pace of research and thesis completion.

Over the last three years, the department has strengthened its undergraduate course offerings and increased faculty interaction with undergraduates. Faculty members now meet for monthly lunches with economics majors and prospective majors. In conjunction

with the Undergraduate Economics Association (UEA), the department hosts a distinguished speaker each semester. The two most recent speakers were Simon Johnson and Andrew Lo. The department restructured the requirements of the undergraduate program, modernized some core classes, and encouraged senior faculty to teach in the undergraduate program. The department also introduced a cross-disciplinary undergraduate seminar in world poverty, taught by Dave Donaldson and Esther Duflo, and a joint course with the Department of Electrical Engineering and Computer Science (EECS) on networks, taught by Daron Acemoglu and EECS faculty. The overall trend for undergraduate enrollment in economics is now positive.

Several faculty members, students, and staff were recognized during AY2011 for their outstanding service to the Department of Economics and the Institute. Joshua Angrist won the Graduate Economics Association's Teacher of the Year Award, Daron Acemoglu was honored as Outstanding Dissertation Advisor, and Brigham Frandsen was honored as Outstanding Graduate Teaching Assistant. There was a two-way win for the Robert M. Solow Award for excellence in teaching and research—the winners were Amanda Pallais and Daniel Keniston. The UEA presented its faculty and graduate student teaching awards to Nancy Rose and Daniel Barron, respectively. In addition, Barron was awarded the James A. and Ruth Levitan Award for Excellence in Teaching by the School of Humanities, Arts, and Social Sciences.

Some of the longest-serving Economics faculty members also marked important milestones. The department held a conference and dinner to celebrate the contributions to MIT of Michael Piore, David W. Skinner professor of political economy, and, in January 2011, held a gala dinner coinciding with the kickoff of MIT's 150th anniversary celebration to mark Institute Professor Robert Solow's six decades of service to the department. At the dinner, colleagues toasted Professor Solow's seminal contributions to economic science and reflected on his receipt of the John Bates Clark Medal in 1961 and the Nobel Prize in 1987, his shaping of the surpassingly rigorous and collegial character of the department, and his stellar service as a teacher and advisor. Three of Professor Solow's advisees have since been awarded the Nobel Prize—most recently, Peter Diamond. The department also announced the Robert M. Solow Professorship Chair of Economics, endowed by the generous contributions of MIT alumni.

Future Plans

The Department of Economics has a productive and innovative faculty that will help to continue its leadership in the economics profession. The department hopes to expand its faculty count at a modest pace in the coming years, with an ultimate target of 38 faculty members. Most hiring is likely to take place in the junior market, although selective offers may be made in the senior market. The support of MIT's administration and the generosity of Economics alumni have been critical factors in the department's historical success, and they will play a vital role going forward. The department has also embraced a more conservative approach to management, which will, in turn, allow it to emerge stronger in this uncertain environment.

The relocation of the MIT Sloan School of Management to E62 in 2010 offers a long overdue opportunity for the department to upgrade its subpar space. It is currently working with MIT administration to undertake a major renovation of E52.

Personnel

The Department of Economics currently has 37 faculty members with a primary appointment in Economics, as well as four MIT Sloan faculty members with a secondary appointment in Economics. Of the 37 primary faculty members, 25 are professors, three are tenured associate professors, one is an untenured associate professor, and eight are assistant professors. There are also one senior lecturer and four visiting professors who hold long-term visiting contracts: Ernst Fehr, Mathias Dewatripont, Jean Tirole, and Francesco Giavazzi.

The department did not make any new junior or senior offers in AY2011. However, Heidi Williams was hired as an assistant professor in AY2010 and deferred her start date by one academic year, to July 2011, to take a postdoctoral position at NBER. Assistant professor Stephen Ryan was promoted to untenured associate professor in July 2010. Effective July 1, 2011, Parag Pathak will be promoted to associate professor with tenure, and Panle Jia Barwick will be promoted to untenured associate professor.

Eight faculty members visited the Department of Economics for all or part of AY2011. Visiting professor Jean Tirole (PhD '82), from the Toulouse School of Economics, taught a topics course in corporate finance. A number of other visitors played important roles in the department's educational program, including Ernst Fehr, from the University of Zurich; Mathias Dewatripont, from Université Libre de Bruxelles; Hunt Allcott, Energy and Society Fellow in the Department of Economics and the MIT Energy Initiative; Oded Galor, from Brown University; Francesco Giavazzi, from Bocconi University in Milan; James Feyrer, from Dartmouth College; and Gib Metcalf, from Tufts University. In addition, Isaac Mbiti, from Southern Methodist University, was a visiting scholar at J-PAL.

There are seven women on the Economics faculty: three tenured professors (Esther Duflo, Amy Finkelstein, and Nancy Rose), three assistant professors (Panle Jia Barwick, Anna Mikusheva, and Heidi Williams), and one senior lecturer (Sara Ellison). The share of women Economics faculty at MIT is greater than that at any other leading economics department. There are no African American Economics faculty members. All search committees are instructed to identify outstanding women and minority candidates as part of their search process.

As part of the regular recruitment process for junior faculty, the department solicited or received 332 curriculum vitae. Twenty-nine candidates were selected for interviews. No offers were made.

Honors and Awards

In AY2011, many important recognitions were bestowed on Department of Economics faculty, and these awards are indicative of their extraordinary intellectual leadership and influence.

Daron Acemoglu was appointed chair of the nominating committee of the American Academy of Arts and Sciences, 2010–2011.

Joshua Angrist won the John Von Neumann Award, which will be presented in Budapest, October 2011.

David Autor became a research affiliate of the Institute for Research on Poverty at the University of Wisconsin, Madison, 2011.

Ricardo Caballero delivered the Vilfredo Pareto Lecture at Collegio Carlo Alberto in Turin, Italy, and the Frank D. Graham Memorial Lecture at Princeton University.

Arnaud Costinot received the Kiel Institute's Excellence Award in Global Economic Affairs.

Dave Donaldson was a presenter at the Young Talent Session at the 2011 Royal Economic Society Annual Conference.

Esther Duflo was awarded the Médaille de l'innovation at Le Centre national de la recherche scientifique. She also received the Schelling Award from the Harvard Kennedy School of Government.

Amy Finkelstein was named a World Economic Forum Young Global Leader.

Michael Greenstone was appointed a research fellow of the Centre for Economic Policy Research (CEPR).

Jeffrey Harris was appointed a visiting professor for the Center for Research in Economics and Health at Universitat Pompeu Fabra from October to December 2010.

Jerry Hausman gave the Tinbergen Lectures at Tinbergen Institute in the Netherlands.

Bengt Holmström received the Lifetime Achievement Award from FIRS. In addition, he serves as president of the Econometric Society.

Panle Jia Barwick was awarded an NSF grant for "Social Inefficiencies in the Real Estate Brokerage Industry."

Guido Lorenzoni serves as foreign editor of the *Review of Economic Studies*.

Mihai Manea received the Aliprantis Award for research in economic theory.

Whitney Newey gave the Shanghai Lecture at the 2010 World Congress of the Econometric Society in Shanghai, China.

Benjamin Olken was appointed a research fellow of CEPR.

Parag Pathak received an NSF CAREER research grant for "From Assignment to Evaluation: The Design of School Choice Systems."

James Poterba was elected vice president of the Eastern Economic Association.

Nancy Rose was part of the program committee for AEA's 2011 annual meeting and was nominated as an AEA vice president.

Research Achievements

The following selection of publications by Department of Economics faculty during AY2011 illustrates the scope of the department's outstanding research activities. The papers and books listed include many innovative contributions that are expected to be influential for years to come.

Daron Acemoglu's article "The Economics of Labor Coercion" with Alexander Wolitzky was published in *Econometrica*.

Joshua Angrist's article "Accountability and Flexibility in Public Schools: Evidence from Boston's Charters and Pilots" with Atila Abdulkadiroglu, Susan Dynarski, Thomas Kane, and Parag Pathak is forthcoming in *The Quarterly Journal of Economics*.

David Autor's article "Do Temporary Help Jobs Improve Labor Market Outcomes for Low-skilled Workers? Evidence from 'Work First'" was published in the *American Economic Journal: Applied Economics*.

Abhijit Banerjee and Esther Duflo published the book *Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty* (PublicAffairs).

Ricardo Caballero published the article "Macroeconomics after the Crisis: Time to Deal with the Pretense-of-Knowledge Syndrome" in the *Journal of Economic Perspectives*.

Victor Chernozhukov's article "Inference for Extremal Quantile Regression Models, with an Application to Risk Measurement" was published in *The Review of Economic Studies*.

Arnaud Costinot's article "Intermediated Trade" with Pol Antras is forthcoming in *The Quarterly Journal of Economics*.

Dave Donaldson's article "What Goods Do Countries Trade? A Quantitative Exploration of the Ricardian Model" was published in *The Review of Economic Studies*.

Esther Duflo published "Nudging Farmers to Use Fertilizer: Evidence from Kenya" with Michael Kremer and Jonathan Robinson in the *American Economic Review*.

Glenn Ellison and Sara Fisher Ellison published "Strategic Entry Deterrence and the Behavior of Pharmaceutical Incumbents Prior to Patent Expiration" in the *American Economic Journal: Microeconomics*.

Amy Finkelstein published "Selection in Insurance Markets: Theory and Empirics in Pictures" with Liran Einav in the *Journal of Economic Perspectives*.

Michael Greenstone published "Climate Change, Mortality, and Adaptation: Evidence from Annual Fluctuations in Weather in the United States" with Olivier Deschenes in the *American Economic Journal: Applied Economics*.

Jonathan Gruber's article "Choice Inconsistencies Among the Elderly: Evidence from Plan Choice in the Medicare Part D Program" with Jason Abaluck is forthcoming in the *American Economic Review*.

Jeffrey Harris published the book *Health Economics* (W.W. Norton & Company).

Jerry Hausman's article "Testing for Causal Effects in a Generalized Regression Model with Endogenous Regressors" with Jason Abrevaya and Shakeeb Khan was published in *Econometrica*.

Bengt Holmström's Wicksell Lectures, *Inside and Outside Liquidity*, with Jean Tirole is forthcoming from MIT Press.

Guido Lorenzoni's article "Why Do Emerging Economies Borrow Short Term?" with Fernando Broner and Sergio Schmukler is forthcoming in the *Journal of the European Economic Association*.

Mihai Manea's article "Bargaining in Stationary Networks" is forthcoming in the *American Economic Review*.

Anna Mikusheva's article "One-dimensional Inferences in Autoregressive Models in a Potential Presence of a Unit Root" is forthcoming in *Econometrica*.

Whitney Newey's article "A Reduced Bias GMM [Generalized Method of Moments]-like Estimator with Reduced Dispersion" with Jerry Hausman, Randall Lewis, and Konrad Menzel is forthcoming in the *Journal of Econometrics*.

Benjamin Olken's article "Targeting the Poor: Evidence from a Field Experiment in Indonesia" with Vivi Alatas, Abhijit Banerjee, Rema Hanna, and Julia Tobias is forthcoming in the *American Economic Review*.

Parag Pathak published "Lotteries in Student Assignment: An Equivalence Result" with Jay Sethuraman in *Theoretical Economics*.

James Poterba published "100 Years of the *American Economic Review*: The Top 20 Articles" with Kenneth Arrow, B. Douglas Bernheim, Martin Feldstein, Daniel McFadden, and Robert Solow in the *American Economic Review*.

Stephen Ryan's article "Incentives Work: Getting Teachers to Come to School" with Esther Duflo and Rema Hanna is forthcoming in the *American Economic Review*.

Robert Townsend published the book *Financial Systems in Developing Economies: Growth, Inequality, and Policy Evaluation in Thailand* (Oxford University Press USA).

Muhamet Yildiz published "Bargaining with Optimism" in the *Annual Review of Economics*.

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