Chair Notes

News of Nominal Interest took an unexpected year off in 2009. Due to the move to the new and beautiful building, and some technological changes, production delays took us too far into the school year for us to complete the process. It has been an interesting two years, to say the least. In the summer of 2008, I wrote, “The sluggish economy, and particularly the struggling financial sector, made this year a challenging one for graduates. I hope next year the economy and the job situation will pick up, but from reports I have heard from potential employers, it does not look good.”

Not look good? As you know, the economy collapsed in the fall of 2008 and is still struggling to regain its footing. This collapse spun universities into financial crisis and Miami was no exception. Moreover, at this time of severe resource constraints, demographics and departures produced three retirements and three resignations in the past eighteen months.

I reported in 2008 that “After hiring three new permanent faculty members this year, the Department is now twenty-three professors strong.” We are now seventeen professors strong. However, help is on the way. We have been authorized to hire new tenure-track faculty, and for this year we have been able to hire three talented visiting professors.

We continue to be a very busy place. Over 4,500 students enroll in economics classes each year and my best guess is that this number represents about 2,000 unique students a year! We have over 300 “real” majors; more if you look at the official numbers, but many of this official number will have their minds changed before the end of the journey. We graduated 38 business economics majors and 46 arts and science economics majors in this past year. We also granted 11 Master’s degrees over the past academic year.

New graduates landed in jobs such as marketing analyst, financial manager, and consultant with employers such as Nielsen, Dunnhumby, and Teach for America. Others went to graduate schools such as Duke, Purdue, Ohio State, and Arizona. Although the NBER business cycle dating committee has not made it official, the recession likely ended in the third quarter of 2009. However, the recovery remains sluggish, and the job market remains challenging for our graduates.

We are again in hiring mode. Interviews for job candidates take place at American Economic Associations annual meetings in Denver next January 7th to 9th. If you live in the Denver area or will be visiting during the meetings, please let us know. I look forward to hearing from you!

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*This is the official newsletter of the Department of Economics at Miami University. It is e-mailed or snail-mailed out to all surviving alumni who listed economics as their primary major. Your comments and suggestions are welcome and should be addressed to Thomas Hall, Editor, News of Nominal Interest, Department of Economics, Miami University, Oxford, OH 45056 or by e-mail at hallte@muohio.edu.
INTERVIEW WITH DR. WILLIAM R. HART

PROFESSOR, ECONOMICS

William R. (Rich) Hart was born in Bassett, Virginia, two minutes before his identical twin Nick. Nine years later, sister Susan arrived in the world. His father was a plant manager in the textile industry and his mother was a homemaker. After graduating from Bassett High School, he attended the University of Richmond where he received his BA in economics in 1969. He then enrolled at Washington University in St. Louis, MO and specialized in macroeconomics. His doctoral dissertation was on the crowding out controversy, and he wrote it under the supervision of Larry Meyer who later served as governor of the Federal Reserve System. He was awarded his Ph.D. in 1976. Professor Hart started working at Miami in 1974, and retired in December 2009. He will continue teaching at Miami under the university’s program which allows a retired faculty member to teach one semester per year for three years. Professor Hart has one grown daughter, Elizabeth, who lives in Washington D.C. and is the Chief of Staff to Congresswoman Melissa Bean (Illinois). The interview was conducted by Thomas Hall, newsletter editor, at Professor Hart’s home in Fairfield, Ohio on June 13, 2010.

News of Nominal Interest (NONI): Why did you major in Economics?

Professor Hart: In my first two years as an undergraduate, it was the one subject that truly fascinated me. I was taking the standard courses, History, English, etc. but they were nothing like Economics. I found the analytical rigor and tight logic interesting and intriguing. That I had an excellent Principles teacher was extremely important too, which is why, at Miami, I argued for having our best, most dedicated faculty teaching Principles, and teaching in small sections too. It is from Principles that we draw our majors.

NONI: Did you go to graduate school intending to become a college professor?

Professor Hart: I did, actually, although when I went on the job market I interviewed with two Federal Reserve Banks, Philadelphia and, I think, Richmond. But I didn’t have much real interest—they were backups in case I didn’t get a job offer from a college or university.

NONI: Why is it you never left Miami?

Professor Hart: Good school, great students. Miami really was a perfect fit. The students were high quality and the vast majority of courses were taught in small sections. The primary focus/mission of Miami was high-quality undergraduate education for every student and, in this regard, Miami was unique. Research was important too but, unlike the current environment, it was secondary to the mission of educating our students. I remember the phone call from Miami wanting to schedule an interview with me. I had never heard of Miami University! Fortunately my thesis adviser, Larry Meyer, had. He thought Miami would be a good fit and so encouraged me to take the interview. He was right.

My job interview was with Bill McKinstry, and his wife Barb, in the Presidential Suite at one of the hotels in New York city. The first thing Bill McKinstry said to me when I entered the room was “….this is how we treat our faculty at Miami.” Seems the hotel had screwed up his reservation and given his room to someone else. So they gave him
the Presidential Suite. It was a magnificent room, which is why Bill’s comment was so memorable. Speaking of Bill McKinstry, he was a major factor in my decision to come to Miami—he was an excellent department chair and, more importantly, a delightful human being. And I wasn’t alone—a lot of the department hires ‘back in the day’ were greatly influenced by Bill McKinstry.

NONI: So you taught at Miami for 35 years. What changes did you notice in the students during that time?

Professor Hart: ACT and SAT scores have apparently gone up. That’s what they tell us anyway. I don’t know if the average quality of the student body has gone up or not. What certainly has gone down, on average, is the intellectual curiosity of college students. Some students have the intellectual curiosity of a rock, making you wonder what in God’s name they’re doing in economics and, in some cases, what they are doing in college. That is the big change I’ve noticed. Another related change is that students seem to whine more today. I believe this is due to grade inflation and the general decline in academic standards that has occurred across the college landscape. Fortunately, not every department has become a party to this decline. At Miami, economics is one such department (the hard sciences another). As a result, we are going to get more of the “I don’t understand why I’m getting a C in this class when I’m getting A’s in my other classes.” It just goes with the territory. Now, before some Econ alums start hunting me down, let me say too that I’m talking about college students in general, not economics majors in particular. Indeed, my 35-year experience with econ majors (and many other Miami students) has been unusually rewarding. Simply put, our majors are terrific—bright, intellectually curious, extremely hard working. When I came to Miami in 1974, the department had a reputation, still enjoyed today, as a tough, challenging department. Econ students worked hard then; they still work hard today.

NONI: When you started in the profession back in the mid 70s, the hot controversy in macroeconomics was the debate between the monetarists and Keynesians. Could you talk a little bit about that and how it evolved over the years? And what are the controversies today?

Professor Hart: You’re right. In macro that certainly was the controversy. My thesis advisor, Larry Meyer, was one of Modigliani’s students at MIT and, so, something of a hard-core Keynesian. But in the classroom, he was eclectic—we read as much Milton Friedman as we did Keynesian economics. Anyway, the Keynesian-Monetarist controversy centered around two major issues. The first was the extent to which increased government spending reduces or crowds out private expenditures. Put differently, what is the size of the government expenditure multiplier? If there is a small decline in private spending following higher government outlays, the multiplier will be large and output will rise by some multiple of the rise in government spending. By contrast, if higher government spending reduces or crowds out a significant amount of private spending, the multiplier will be small. Interestingly, in light of the apparent failure of President Obama’s 2009 stimulus package, this issue is still being debated today.

The second issue was the role money plays in shaping the course of income/output. And here the debate was about the shape and stability of the Phillips curve. Keynesians argued that higher money growth would cause higher inflation which, via the Phillips curve relation, would lead to a permanently lower level of unemployment. Friedman disagreed arguing instead that there was no long-run tradeoff between inflation and unemployment and that, in the short run, higher money growth could, after an initial decline in unemployment, actually lead to higher inflation with higher unemployment.

Today, we know that Friedman was correct. But at the time, it was economic events, not ideas, that turned the tide against the Keynesian view. Specifically, higher money growth coupled with oil shocks in the 1970s and early 80s was accompanied by higher inflation and higher unemployment, results that were inconsistent with predictions of the Keynesian-Phillips curve model. Robert Lucas argues that the 1970s was the perfect experiment to test dueling theories. Keynesian theory would predict that
a decade with high inflation on average would be associated with lower unemployment on average than a decade with low inflation. Friedman, by contrast, would predict that a high-inflation decade would not have lower unemployment on average than a low-inflation decade. Well, we got a high-inflation decade—the 1970s—and the unemployment rate was not lower on average. Friedman 1, Keynesians 0.

Next came the rational expectations revolution. The architect here was Robert Lucas who, like Friedman, was at the University of Chicago. The essence of rational expectations was that government policies designed to impact output, employment, etc. are ‘effective’ only to the extent they are unexpected—that is, to the extent that the policy fools people into doing things they otherwise would not do. Needless to say, policies whose ‘effectiveness’ depend on deception are not good policies in a democracy.

Many in the profession thought rational expectations might be the final nail in the Keynesian coffin but, alas, they were wrong. The theoretical debates between Keynesians and proponents of monetarism-rational expectations initially took place using the flexible price, perfect competition model. This was a debate Keynesians could not win. Robert Gordon rode to their rescue by pointing out that the Keynesian view of the world was not, at least not in the short run, one of perfectly flexible prices with perfectly competitive markets, so that economic outcomes were always optimal. The Keynesian view was about inertia in the economy—inaertia caused by sticky wages and/or sticky prices—that prevented rapid adjustments to shocks even if expectations were formed rationally. This ultimately led to resurgence or a rebirth in what now is referred to as ‘new’ Keynesian economics. Of course, it’s not ‘new’ at all—it’s the same ole Keynesian pig, only with lipstick. Keynes talked about sticky wages and sticky prices in The General Theory back in 1936.

The monetarist view ultimately gave way to real business cycle theory, which emphasizes technology shocks as the driving force behind economic fluctuations. So today the debate in macroeconomics is largely between ‘new’ Keynesians, who believe both fiscal and monetary policy can play an important role in shaping the course of output, employment, etc. in the short run, and proponents of real business cycle theory who believe that, except for cuts in federal spending and tax rates, government policies have little in the way of positive real effects. It certainly has made macro exciting over the years.

One thing that surprises me is the continued insistence by Keynesians that government spending can ‘stimulate’ the economy when there is, in fact, so little empirical evidence supporting this view. You have simulation models used by the Federal Reserve, Council of Economic Advisers, and many private forecasters that ‘show’ government spending having a significant impact on output and employment. But this isn’t empirical evidence. Before joining President Obama’s economic team, Christina Romer did a lot of empirical work on the impact that government spending and taxes have on economic activity. Albert Alesina has done some work too. Probably the best work has been done by Robert Barro who, for several years now, has been investigating the size of the government spending and tax multipliers. What this work shows is that tax cuts are more effective in stimulating output, employment, etc. than increased government spending. Indeed, Barro finds that a temporary $100 rise in government spending, financed by selling bonds, raises output by about $50 in the current year—a multiplier of 0.5—but that, over time, there is a cumulative loss in output of about $60. This is because the debt created by the $100 rise in spending implies higher future taxes of $100+ to pay off the debt. Barro’s estimate of the tax multiplier is -1.1, which means a $100 rise in taxes (via higher tax rates) causes output to fall by $110. So, a $100 rise in spending coupled with what eventually must be $100+ in higher taxes, first raises output by $50 then lowers it by $110, for a cumulative effect on output of -$60. Not a very good deal. And yet, Paul Krugman continues to spew this nonsense in the NY Times that we can government-spend our way to prosperity.

NONI: The recent 2008 financial crisis resulted in a loss of over $12 trillion dollars in U.S. financial wealth. And it’s cost eight million jobs lost jobs. The recession ranks among the worst since World War II. What is your view of the causes?
**Professor Hart:** Easy monetary policy for too long led to the housing bubble, and when the bubble popped the economy tanked. But, in my view, easy money was not the only culprit behind the housing bubble. I’ve argued for a long time that the Clinton Administration played a big role in creating this mess. As Secretary of HUD during the Clinton years, Andrew Cuomo arm-twisted Fannie Mae (Federal National Mortgage Association) and Freddie Mac (Federal Home Loan Mortgage Corporation) into greatly increasing their purchases of sub-prime mortgages. Once this happened, a huge secondary market for sub-prime mortgages was created. Banks, already under pressure from the Community Reinvestment Act (CRA) to make more mortgage loans to low-income families, now had a way to get these loans off their books. Additionally, there were amendments to the CRA during the Clinton administration that lowered the standards to qualify for a mortgage. Rather than look at a person’s work history or credit rating or income in deciding whether or not they were eligible for a mortgage loan, banks could/should consider things like whether the individual had gone through credit counseling or ….whether or not they had a puppy. The result was an outpouring of mortgage loans, many to people who really could not afford a house.

In the final analysis, Fannie and Freddie ended up owning or guaranteeing more than 30 million homes, many of which were financed through sub-prime mortgages, many that became essentially worthless assets on Fannie and Freddie’s books when the housing market collapsed. This is why Fannie and Freddie were among the first institutions to be bailed out at taxpayer expense. And what an expense it is, about $145 billion to date with no end in sight.

This is the one of the real shames of the so-called financial regulation bill written by Christopher Dodd and Barney Frank. The bill does not include any reform of Fannie and Freddie. As a result, they remain players in the housing/foreclosure market and remain on taxpayer life support.

**NONI:** Given your earlier comments about Keynesian economics, does this mean that you do not believe the government’s stimulus plans are going to help get us out of the economic mess?

**Professor Hart:** A well-designed stimulus package could have helped, but the package passed by the Democrats likely made things worse. The package consisted of about $300+ billion in higher government spending and $400 billion in so-called tax cuts. Despite all the talk from Democrats that the increased spending would go to ‘shovel ready’ projects, this has not been the case. Only about 5% of the stimulus has gone to construction, which is one reason unemployment in the construction industry still hovers around 20%. By contrast, the unemployment rate among government workers is around 4.5%. Why so low in such a deep recession? It’s because much of the stimulus has been used to protect public-sector (union) jobs.

And then there are the tax cuts. President Obama talked and talked about tax cuts, but they weren’t tax cuts in the usual sense, namely lower tax rates. They were more akin to the walking around street money that Chicago politicians dole out on election day. Individuals below a certain level of income received a check for $800, families a check for $1600. President Obama and the Democrats argued that these ‘tax cuts’ would stimulate consumption. Economic theory, by contrast, predicts they would not have much effect on consumption. And we had some evidence here too. Bush II experimented with tax rebates on at least two occasions, neither of which had much effect on consumption. These rebates don’t alter the reward for work either, so they don’t create any incentive to work harder. Instead, they are more like winning a lottery. And winning a lottery actually reduces the need to work.

There is something else too. With the massive government deficit caused by the stimulus package and other spending as well, people looking down the road are anticipating, correctly, higher future taxes. And so the demand-side effect of the government’s higher spending is dampened by reductions in private spending because of the need to set aside funds to meet expected higher future taxes. This was a terrible stimulus package that probably has done more harm than good. Its primary objective was not to stimulate
the economy, but to reward Democrat constituents and buy their votes in the future.

A stimulus package that would have helped the economy would have included cuts in tax rates—the payroll tax, the corporate income tax, the individual income tax. You want to adopt policies that create incentives for firms to hire more workers and for individuals to work more. Accompanying the tax cuts should be cuts in government spending to free up resources for the private sector. Instead, we keep getting policies from Washington that reduce private-sector incentives to work and produce. These folks can’t even get the minimum wage right. There’s been a 40% rise in the minimum wage since 2007. Is there any wonder the unemployment rate among teens is 25%. It would be high anyway because of the recession, but perverse government policy has exacerbated the situation.

President Kennedy got the economy moving by cutting tax rates; Reagan got the economy moving by cutting tax rates. The economy turned around from the Bush II recession after cuts in tax rates. When you look historically it’s usually cuts in tax rates that provide momentum for V-shaped recoveries. The economy goes into recession, tax rates are cut, and we get vigorous growth.

We don’t see that today. What did President Obama and Christina Romer say about the Dem stimulus bill? If it wasn’t enacted, they said unemployment would rise to 9% but, if enacted, unemployment wouldn’t go above 8%. Well, it passed and the unemployment rate rose to 10.2%. It’s down to 9.5% at present, but this isn’t due to stimulus magic. It’s because thousands of people have exited the labor force due to a lack of jobs. And surely we are at the point where George Bush can no longer be blamed for every false economic promise from this administration. The stimulus package and the consequences of it belong to President Obama and the Democrats.

NONI: Are we in danger of a W-shaped, double-dip recession?

Professor Hart: Yes, I think so. Look what’s happening to tax rates next year. The highest marginal income tax rate is going up to 39.5, basically 40 percent, as are tax rates on dividends and capital gains. And we’ve got this huge healthcare bill, the details of which are slowly emerging, and, surprise, we’re discovering that it’s going to cost more, a lot more, than President Obama, the Democrats, and the Congressional Budget Office said it was going to cost. So, small business is facing higher future taxes, higher healthcare costs, and a financial regulation bill that likely will make it more difficult and more costly to obtain credit. Is there any wonder they are reluctant to hire more workers?

I hope I’m wrong, but I think next year could be a very bad year. I guess this is why the Democrats are pondering yet another stimulus bill. Talk about a flat learning curve.

NONI: If you were the Economics Czar of the United States, what kind of policies would you pursue?

Professor Hart: Cut government spending is the first thing I’d do. I ran into Eric Cantor, Republican Congressman from Virginia, at the Coca Cola 600 race in Charlotte this past May. He’s the Congressman who put up the website where people can suggest areas where government spending can be cut. I walked up to him, introduced myself, and told him that I grew up in Virginia. I then mentioned his website and told him I knew two areas where government spending could be cut immediately. First, shut down the Department of Education, get the federal government out of the education business. Look at what has happened to the cost of higher education since the federal government has gotten involved. Costs have soared so much that many students now graduate with college loans of $50,000, $70,000, $100,000. Is this the next bubble? And what does this portend for the housing market? Many of these kids will never be able to afford a mortgage on top of their college debt. The government created an environment in which it became easier and more convenient for students to take out government loans, loans that were subsidized by taxpayers, than to, say, work ones way through college. College administrators then took advantage of this expanded access to funding by raising tuition.

Second, I told Congressman Cantor to get rid of all farm subsidies. When President Reagan used to talk
about welfare queens, I always thought he had the wrong group in mind. The real welfare queens in this country are farmers, especially millionaire farmers, who receive the bulk of farm subsidies. I think farm income is at an all time high largely because of ethanol subsidies driven by yet another misguided government program. Ethanol is corn based, and corn prices have risen as farmers have diverted more of their crop to ethanol producers. It’s driven food prices up. As I tell my students in class, buy a gallon of ethanol and starve a kid in Africa.

**NONI:** We’ve run up unprecedented amounts of public debt during the last few years. We did a similar sort of thing in the 1980s, and the argument then was that the high public debt was going to lessen our future economic growth, but it apparently didn’t. Is this new run-up of public debt going be a redo of the 1980s where we outgrew it, or is it going to ruin us?

**Professor Hart:** The ratio of the public debt to GDP peaked at around 40% during the Reagan years, and we did start outgrowing it during the second term of President Clinton. With the current recession and all the spending by President Obama and the Democrats, we are entering dangerous territory again. In 2009, the ratio of the public debt to GDP was over 50%. Estimates from the CBO are that, given current levels of spending and taxes, the public debt to GDP ratio will rise to 75% by 2013 and to 90% by 2020. And this assumes no cost overruns with Obamacare, which, of course, is laughable—cost overruns and government go hand in hand. There is a fascinating new book by Carmen Reinhart and Kenneth Rogoff called *This Time is Different* that looks at eight centuries of financial crises. Based on their work, a debt to GDP ratio of around 90% appears to be a tipping point where the effects of the debt start having significant negative effects on economic growth.

So, this growing public debt is something we should be worried about. The politics are interesting too. What the Republican strategy used to be—at least until Bush II—was to cut taxes, increasing the deficit, and then use higher deficits as leverage to force Democrats into accepting spending cuts. With Bush II, they tried something new—they cut taxes and increased spending, the deficit be damned. As we saw in the 2006 and 2008 elections, this was not a successful strategy. The bums got exactly what they deserved—thrown out of office. Since taking control in 2006, the Democrats strategy seems to be to spend like drunken sailors, increasing the deficit to record levels, and then use higher deficits as leverage to force Republicans into accepting higher taxes to pay for this transfer of resources, and power, from the private sector to the public sector. Of course, this isn’t a prescription for economic growth and job creation, which, I guess, is why the Democrats now spew all this nonsense about the stimulus bill saving 2+ million jobs instead of talking about the 3 million jobs we know have been lost since 2009. In 2001, the economy lost 1.8 million jobs. Can you imagine the hue and cry from Democrats, not to mention the media, if George Bush went forth claiming that his economic policies were ‘saving’ millions of jobs.

**NONI:** Are we eventually going to have to inflate our way out of this debt buildup?

**Professor Hart:** One of my big fears is that we will. I say that because I’m retired and my retirement income is only minimally indexed to inflation. There’s all of this talk these days from Republicans about cutting government spending, but to me this seems to be mostly talk given the current leadership in the GOP. It was, after all, these very same leaders who were reckless spenders during Bush II.

If the Republicans take control of the House and/or Senate in November, they really need new leadership. And my vote is for Paul Ryan in the House, Tom Coburn in the Senate. Paul Ryan is a Miami graduate who, I might add, was well trained in this department. He is the most creative and forceful thinker in Congress today as evidenced by his “Roadmap for America’s Future,” which is a detailed plan for entitlement and tax reform aimed at putting the government’s fiscal house in order. I would encourage everyone to visit his Congressional website and read this plan.

Without forceful leadership on the tax and spend front, I don’t see a robust economic recovery in the near future. The debt problem will get worse creating more pressure on the political class to reduce the
value of the debt by inflation, just as they did in the 1970s. Sorry, but I had to mention the 70s because Jimmy Carter was President and this gives me the opportunity to say that, in my opinion, he was the worst President ever, worst ex-President too.

NONI: Let’s shift gears a bit. The higher education industry has done very, very well during the last several decades. During your time as a college professor, higher education went from being a relatively small industry to a major industry. Could you talk about how you think that happened, and what the future holds?

Professor Hart: I don’t know how it happened, but here is what we have shifted to. When I came to Miami in 1974, the clear overriding emphasis was on academics and education. Students studied a lot more then than they do today. In fact, it appears that they studied almost twice as much--25 hours per week then versus about 14 today--from studies I’ve seen. The emphasis today seems to be skewed more towards extracurricular activities--hence new rec centers, ice rinks, etc—with students having enough free time to participate. I don’t know what has driven this change, but it doesn’t seem to have slowed down. Right now, Miami is going to build a new student center. We have a tremendous shortage of faculty, class sizes keep getting larger, and we’re spending $100 million on a new student center.

I also think this shift is one reason, certainly not the only one, for the student drinking problem. With more and more emphasis on extracurricular activities, students have more free time to, well, party and the like. After all, students consider partying an extracurricular activity.

It was no different when I was in college. Whenever I had free time, I partied. What is different is that college students have so much more free time today. The uptown bars are packed every night, not just Friday and Saturday nights. Now, to their credit, this does not seem to be the case with the hard sciences. You won’t see a lot of hard science students in the bars on Monday, Tuesday, Wednesday and Thursday nights. They are in the labs working.

Perhaps Miami’s administrators should focus more on the educational mission by pressuring the faculty to raise academic standards and rigor in the classroom so that students are forced to spend a lot more time at the library.

NONI: Do you think higher education will be able to maintain the same rates of tuition increases that they have the past several years?

Professor Hart: I hope not, but suspect they will. I’m surprised that the state legislature hasn’t looked into how little teaching is being done by the full-time faculty at many state-assisted schools. That’s one reason costs have increased. We know why the faculty have reduced teaching loads too--it’s because of the ever-increasing emphasis on research from the administration. Teaching reductions by the full-time faculty are paid for in two ways: hiring more temporary faculty and increasing class size. Both raise the cost to students, the cost of increased class sizes being, of course, the decrease in educational quality that accompanies larger and larger classes.

Another cost factor is the explosive growth in the number of administrators. They do breed. And over the past 15 years, Miami has also spent (and borrowed) a lot of money for the construction of new buildings. This has increased debt service quite a bit. So, I suspect tuition will keep going up.

NONI: You have long been an avid fan of automobile racing. What is it that draws you to it? The economics or the athletic competition? Why are you such a big racing fan?

Professor Hart: Ha, good question. The answer is simple--I’m a country boy from southwest Virginia who grew up in a small town that was less than ten miles from the NASCAR track in Martinsville, Va. They’ve been running two Cup races a year at Martinsville since 1950. I went to my first NASCAR race there in 1963, and loved every minute. NASCAR was THE southern sport. All the major tracks— Bristol, Charlotte, Daytona, Darlington, Richmond, Rockingham—were in the southeast and most of the drivers were ‘good ole boys’ from Virginia, North and South Carolina. It was an easy sport to follow and was an integral part of the South’s ‘love affair’ with the automobile. I went to NASCAR races, drove a souped-up car, and spent many a late
Friday and Saturday night drag racing on the back roads.

As I’ve followed stock car racing over the years, I’ve slowly evolved from a ‘drive-fast and turn-left’ guy who was only interested in NASCAR racing on oval tracks to a – ahhhh -- more sophisticated race fan who enjoys all kinds of racing. I blame this on my colleague and friend, Jim Brock! He got me interested in road racing and open-wheel racing, so that now I watch IRL, Rolex, American LeMans -- even Formula 1 races.

A huge amount of athleticism is required to play this sport. Some say that NASCAR drivers aren’t real athletes. Anyone who says this need only sit on the back straightaway at Daytona during the second lap of the Daytona 500. 43 cars, side by side in two lanes, come rolling out of turn 2 at 190 mph and charge down the back straightaway bumper to bumper at 220 mph. No one can watch this lap and say is doesn't take talent and athleticism…and guts….to be a NASCAR driver. It’s what I want to be in my next life too!

Students ask me how I can sit for hours and watch cars go around in a circle. Ha! Not only do I watch them go in circles, I tape most races so that I can watch again. I taped the November, 2000 race at Talladega. This was the last race Dale Earnhardt Sr. won; he got killed the following February on the last lap of the Daytona 500. Earnhardt was in 17th place with 5 laps left in the race and, in one of the great driving feats of all time, he drove the #3 Chevy to the front to win the race. I still watch the tape of that race every now and then. I know Earnhardt is going to win, that Kenny Wallace is going to push him to the front on the last lap. And yet, I still find myself standing up and screaming, “Go Dale Go”.

It’s such a great sport. For many years at Miami, I hid my love of NASCAR from students and colleagues owing to its southern roots and the natural bias against the sport that you find among many yankees. But then diversity became the rave on college campuses, and I decided that I too could come out! I told my students in class one day that I was a NASCAR fan and that I wanted them to experience the diversity that is NASCAR. Every problem set in Eco 202 now has a NASCAR question, and the last question on every Eco 202 exam is a NASCAR question. It’s worked out extremely well. No student has ever missed the NASCAR question on an exam and, over the course of the semester, students come together under one big NASCAR tent.

NONI: What are you going to do in retirement?

Professor Hart: I’ve been to a couple of races and will do more. I still do a little bit of writing and most definitely will try to avoid yard work as much as I avoided it when working full time.

I’ll travel more too. I traveled to Maine for a week in February. I wanted to find out what people in Maine do in the dead of winter. They eat lobster and they drink, so I fit in. I was in New York City in January with my daughter, my brother and his family. For the last 10 years or so, Elizabeth and I have spent several post-Christmas days in downtown Chicago. This year we went to Chicago and then to New York City. It will be New York going forward. I absolutely love the place—it is such a vibrant city. Indeed, I would move to New York City in a second if someone would buy me a $5 million condo and give me, say, $100,000 a month to live on. Hmmm, someone else financing my lifestyle. I guess this would make me a liberal too.
Faculty News

**John Bowblis** has had a fruitful year publishing. His papers, “Ownership Conversion and Closure in the Nursing Home Industry,” “Racial and Ethnic Disparities in the Use of Drug Therapy,” “The Decline in Infant Death Rates, 1878-1913: The Role of Early Sickness Insurance Programs,” are published or forthcoming in *Health Economics*, *Social Science Research*, and the *Journal of Economic History*. He also attended a number of conferences, and vacationed on the Jersey Shore.

**Jim Brock** published "Merger Policy and the Antitrust Modernization Commission: Economic Power and the Miasma of Efficiency" in the *Antitrust Bulletin*. He is working this summer on a study of how mergers and acquisitions have affected the structure of various American industries, from raw materials and metals, to department store retailing and health insurance -- a topic which he made into a lecture for Alumni Weekend this past June. Some alums also might have heard him on American Public Media’s Marketplace Radio from time to time over the past year.

**Mike Curme** has not been able to teach as much as he would like the last couple of years because he has taken over some administrative duties in the dean’s office. However, he has still been active in the intermediate microeconomics course as well as the economics of compensation, and a freshman honors seminar that explored a variety of economic issues. In the summer of 2008 Mike traveled with his then-14 year old son to Seoul, Korea (where Mike taught an experimental economics module) and Beijing, China (where they witnessed how effectively communist governments can enforce road restrictions).

**George Davis** is working on the effect of inflation on the distribution of output across sectors, the determinants of the natural rate of unemployment and, with Norm Miller, on the uncovered interest rate parity. His paper, "Interest Rate Expectations and Extreme Support for UIP," with Bill Craighead and Norm Miller is forthcoming in *International Review of Economics and Finance*. He is also now the proud father of a Miami alum!

**Steven Elliott** published his co-authored paper, “Assessment of Economic Sustainability of the Strip Clear-Cutting System in the Peruvian Amazon,” in *Forest Policy and Economics*. He also submitted a National Science Foundation proposal (with Mark Bordman (GLG), Karen Dawisha (POL) and C.S. Chen (MEN)) to develop a cross-disciplinary energy curriculum at Miami. As part of the new proposal, Steve was named director of the newly formed Center for Energy Studies at Miami. Steve has taken over the role of Chief Departmental Advisor from Nick Noble, who retired in July. He also serves as chair of the Undergraduate Committee for the Department, the FSB and the University. He also assists in registration of new students in the University’s Summer Orientation program.

**Bill Even**’s articles with David Macpherson, “The Growth of Participant Direction in Defined Contribution Plans,” and “Managing Risk Caused by Pension Investments in Company Stock,” were published in *Industrial Relations* 49(2), April 2010 and the *National Tax Journal*, Volume 57, Issue 3, September 2009: 439-453, respectively. He also presented papers at the National Tax Association Spring Symposium and at the Southern Economic Association meetings. Bill also received a grant from the Employment Policies Institute to study “The Impact of the 2007-2009 Federal Minimum Wage Hikes on Teen Employment,” and you may have read about his research on this topic in the *Wall Street Journal*, *Investor’s Daily*, or your local paper.

**Deborah Fletcher** is currently working on the modeling of optimal campaign allocations in political races and the decision to engage in negative campaigns. Two joint papers with Steven Slutsky (of the University of Florida) on these topics were published this year: “Campaign Allocations Under Probabilistic Voting” appeared in *Public Choice*, and "Bad Government Can Be Good Politics: Political Reputation, Negative Campaigning, and Strategic Shirking” was published in *The B.E. Journal of Theoretical Economics*. She is also working with David Figlio (of Northwestern University) on how demographic patterns have evolved in areas that experienced heavy suburbanization after World War II, and how those patterns have affected spending on public education. There was also a new addition to her family this spring: a three-year-old Labrador retriever named Holly.
Gerald Granderson’s paper, “The Impacts of Hospital Alliance Membership, Alliance Size, and Repealing Certificate of Need Regulation, on the Cost Efficiency of Non-Profit Hospitals,” is forthcoming in Managerial and Decision Economics. In July, he presented the paper, "Rate Regulation and the Le Chatelier Principle,” at the Asia-Pacific Productivity Conference 2010 in Taipei, Taiwan. This semester he is again teaching the business capstone course, Managerial Economics.

Barnali Gupta is Director of Graduate Studies in the Economics Department. She had a recent article, "Optimal Training, Employee Preferences and Moral Hazard," (with Arup Bose) accepted by the Journal of Economic Theory and Social Policy and has a paper under review. She is also the faculty advisor of a new student organization on campus, Global Business Brigades.

Tom Hall taught a course in upper division macroeconomics at Yonsei University in Wonju, South Korea during July 2010. Fortunately for him, the class (consisting of ten Korean students) was taught in English. He is working on a book which consists of a series of case studies on the law of unintended consequences.

Ben Linkow has continued his research on land and property rights issues in sub-Saharan Africa. In conjunction with the Millennium Challenge Corporation, he was involved in the design and implementation of a household survey in Burkina Faso aimed at assessing the economic impact of land conflicts and subsequent property rights reforms, which has included numerous trips to the field. Ben also presented his work at the Midwest International Economic Development Conference and the Western Economic Association International annual meetings.


Mark McBride taught a comparative law and economics course to 26 FSB students in the Pac-Rim Study Abroad Program during May and June 2010. The group visited Beijing, Shanghai, Seoul, Tokyo, Kyoto, and Honolulu. While in Seoul, the group was hosted by the Prime Minister of South Korea, Dr. Chung, a 1972 graduate of the Department’s M.A. Economics program. On a personal note, Prof. McBride married Ms. Diana Brake on June 10, 2010 in Honolulu while on the trip.

Jerry Miller formally retired from teaching in December 2007. He has returned to teach for the fall semester of each year for three years, with Fall 2010 being his last semester. In his academic career at Miami, which began in 1971, he has taught in 40 academic years, across five decades, and has taught over 21,000 students.

He reports: “There have been many highlights during the 40 years: the quality students, with many of whom I still maintain contact (and some of whom have reached the age of 60!); having served my department as assistant chair since 1977; my participation in numerous committees at the university, with the Committee on Faculty Rights and Responsibilities being the consummate one; having been involved with Miami's Greek system since 1974 (with my fraternity, Sigma Alpha Mu, and, most recently, adding Pi Kappa Alpha as its faculty advisor); and volunteering at the county-wide crisis intervention center.

“The question now becomes, "What am I going to do when I grow up?" Despite the proclivity of many faculty to move once they retire, I am not following the trend. One characteristic not inherent in me is being a trend-setter! I will continue to be an active citizen in Oxford, maintain my relationships with Sigma Alpha Mu (where I am also
National Scholarship Chairman) and Pi Kappa Alpha, continue to volunteer at the Crisis Center, and participate in the revamping of the Greek system at Miami.

“For those of you wondering: yes, the grade point averages in my classes have remained nearly identical throughout my 40 years, a characteristic that has continued in the Department of Economics but not so elsewhere. The University GPA is 3.1; in economics, it is 2.53.”

**Norm Miller** has recently published two papers: the first, with Bill Craighead and George Davis, is "Interest Rate Expectations and Extreme Support for UIP" and is forthcoming in *International Review of Economics and Finance*; and the second, also with Bill Craighead, is "The Causes of and Gains from Intertemporal Trade" and appeared in the *Journal of Economic Education*. He is working with George Davis and Ruxandra Prodan on the paper, "Towards a Solution to the Uncovered Interest Parity Puzzle.” Norm continues to handle the very large sections for the department. He also taught two six-week courses at Korea University in Seoul this past summer.

**Chuck Moul**’s paper, finding evidence that Cold War-era Soviet chess players acted as a cartel in international tournaments, was published in the *Journal of Economic Behavior and Organization*. Another paper identified consumers’ willingness to travel in the Chicago area from state gasoline tax rates and location of retail gasoline stations and was published in the *Review of Economics and Statistics*.

**Nick Noble**’s final task before retiring from Miami was to spend six weeks in Barcelona, Spain, teaching in the Farmer School’s summer abroad program. He will continue teaching at Miami under the university’s program that allows retired faculty members to teach one semester per year for three years.

**Prosper Raynold** is currently working on understanding the nature of religious risk and the implications of religious risk management for religious market behavior. Overall, his analysis suggests that a wide range of religious behaviors are attempts at mutually beneficial risk mitigation. Specific examples of his analysis are contained in the following working papers: “Sacrifice and Stigma: Managing Religious Risk” and “The Implications of Religious Risk Management for the Choice between Congregational and Independent Religious Practice.”

**Dennis Sullivan** has retired from teaching. He has gone over to the dark side as a part-time administrator (Senior Director of International Initiatives in the Farmer School). He continues to do research because he can’t seem to break the habit. His most recent conference paper concerned trends in the wage rates and labor supply of parents.

**Melissa Thomasson** continues to work on issues related to the history of health care in the U.S. She was featured on an episode of Chicago Public Radio’s “This American Life” that focused on the history of health insurance. The episode, “Someone Else’s Money,” aired October 16, 2009.

Please feel free to contact your professor or advisor. We would like to hear from you. Below is a current list of e-mail addresses.

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Alumni News

Jack W. Overbeck (1965) lives in Cincinnati, and retired from Kroger Co. in 1997 after working for 32 years as VP of Human Resources. He operates a ministry offering free employment assistance, strategies, and career counseling.

Linda Houk (1972) is CEO of Information Systems Solutions (ISS), a company based in the Washington DC area. It provides IT services to the intelligence community in the federal government. Her guidance of the company was recently recognized by *Inc. Magazine* as resulting in one of the fastest growing privately held companies in the U.S. during 2008 and 2009.

Dale Tuttle (1981) is a Lecturer of Strategic Management at the University of Michigan - Flint. He also recruits senior business executives to serve on the university’s founding advisory board for the Michigan Center for Entrepreneurial Leadership (MCEL) which conducts leadership courses in Troy, Michigan. He lives in Dexter, Michigan.

Harlan Wahrman (1985) is the Director of Market Research for Northwestern Mutual. He lives in Fox Point, Wisconsin.

Marty Layding (1993) and Margaret Schmid Layding (1993) live in New Jersey. Marty is the Director of Financial Planning and Analysis for Novartis, while Margaret is the Director of Strategic Insights for Mars Snackfood. They have four children, and are thinking about future college expenses.

Doug Carey (1995) is the Director of Financial Engineering for Facset where he writes code and manages a group of engineers who help build software that analyzes fixed income securities, options, futures, and derivatives. He also writes articles for the Mises.org website and newsletter. He lives in Boulder, Colorado.

Mike Dorsch (2000, 2001) finished his Ph.D. in economics at the University of Illinois, and is now an Assistant Professor at American University in Paris, France.

Mark Vichich (2000) is an attorney with the Board of Veterans’ Appeals in Washington D.C. He is married to Leah Schulte (2001).

Christopher Ferguson (2001) finished his Ph.D. in economics at Indiana University and is now an Assistant Professor at the University of Wisconsin - Stout. One of his research papers was a finalist in a competition at the National Council on Teacher Quality conference in Washington D.C. in March 2009.

Rachael Elaine (Smith) Wilson (2002) has been working on her Ph.D. in economics at Middle Tennessee State University.
Matthew Fery (2003) is in Washington D.C. working as an economic, tax, and health policy counsel for Congressman Brian Higgins, who is a member of the House Ways and Means Committee.

Eric Malcolm (2004) worked in Chicago for CH Robinson for three years, then attended Emory University in Atlanta where he earned his MBA. He now works for RMI, which is a privately held firm that provides transportation management systems. He lives in Atlanta with his wife Alexandra Kennedy, who is an engineer and graduate of Georgia Tech.

Carrie Wolfe (2005) is a consultant with Accenture. She lives in Columbus, Ohio.

Blake Chana (2006) is a derivatives trader with Trinity Capital Markets in Chicago.

Adam Millsap (2006) has been working in the risk/fraud section of the Consumer Bank at JP Morgan Chase in Columbus, Ohio. This fall he will be enrolled in Clemson University’s economics Ph.D. program.


Kim Seifert (2008) is an intern with the Adva Institute Policy Research Center in Tel Aviv, Israel and is studying at Hebrew University.
**Economics Students Awards-2010**

*Brian Clark* won the George W. Thatcher Prize for undergraduate excellence in economics. *Jenna Harkabus* and *Lisa Walsh* won the Paul M. Vail Award for academic performance and contributions to undergraduate economics. *Brittany Barrett* and *Zachary Davis* won the Delbert A. Snider Award as outstanding seniors who demonstrated a strong interest in international economics. *Andrew Debes* and *Michelle Marcus* won the William McKinstry Award, given to the top business economics majors. *Gus Lazares* and *William Parry* won the Macro award, given to an outstanding senior who demonstrated a strong interest in macro/monetary economics. *Nicholas Pirone* and *Kelcey Walsh* won the Gerald Flueckiger Award for outstanding Economics majors who have demonstrated excellence and a strong interest in microeconomic theory.