

## **Response to the Programmatic Review Committee by the Department of Economics---October 25, 2005**

The faculty, staff, and students of the Department of Economics would like to thank the review committee for its insightful, fair and extremely constructive report. The committee members have correctly identified the strengths and weaknesses in our department, and have put forth thoughtful and useful proposals.

The report on the 2005 programmatic review of the Department of Economics is titled "A Department at a Crossroads". The review states that one of these roads "leads to meaningful improvement in the research profile of the Department, and progress toward achieving their goal to become a top-twenty Department of Economics." The other "leads to a Department that has primarily an emphasis on undergraduate instruction, with a diminished graduate program, a low level of scholarship, the loss of many of its most productive scholars, and a precipitous decline in its national ranking."

The members of the Department of Economics do not believe there is any question about which of the two roads our department and the University of Washington should take. The continuing success of our programs, and the existence of our department as one of, perhaps, two top-thirty departments in the western half of the nation outside California, demands that we take the road to success. We stand ready to do our part.

Below we summarize what we believe to be the main conclusions and recommendations of the report in **bold** font, and provide our responses in *italics*. With the support of the Administration, we look forward to implementing these recommendations in order to move swiftly toward our goal of becoming a top-twenty department.

The Report draws the following general conclusions:

- 1) Our department currently ranks around 30<sup>th</sup> in the nation and 15<sup>th</sup> among public research universities, but that there is considerable crowding at this rank. It is the Department's long-term goal to be among the top 20 of economics departments in the nation and among the top 10 of public research universities.**
- 2) The Department does an excellent job of running its instructional programs and supervising its students.**
- 3) Contrary to some perceptions, the Department is actively engaged with other units and with the community.**

**4) The faculty's teaching and research missions have excellent support from our staff, alumni and visiting committee.**

**5) Although the department has some faculty who do high quality and high profile research, the overall level of research—particularly funded research—is too low for a department of our ranking and aspirations, due mainly to a large proportion of research-inactive tenured faculty. Moreover, this has been a rather long-standing problem now.**

*We concur with all of these conclusions.*

The report goes on to make a number of recommendations. The thrust of these recommendations is that the Department and the College should take advantage of the rare opportunity afforded by the significant retirement of faculty expected over the next ten years to rebuild and renew the faculty with the highest quality research-active candidates we can recruit. Further, the Department should work with the College and the Administration to accelerate this process where possible. We now address the committee's specific recommendations.

**Working from a strategic plan, the Department should prepare a long-term hiring plan targeting existing areas of strength to replace departing faculty with new junior and senior faculty members who have high research potential and accomplishments respectively. The College should commit an appropriate number of lines to facilitate the renewal/rebuilding process.**

*Last year, the Department produced a consensus five-year hiring plan based on the spirit of our earlier strategic plan (see Attached).*

*The plan builds on our existing strengths as measured both by reputation within the profession and opportunities for collaboration within the department as well as with other units of the university. In addition, our hiring priorities reflect the need to increase research funding as well as research output.*

*This year, the department will review its strategic plan with respect to a variety of issues, including the question of how to make our five-year hiring plan more effective for improving the department. At these meetings, faculty members who may be considering retirement will be encouraged to share their time frames with the Department, so that some assessment of the timing of future departures through retirement can be made. This will help the department negotiate with the Dean an appropriate commitment on lines. The strategic plan will also address the issue of how to manage our enrollments as the department progresses toward its goal of a large fraction of the faculty highly engaged in research.*

**Faculty members who are not contributing on the research front should contribute more on the teaching and service front, perhaps with differential course loads.**

*Over the past five years, the department has achieved significant division of labor with respect to teaching and research. This has occurred, largely as a result of the willingness of less research-active faculty members to teach larger classes in order to accommodate our dramatic increase in enrollments. Our primary goal has been to prevent this enrollment increase from burdening the most research-active and junior faculty members in our department. As the committee has noted, this increase in teaching loads has been voluntary. We believe this is a positive signal that reflects the general willingness by the Economics faculty members to further the mission of the department in the most effective way they can.*

*It is recognized that, among the faculty, there are those who have been more willing and those who have been less willing to shoulder higher teaching and service burdens. We propose that the department leadership continue to regularly examine the contribution levels of all faculty members in terms of their service and teaching performance. The Chair will discuss the contribution levels with faculty members at the regular chair-faculty conference and, where warranted, continue to encourage less research-productive members to increase in their service and teaching burdens as their part in helping the department accomplish its overall mission.*

*The department would add that as important as, or perhaps more important than, these “sticks” is the existence of a reward structure that would enable the Chair to offer salary increases to faculty members who will assume suitably larger teaching burdens. Some Associate Professors actually earn less than Senior Lecturers who teach six courses. It would be helpful if the College could enable the Chair to offer research-inactive Associate Professors comparable compensation in return for their assuming comparable teaching effort.*

*Most important, we believe that it is important for the College and the Department to provide incentives that recognize exceptional research performance. This is necessary not only to encourage more and better research, but to reduce the possibility that more faculty members may become less research productive.*

**The Department and the Administration should work together to identify faculty who do not or will not contribute at an acceptable level, and the**

**Administration should take the lead in identifying ways to accelerate the retirement or departure of such faculty members.**

*We agree that the College and the Administration should open discussions with some faculty members in the Department about retirement/departure possibilities. The leadership of the Department is prepared to work with administration to facilitate this process.*

*As mentioned, we will encourage faculty approaching retirement to share their time frames at our strategic planning meetings. At these strategic planning meetings, the department will also review our expectations about acceptable levels of contribution. We would caution, however, that placing too much emphasis on minimum performance criteria can be self-defeating. In defining a minimum acceptable level, we run the risk of establishing a floor, which could (perversely) act as a target to some faculty, to the detriment of the department.*

*The Chair of the department, in his conferences with faculty, sets expected levels of performance for all faculty members. In these conferences, less research productive members have been urged to assume greater teaching and service responsibilities. For the most part, this process has been successful. If a departmental consensus is reached on clear criteria for unacceptable levels of performance, the Chair will use these criteria in these conferences and conference reports.*

**The graduate school should not micromanage our graduate program in terms of admissions, which was the outcome, although not the recommendation, of the 2000 review. The Department and College should agree on a reasonable size for the graduate program and the Department should present a plan containing an effective strategy to manage our program in order to maintain that size.**

*We heartily concur with this recommendation. The Department will maintain the mentoring and consultation procedures that we implemented in response to the Graduate School's concerns about attrition after our last review, because there is some evidence that they reduce pre-examination anxieties and perhaps reduce undesired attrition. In our strategic planning, we will consider the appropriate size for our graduate program, and present a plan to the Graduate School on how we will maintain our program at this size, while enforcing the standards we believe necessary for our students to complete their Ph.D.s. and be successful in the competitive marketplace for Economics graduates.*

*In response to the last review, the Department did change its standards for passing its Core examinations. This has resulted in a growing*

*concern among many faculty members that we now face a large number of post-Core graduate students who will have difficulties with the challenging requirement of completing a dissertation.*

*We concur with the view of the committee that “the net effect (of these developments) on the department’s graduate program has been negative”, and would add that they are not in the best interest of our graduate students either. We are eager to re-establish the standards that we believe work best for our program, and restore the Core examination process to its proper role of selecting between graduate students capable of proceeding to the dissertation stage, and those best served by completing the MA degree.*

**The College should allocate sufficient temporary resources for the Department to continue to manage its large and excellent undergraduate program.**

*The College has been responsive to the needs of the Department with respect to the additional temporary resources required to manage our undergraduate enrollment. We are confident that this assistance will continue and remain available as needed.*

**The Department should continue to seek significant, collaborative initiatives with other units that strengthen the Department.**

*The Department concurs and will continue its attempts to engage and collaborate with other units in the University to achieve our inter-related missions.*

**Although not a highlighted recommendation, the Committee also stated that “it wasn’t clear that the junior faculty are being adequately mentored” and recommended “more formal mentoring arrangements” and mentions anxiety among junior faculty about tenure criteria.**

*In order to provide all junior faculty members with more information than they receive in their annual Chair conference, or in their conversations with their informal mentors, we propose to devote a department meeting around tenure standards. This meeting will provide a forum at which junior faculty can ask senior faculty about their criteria for voting affirmatively on tenure cases. Such a meeting will be held regularly, perhaps on a biennial basis.*

*We would like to provide additional information to clarify the department’s current mentoring process. The department’s mentoring process mainly operates through an informal channel. At his annual conference with*

*junior faculty, the Chair asks junior members which senior faculty they are talking with and whether the junior member desires more mentoring. If he/she does, the Chair asks senior faculty in the field to meet more regularly with the junior faculty member.*

*Consistent with College policy, the department prefers to continue its “informal” mentoring program. However, the College and the Review Committee should rest assured that the Department takes very seriously its obligation to provide an encouraging environment in which junior faculty can develop their careers.*

*As additional information that should have been included in our self study, we would like to note that all junior faculty members in our department have received funds in excess of \$5000 per year from department gift funds to support their research. Junior faculty are relieved of significant service burdens, and their instructional responsibilities have been assigned so as to minimize their teaching burdens consistent with our enrollment management needs. Typically, they teach graduate courses aligned with their research, and are allowed to teach the same undergraduate courses within a year and from year-to-year. On the rare occasion where one of them has been asked to prep a new course, course relief was provided in compensation for the extra work.*

#### Overall Response

**It is fair to summarize this review as stating:**

- i) the Department of Economics does a lot of things well, including its instructional programs,**
- ii) the Department has a less vibrant research culture than it should have and the Department needs to take further steps to shed any culture of research mediocrity that may exist, and**
- iii) impending faculty turnover presents an unusual opportunity to significantly advance the department research-wise, and that this endeavor will require the joint effort of the College and the Department.**

*i) The Department commits to continuing its efforts to mount the best instructional programs of which we are capable. We are always looking out for ways to improve and innovate our programs (see our self study for examples), and we will continue this practice.*

*ii) Although progress has not been as fast or successful as everyone hoped, the Department has taken significant steps toward trying to improve its research culture, and it will take more. Faculty members are in agreement that this should be our highest priority. Two new research centers have been founded with considerable success. Whatever merit*

*and unit adjustment salary increases are available have been allocated with faculty research success as a clear and primary criterion, and this will continue. Department gift funds have been allocated to support the most research-active tenured faculty and promising junior faculty. The Department has allocated more funds for visiting research seminars and for faculty travel to present research at leading conferences. Also, to encourage faculty members to seek funded research, course buy-outs are offered on more favorable terms, and part of RCR funds is made available to the grantees to support their own research.*

*In this coming year, the junior faculty is organizing a faculty research colloquium where all members will be expected to present their research to their colleagues. Also, the research productivity committee will consider if there are further steps that we can take that will improve the research climate, and will make recommendations on additional ways to support faculty efforts to undertake high quality research. In addition, we have high hopes of recruiting a new senior faculty member with an exceptional research record and a promising junior faculty member.*

*One aspect of the Department's research culture that has gone unrecognized for several reviews now, is our success in fostering good research habits in our Ph.D. graduate students. Evidence of this is reported in our self-study. In this response, we wish to note that such success does not come without considerable effort on the part of our faculty, and with some sacrifice of their own research goals.*

*iii) Although the Department is trying hard and will try harder to improve our research culture, realistically the best hope for a dramatic improvement in the department's research productivity is to take advantage of upcoming faculty turnover resulting from department demographics. We concur with spirit and conclusion in the report that this plan has to be a joint effort by College and the Department. For its part, the Department commits to a united effort to recruit the best possible new faculty, and to devote resources at our disposal toward that end. In addition, we will continue to update our long-term hiring plan and present the information to the College as part of our annual recruitment requests. The leadership of the department is prepared to work in tandem with the College to take full advantage of this opportunity.*



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*Professor Neil  
Bruce brucen@u.washington.edu*

Date: June 2005  
To: Dean David Hodge and Divisional Dean Robert Stacey  
From: Neil Bruce, Chair, Department of Economics  
Re: Economics Recruitment

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The Economics Department requests permission to recruit 2 new junior faculty members during the upcoming academic year with the successful appointments to begin September 16 2006. These two new faculty appointments are in the fields of micro-econometrics and macroeconomics. Along with our current search-in-progress for a senior time series econometrician, these appointments represent the first steps in our five-year recruitment plan. A preliminary outline of our five-year plan is presented in this request.

### **Our Five-year Recruitment Plan**

In our Strategic Plan of 2001, the Department of Economics decided that future recruitment should focus on three strategies: 1) Maintaining a strong faculty in the core of Microeconomics and Macroeconomics methods, which is a necessary strategy for any ranking department, 2) strengthen our econometrics complement in line with the direction of research in the profession and our own comparative advantage, and 3) maintain/develop several key fields where we believe we have or can establish a strong national profile and/or which offer important complementarities and spillovers to the College and institution. Although the department is scheduled to revise and update our strategic plan early in the next academic year, we have no reason to expect that the general direction of our recruitment strategies will be altered except for details and, possibly, timing. The central goals of our plan are i) to recruit proactively in light of anticipated retirements in our department in order to maintain the strengths that underlie our national ranking (up to 28<sup>th</sup> in the 2005 US News and World Report from 31<sup>st</sup> in 2003) and ii) to take advantage of upcoming turnover in order to focus and redirect our research resources toward the most productive areas.

The case for investing faculty positions in the Department of Economics at this time is extremely strong. First, the Department has demonstrated its ability to recruit excellent candidates with the successful appointments of 4 Assistant Professors and 1 Senior Lecturer in recent years. Second, the value of a strong research-focused Economics Department to the other units in the College and the University is high. The particular positions we are requesting this year reflect our desire to be an even greater asset to the College. Third, many of the factors that increased our enrollments in Economics at UW in recent years are likely to continue, so



Economics enrollments are likely to stay high in the coming years. These factors include the recognized excellence of our programs, the value of an Economics degree for post-graduation opportunities for our students, and the limits on undergraduate enrollment growth in the Business School. Fourth, as mentioned, the demographics of our current faculty portends considerable turnover in the coming years – on the order of an average of one position per year over the next decade. Such turnover would allow the College to unwind positions quickly should Economics enrollments decline or the promise of our departmental plan not materialize.

The following indicates the general direction, rate and timing of our planned five-year recruitment efforts based on anticipated faculty turnover. The department would prefer some degree of flexibility in timing. For example, in our search for a micro-econometrician we may well discover a superb candidate for the labor/public finance position.

**Spring 2005:** Recruit a senior tenured faculty member in time-series econometrics to begin September 2006. This search is currently underway.

**AY 2005-06:** Two Assistant Professors (Micro-econometrics, Macroeconomics).

**AY 2006-08:** Three positions, one in Natural Resources, another in labor/public finance. We would like that one of these position be at a senior (tenured) level, and a Senior Lecturer.

**AY 2008-10:** Two positions, one senior tenured appointment (International Economics) and one Assistant Professor (Applied Microeconomics).

The proposed timing is based on the strategic criteria explained in the first paragraph. In the Spring 2005, the Chair of the Department met with the Chairs of Political Science and Sociology to discuss possible joint strategies for cluster hiring. We agreed that a well thought-out joint plan could not be produced in time for this year's recruitment request. However, the above plan is consistent with our preliminary discussion of possible collaborations.

## **Detailed Justifications for Current and Future Requests**

### ***Assistant Professor in the field of Microeconometrics.***

Our departmental identity is essentially one of applied, empirical and quantitative economics, rather than theoretical economics. All of our recent recruitment has reflected this fundamental identity. Because of our focus on empirical economics, we have a pressing need for a faculty member specialized in microeconometrics, which is the application of econometric methods to cross-section and panel data sets used by fields such as labor, public finance, natural resources, and industrial organization. Presently, only three faculty teach the core econometrics and none are specialized in microeconometrics. Elaina Rose, who is an applied labor/development economist, teaches the only applied microeconometrics course currently offered by the department.

Having a strong and diverse econometrics group is essential for having a nationally ranked department that specializes in applied economics. We currently have a strong cluster of faculty (Kim, Nelson, Startz, and Zivot) who specialize in time series econometrics and actively publish in the areas of empirical macroeconomics, finance and

international finance. In order to continue to build strength in applied microeconomics, it is crucial to have a similar core of faculty with specializations in microeconometrics.

A microeconomist will have numerous advantages to our department and, potentially, to other units such as CSSS, CSDE, Political Science, Geography, and Sociology. She or he would strengthen our productive applied microeconomics group, improve our graduate curriculum, increase our ability to supervise excellent graduate and undergraduate research, and would, in the future, improve our chances of making successful grant applications. Within Economics, we would expect this new faculty member to primarily interact with Bruce, Halvorsen, Lawarree, Lundberg, Portner, Rose, Sirakaya, and Shi, among others. A microeconomist, would also interact naturally with and be a strong resource for the CSSS and CSDE and we would welcome the involvement of these and other units in the recruitment process. The research focus of CSSS, in particular, is closely connected with the field of microeconometrics. In fact, CSSS's top candidate this year for their last open position was a microeconomist. Having a microeconomist in the Economics department would solidify the link between economics and CSSS, open up new opportunities for collaborative research and form a cluster of faculty doing research in quantitative methods in the social sciences.

#### *Assistant Professor in the field of Macroeconomics*

The success of our Department depends heavily on maintaining a strong core, and a junior faculty member focused on macroeconomics, is vital to that end. We are seeking an individual who will develop as an anchor to our core sequence in macro and maintain within the department a research program that is at the frontier of the field. In addition, the analytical methods of macroeconomics are constantly changing and it is important that we bring in a junior scholar familiar with the state of the art methods in this area. In addition to macroeconomists currently in the department (Brock, Chen and S. Turnovsky), this individual would likely interact with a cluster of faculty working on time-series econometrics (Kim, Nelson, Startz, and Zivot). Macroeconomics increasingly uses computational methods and wo Sirakaya, with her expertise in computational economics and interest in macroeconomic issues, will be an additional point of contact as will Eicher, with his interests in international macro/development issues. Outside the Department, the greatest interest in this person is likely to be the Business School, although there may also be interest in Political Science.

Macroeconomics has been a continuing strength of the department during the last 15 years or so, and indeed we can be viewed as having a well-defined identity in this area. On the one hand, we have a number of people working on the more analytical, and in some cases computational applications which has led to good collaborative research output and good Ph.D. placements (e.g. Georgia, McGill, York UK, IMF and FRB). At the same time we have a number of individuals working on the applied time series aspects. This too has led to a good collaborative research environment in this area and good Ph.D. placements (e.g. Washington University, Houston, various Federal Reserve Banks).

Current research directions in macroeconomics include (i) the development and analysis of formal macroeconomic models; (ii) the use of numerical simulation methods

with complex models, (iii) empirical testing and application using sophisticated time series methods. The ideal candidate would be someone that can interact with individuals having the two sets of interests and skills identified above.

### *Junior or Senior appointment in Environmental and Natural Resources*

The Department is widely known in the economics profession as a leader in the development of environmental and natural resource economics, which has been one of the fastest growing fields of specialization in recent years. The current importance of the field to the profession as a whole is indicated by the number of job openings for new Ph.D.s in environmental and natural resource economists, which is approximately equal to the average number of openings in development economics, labor economics, and public finance.

The issues addressed in environmental and natural resource economics are among the most important facing policy-makers. They include global warming, threats to health from air pollution and hazardous waste sites, sustainability, forestry economics, economics of fisheries, economics of nonrenewable resources including fossil fuels and minerals, and biodiversity.

Because of its inherently interdisciplinary approach and focus on policy-relevant research, environmental and natural resources economics has been the basis of strong relationships between the Department and other parts of the University, including the College of Forest Resources, School of Marine Affairs, and Program on the Environment. Faculty members in this field have also been called upon for advice by both regional policy-makers, such as the Washington State Department of Ecology and Department of Natural Resources, and national agencies such as the U.S. Department of Energy, Environmental Protection Agency, and Fish and Wildlife Service. Recently we have developed especially close ties with NOAA's National Marine Fisheries Service, which has been a major source of graduate fellowship support and has hired several of our Ph.D. graduates.

The recent retirement of Gardner Brown represents a very serious loss to the field of environmental and natural resource economics, and recruitment of a new faculty member in this area, preferably at the senior level, is necessary to maintain the Department's current prominence in this field. Gardner contributed to many aspects of our program in environmental and natural resource economics, and we would hope to recruit someone with similarly broad interests. However, our primary emphasis will be on expertise in environmental economics, including the analysis of threats to global health.

### *Junior or senior appointment in Labor/Public Finance*

The most pressing economic and policy issues that will emerge in many countries, including the United States, concern the implications of an aging population. The aging population will impact on labor markets, capital markets, housing markets, pensions, and policies such as social security and health care. There are also migration and growth issues.

We believe the University of Washington and the Department of Economics is well placed to take advantage of the coming demand for social science research on the impact of aging. We will seek someone whose primary research interests and accomplishments are in this area. The individual could be in the field of public finance or labor, and more preferably at the intersection of this field where current faculty members Neil Bruce and Shelly Lundberg already have interests and have jointly supervised doctoral students.

We would prefer to make this hire in conjunction with a cluster of hires across other units. We would engage other units, notably CSDE, CSSS, and Sociology, so come up with a plan whereby we could hire a number of persons focused on aging, and devise a platform for accessing the considerable research funds that are becoming available for this line of research.

#### ***Senior Appointment in International Economics***

The Department has a strong presence and visibility in international economics. Our course offerings at the graduate level 571 (Trade), 573 (Commercial Policy), 572 (International Finance), 574 (International Macroeconomics) offer a comprehensive treatment across the discipline. In addition, our course offerings in development (591, 592), transitional economics, as well as our research interests in economic growth, extends much of this discussion to developing economies, where international aspects are increasingly important. Thus our offerings provide both a breadth and depth in international economics that is matched by few graduate programs in the nation and well recognized in the profession.

These offerings are matched by student interests, with international economics, and all its ramifications to developing and transitional economies, being among our most popular fields in terms of student demands, both at the undergraduate and graduate level. With a large number of our graduate students being international, this is always an important area and indeed many of them come to the University of Washington precisely to study international economics and because of the international reputation we enjoy in that field.

Apart from departmental strength, the international group has played an important role with other international groups on campus. Over the years several departmental members having international interests have been participating in the Jackson School's area studies programs, while others have participated in more specific joint research projects. In addition, there is the interaction with the international group in the Business School.

More generally, if the University of Washington is to foster its presence in international studies it is critical that it maintain and develop its strength in the core disciplinary component, international economics. For this reason, we regard it as important to make a senior hire in the area. Probably priority should be given to researchers who can interact in international finance, trade and growth, our existing strength and to someone who can provide synergies with the strong group that we have in theoretical and applied macroeconomics. But we should not rule out other opportunities should they arise.

#### ***Junior Appointment in Microeconomics possibly specializing in intellectual property rights/information economics***

It is crucial that the Department maintain a strong faculty in the core area of microeconomic methods. Intellectual property rights and information economics form a

branch of microeconomics that will be a particularly important and active area of research over the coming decades. For example, technological developments have reduced the costs of transmitting and saving information almost to zero. This has important implications for the optimal structure of intellectual property rights and the ability to enforce those rights. The problem of pirated software is already of major policy concern; and in the near future, the development of high definition television and broadband connections to the home will surely lead to questions of how and whether people will be allowed to copy digital information. In addition, questions related to intellectual property rights will be central to policy disputes over how and to what extent pharmaceutical companies can enforce their pricing rights for newly developed drugs.

We believe it is important for the Department to hire an assistant professor with research interests in intellectual property rights and also perhaps information economics. Such a hire would form a natural cluster with current faculty members whose research interests are contract theory (Kahlil, Lawarree, and Shi), and continue the department national reputation in property rights (Barzel), and international commercial policy (Eicher). We would also expect this person to be engaged with several other units on campus including the School of Law, the Business School, the Evans School of Public Policy, and possibly the School of Pharmacy.

We would expect this person would teach in the graduate microeconomics core sequence as well as more specialized courses.