



Tradeoffs

Department of Economics
University of Toronto

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Message From the Chair

by Nancy Gallini

We are now well into a very active and productive academic year. You will read about many of the events in this second issue of the Department of Economics Newsletter, but let me highlight a few of them.

The first was the annual U. of T. Day on October 19. This is the day the University puts on a show for the best and brightest high school students. Economics entertained the students this year with hands-on participation in a prisoners' dilemma game, a sneak preview of a first-year undergraduate's favourite class (ECO100 on video), an economics raffle with prizes including signed copies of Professor David Foot's best selling book *Boom, Bust and Echo* and subscriptions to the *Financial Post*, internet displays of the Economics Homepage and fascinating data series on unemployment, education, deficits and just about anything else a

student could ask for. The day was a great success and a terrific opportunity to educate the high school population to the wonders of economics.

Then there was the awards ceremony on November 21 for the undergraduate students who achieved excellence in our programme---an opportunity to give special recognition to the top students in the program, and another good excuse for students and professors to socialize outside of the formal classroom setting.

Turning to the graduate scene, the Department is delighted that Meriam Serafi (M.A. 1993) and Halina Kwieczińska-Kalita (Ph.D. 1995) are starting a Departmental Alumni Association. We hope to have the first meeting of the graduate alumni next spring. We would very much like to extend this Association to include undergraduate alumni---economics specialists, majors and commerce and finance graduates--but we need energetic alumni to get things going! Any volunteers? Don't hesitate to contact me.

The graduate students will have numerous chances to interact with internationally well-known economics scholars this year. Professor James Heckman, a distinguished labor economist from the University of Chicago who has written on the bell curve, social insurance, discrimination and education, has agreed to be our Malim Harding Visitor during the week of March 17, 1997. In addition to presenting seminars for faculty and graduate students, Professor Heckman will give a public lecture to which everyone is invited. If you are interested, please let me know and we will send you further information.

The faculty and students will spend most of January and February recruiting several new junior faculty to the Department. Although we are fortunate to hire this year given the provincial government budget cuts, we are replacing only half of the recent normal and early retirements in the Department. In order to maintain our stature as a pre-eminent Economics Department in North America, we will need to attract external funding. One important fundraising opportunity--the seat sale--is featured inside.

Finally, congratulations to all who have completed their degrees and departed the University to begin their careers. Don't forget about us. Keep us informed not only about what you are doing but about the activities of other alumni as well. We would like to include your stories about alumni achievements in subsequent issues of the Newsletter.

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Undergraduate News

by David Nowlan, Associate Chairman

Michael Berkowitz has now passed on to me responsibility for the University's largest undergraduate program. Fortunately he has also left me in the very capable hands of Robbie

Innes, the Undergraduate Secretary who, with the help of the Department's receptionist, deals with most of the day-to-day pleasures and problems of running the program.

How large is the largest program? As a measure of program size, the University uses the notion of "full course equivalents," or FCEs for short. One FCE represents one student in a full-year course. By this measure, the undergraduate economics program on the St. George campus was 5700 FCEs last year. Mathematics was second in size, with 5200 FCEs, and English third at 4800 FCEs.

About 2000 of the economics FCEs consisted of students in our two first-year Principles of Economics courses, Eco 100Y and Eco 105Y. Allowing for the fact not all Principles students are first-year students, and that some are from other Faculties, I estimate that at least one-third of the 3700 or so new students who enrol each year in the Faculty of Arts and Science complete introductory economics. About a third of the students who are successful in introductory economics go on to take the core micro and macro second-year courses, and from there work their way into our third- and fourth-year offerings. In recent years we have typically had between 1100 and 1200 students registered as economics specialists or majors.

While this undergraduate interest in economics is gratifying, it in no way diminishes our responsibility to ensure that our courses reflect the best that we can offer. Last year, Michael Berkowitz, the former Associate Chair of Undergraduate Studies, initiated a curriculum review with a focus on the first- and second-year program. I, and the curriculum-review committee, have been asked to continue this process by looking especially at our third- and fourth-year courses. Comments about any aspect of the undergraduate economics program are most welcome and will be helpful to the review committee.

And what about the "pleasures" associated with running the program? These principally arise from our contact with some incredibly talented and energetic students. I'll tell you about some of the best in a subsequent issue.

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Graduate News

by Arthur Hosios, Associate Chairman

The University of Toronto has recently been encouraging its faculties and departments to develop new graduate programs. In line with this, the Department of Economics has been very active in introducing collaborative programs with other disciplines at both the M.A. and Ph.D. levels. And we are now considering the possibility of specializations within the M.A. program. The purpose of all these curriculum developments is to provide students with novel career options and opportunities. Let me take this opportunity to outline some of these programs.

At the Ph.D. level we have programs with the Faculties of Law and Management. Our combined LL.B/Ph.D. program allows students to obtain a law degree and reach the "all but dissertation" stage of the Ph.D. in four years rather than the five it would normally take. The aim is to train students in law and economics either to pursue careers in law schools or departments of economics or to work as specialized practitioners in areas covering the gamut from anti-combines regulation to international trade law.

The Ph.D. program in Management and Economics is a joint program of the Department of Economics and the Faculty of Management. Students in this program must satisfy the basic course requirements of the Ph.D. programs in both Economics and Management and specialize their optional courses and research in the finance area. This program aims to train students in the area of finance to either pursue academic careers in business schools or work in the investment industry.

At the M.A. level we have programs with the Institute for Environmental Studies (IES) and the Department of Political Science. M.A. students with an interest in environmental economics can take a collaborative program with the IES. They complete their course work, including interdisciplinary courses in the environmental area, in eight months and then participate in a four-month internship at a private or public organization concerned with environmental problems.

The collaborative program in International Relations, run jointly with the Department of Political Science, is available to students with a strong interest in interdisciplinary studies who intend to pursue careers in private or public organizations concerned with international issues. Students in this program take the basic M.A.-level economics courses plus a series of political science courses concerned with international relations.

Our newest program, currently in the process of being developed, is an M.A. in Financial Economics that will involve three terms of economics and financial economics courses (plus a financial accounting course) and a summer internship at a firm in the investment industry. The goal is to train economics students for securities design and portfolio management positions. We hope to be able to admit a small number of students to this program in the fall of 1997.

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Retirees

Nanda Choudhry

Nanda joined the Department in 1963, having been previously at the University of Rochester and the University of Buffalo. His Ph.D is from the University of Wisconsin. Nanda was one of the co-authors of the TRACE ECONOMETRIC MODEL OF CANADA and has written extensively on the Indian Economy. His most recent book is THE INDIAN ECONOMY AND POLITY 1966-91: THE INDIRA-RAJIV YEARS, published in 1993.

Yehuda Kotowitz

Yehuda came to the Department in 1964 after graduate work at the University of Chicago, two years teaching at Johns Hopkins University and a period supervising research for the Royal Commission on Taxation. He was a co-author of the TRACE ECONOMETRIC MODEL OF CANADA and in recent years has done extensive research on incentive structures in industrial organization, working on the securities industry with Mike Berkowitz and on technology transfer in China with Loren Brandt. He served as Director of Graduate Studies for a number of years and has supervised numerous Ph.D dissertations.

George Slasor

George has taught in the Department for almost 40 years. He did graduate work at the University of Chicago and the London School of Economics, where he taught for two years before moving to Queen's University and then, two years later, to Toronto. George has been one of the most successful and dedicated teachers in the Department throughout his career. He has been a mainstay of our undergraduate program, having taught thousands of Eco 100 students on both the Erindale and St. George campuses.

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New Colleagues

Gillian Hamilton

Gillian has been with us on contract for a number of years and is now joining the Department tenure stream. A Ph.D from Queen's University, she is developing a fine reputation in Economic History. Her recent publications have been on apprenticeship contracts. Gillian does her undergraduate teaching at Erindale.

Massimo Marinacci

Massimo did his undergraduate work at the Università Bocconi in Milan and earned his doctorate at Northwestern University. His specialties are Game Theory, Decision Theory and General Equilibrium Theory.

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John Crow Joins the Team



John Crow, former Governor of the Bank of Canada, has just been appointed Adjunct Professor in the Department. We are all extremely happy that John has agreed to join us and participate in some of our teaching activities. He and Jack Carr will be giving a second-term course entitled SPECIAL TOPICS IN MONETARY ECONOMICS. This course will be jointly taught in the true sense of the word--both John and Jack will be present at each class meeting. One will give the lecture and the other will lead the students in commenting on the material. We expect that the Carr-Crow team will generate a lot of enthusiasm among students who will have the opportunity to take this class.

Last spring, after the last issue of the Newsletter went to print, our undergraduates taking intermediate macroeconomics had the privilege and pleasure to hear a one-hour address by John on how the Bank of Canada conducts monetary policy. Two sessions had to be arranged to accommodate the large number of students.

John's presentation was a very useful reinforcement of what we teach in intermediate macroeconomics--it important for students to hear how the ideas they learn in class are actually put into practice. After each talk there was an extended question and answer period. The discussions lingered on in the hallways for a good hour after most people had left.

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Profile--Dale Poirier



Dale came to Toronto in 1975 after a brief period at the University of Illinois. Since that time he has established himself as one of the leaders in the econometrics field and one of the strong contributors to excellence in the Department. Dale is among an elite group of economists who have been elected Fellow of the Econometrics Society. He is also a Journal of Econometrics Fellow. His new book, INTERMEDIATE STATISTICS AND ECONOMETRICS, published by MIT Press, is widely used in Ph.D. programs throughout North America. He was founding editor of

ECONOMETRIC REVIEWS and is associate editor of the JOURNAL OF ECONOMETRICS. In 1993 he was elected Chair of the Business and Economics Statistics Section of the American Statistical Association. During 1994-96 he served on the International Advisory Board for the International Society of Bayesian Analysis (ISBA), a society which he helped established.

Needless to say, Dale has had a strong research presence, having published many papers in the top econometrics and statistics journals as well as in general economics journals like the *REVIEW OF ECONOMIC STUDIES* and the *INTERNATIONAL ECONOMIC REVIEW*.

Dale's research shows a rare breadth in that it covers econometric methodology, modelling and computational issues while at the same time showing how econometrics can be brought to bear on economic questions. His doctoral thesis and early research focussed on spline functions and led to several important publications including a book, *THE ECONOMETRICS OF STRUCTURAL CHANGE*, that has been translated into Russian. Since the early 1980s, Dale's work has been concerned largely with Bayesian econometrics and has made him one of the most forceful and eloquent advocates of the Bayesian approach to econometric inference. In addition to several papers that focus on Bayesian methodology, (including an influential piece in the *JOURNAL OF ECONOMIC PERSPECTIVES* in 1988), he has published many practical papers showing how to use Bayesian methods for addressing important empirical questions. In 1991, Dale delivered the *JOURNAL OF BUSINESS ECONOMICS AND STATISTICS*' invited paper at the ASA meetings, addressing an important macroeconomic question involving money and real output. His most recent work analyzes non-identified models and shows how prior links between parameters can imply that learning takes place even for non-identified parameters.

Dale has supervised the doctoral dissertations of many of our best graduate students including Stan Zin (Carnegie-Mellon), Gary Koop (Toronto), Kai Li (University of British Columbia) and Steven Wei (CORE). He has several more promising students on the way.

[Photo of Dale Poirier](#)

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The Professorate Bulge -- by David K. Foot



David Foot

Why is it more difficult for our current graduate students to find jobs than it was a decade ago? Is it because they aren't as good or as well trained? And why are so many professors over 50? Is it because that age group is particularly talented?

Recent research published by Statistics Canada discovered that a staggering 61 percent of full-time university faculty were born before 1945. Another 36 percent were born between 1946 and 1960. Only 3 percent of the 9000 Canadian professors examined in the study were born after 1960. Most professors are currently in their early fifties.

How did this happen? The first postwar Canadian baby boomers emerged in 1947. Not surprisingly, after flooding elementary

and secondary schools they reached their age of post-secondary induction 19 years later in 1966 (the year that the college system was established in Ontario).

As the boomers poured into colleges and universities in the late 1960s and early 1970s there was tremendous growth in the demand for qualified teachers. New Ph.D.s had multiple job offers and even the ABDs (all but dissertations) could find a place in post-secondary education. Many academic positions were filled from overseas where the postwar baby boom was not nearly so large.

The peak of the baby boom born in 1960 passed through their university years in the early 1980s. Many of the boomers decided to pursue graduate degrees which, fortunately for their professors, extended the demand for their services, but which, unfortunately for the students, continued to flood the job market with graduate degrees. For the 30-year-old Assistant Professor of 1970, currently entering his or her 56th year, the waiting job provided every incentive to complete the doctorate quickly. And the continuing need for faculty over the 1970s and 1980s meant that universities were quick to grant tenure and promotions. Even a front-end boomer born in 1950 could graduate in 1980, expect to receive at least one desirable tenure stream offer and be granted tenure five years later, albeit with a little more uncertainty.

The last of the Canadian boomers born in 1966 completed their degrees at age 23 in 1989. Then guess what happened? The job market was glutted with graduates and the demand for new faculty dried up. New graduates in the 1990s found themselves in much less demand. The incentive to finish a doctorate quickly is not nearly so great. Bouncing from one contract to another is the norm both inside and outside of academe. Welcome to the well-educated version of Generation X.

The graduate students of the 1990s have had demographics stacked against them. Their lack of job prospects says nothing about their intellect, work habits or interview skills. All it says is that they are the losers in a genetic lottery. And, the winners in the same lottery--their professors--have been their mentors. The need for understanding in graduate departments has never been greater.

But all is not bleak forever. Over the 1980s the boomers started having their kids. Births rose in Canada. The first of these "echo" children reach university age at the dawn of the new millennium. By then many of those faculty born before 1945 will be retired. Will the cycle then start all over again?

Note: David wishes to thank his many classes of graduate students who have taught him over the years. His new book BOOM, BUST & ECHO, a current best-seller, was published in May 1996.

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What's Happening in the Department of Economics

The Clio Conference

The 1997 American Cliometrics Conference will be held here at the University of Toronto, organized and arranged by Loren Brandt. This is the most prestigious economic history conference in North America. Only twelve papers are accepted for presentation and all of the 40 to 45 attendees apply for invitations. Each year the convenors make a point of including the work of graduate students and young scholars. The papers are circulated well in advance, ensuring that everyone has had a chance to digest them. This makes for lively, stimulating (and often combative!) sessions. The conference is funded by the National Science Foundation (U.S.A). It will be held on May 16-18, 1997. This is the first time it has been held in Canada.

The Canadian Macroeconomics Study Group

The Department will host the annual meeting of the Canadian Macroeconomic Study Group in the Fall of 1997. Now in its eleventh year, this is the first time that the three-day meeting will take place in Toronto. Local organizers Martin Boileau, Huw Lloyd-Ellis and Angelo Melino expect that about sixty academics and public officials from all over Canada and the United States will attend.

Announcing a Big Seat Sale!

Every dollar given to support scholarships and fellowships will be matched dollar for dollar by the University of Toronto and again by the Province of Ontario--this applies to cash donations, however small, and pledges received before the Government of Ontario's March 31, 1997 deadline!

Help us recruit and support the best graduate and undergraduate students available! And help support good undergraduate and graduate students! If you cannot give right now, pass the word along to some one who can!

.....And!! The First Passenger!

At the end of his final year before retirement, Professor Nanda Choudhry generously decided to teach a summer course and donate the stipend he received to the scholarship fund. After these funds are matched first by the University and again by the Province, the interest will come close to covering a year's tuition for an undergraduate economics major! Thanks Nanda!

A First Graduate

The first economics student has graduated from the Institute for Environmental Studies collaborative program. Lindsay Wallace has received her M.A. and has been awarded a 2-year contract with CIDA as a Guyana Economic Management Program Fellow. She will be working on a project to strengthen economic and fiscal management in the government of Guyana.

Another Group of Ph.D.s Join the Profession

Congratulations to our Ph.D students who have graduated in the past year and begun their careers as professional economists:

Aidan Hollis -- University of Calgary
 Jack Parkinson -- Ontario Government
 Kim-Chung Lo -- University of Alberta
 Edgar Rodriguez -- World Bank
 Kai Li -- University of British Columbia
 Kazem Yavari -- University of Iran

An Alumni Association in the Making

We are pleased to announce the formation of an ECO ALUMNI for all University of Toronto M.A. and Ph.D. graduates in Economics!

Strengthen your networking opportunities in the business world!

Reestablish school ties with other alumni and former friends!

Most Important! **SOCIALIZE!**

UPCOMING EVENT: Dinner Meeting -- Spring 1997.

We are anxious to hear your comments and ideas. Contact:
 Miriam Seirafi, M.A. (416) 867-4469 (Miriam_Seirafi@JH.COM)

New Programs at Erindale

The Department, in cooperation with other departments, is introducing two new undergraduate specialist programs at Erindale College. The Specialist Programme in International Affairs is being developed in conjunction with Political Science, History, Geography and Modern Languages. It will help students build analytical and linguistic skills and understanding of institutional and theoretic issues pertaining to political, commercial and economic relations between nations. This will equip them to work effectively in an increasingly globalized economy. The Specialist Programme in Financial Economics and Mathematics, which will include courses in Management and Mathematics as well as Economics, will equip students for entry-level positions in the financial services industry.

Other News Items

- John Floyd is Co-Chair of the 1996 Erindale College United Way Campaign. John Munro is coordinator for the Department on the St. George Campus.

- Abigail Payne (who does her undergraduate teaching on the Scarborough Campus) and Aloysius Siow have been awarded a major grant from The Mellon Foundation to study private and public funding of higher education.

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From the Editor

Communications, suggestions, and information about alumni and other matters should be addressed to:

Prof. J. E. Floyd
Department of Economics
University of Toronto
150 St. George St.
Toronto, M5S-3C5

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