
The Becker Friedman Institute

2013–14
At the Becker Friedman Institute for Research in Economics, 2013–14 was a vibrant year of expanding inquiry and impact. With a record 52 events that attracted a total of nearly 3,390 researchers, faculty, students, alumni, and economics enthusiasts, we have explored critical questions and knowledge gaps, nurtured new collaborations, and shared economic insights with new audiences.

I’m particularly proud of how our research initiatives and visitor programs have expanded to engage students. In a lecture series especially for graduate students, several of our visiting scholars gave advanced lectures on specialized topics, broadening the landscape of learning opportunities.

Through our initiatives, we’re also providing doctoral students with dissertation support and opportunities for them to present their work and get feedback from a wider circle of experts. In this way we are generating new work from creative young minds.

This memorable year that began with a celebration of my Nobel Prize ends with us mourning the death of institute chair Gary S. Becker, AM’53, PhD’55. For me, Gary personified UChicago economics, and he championed this institute as means of strengthening that intellectual tradition. We all are grateful for his wisdom and support, and miss him deeply.

Despite our loss, the institute’s future is bright. We have just moved into our new quarters in the Saieh Hall for Economics at 5757 South University Avenue. Designed to accommodate our visiting scholars, student activities, research, and collaboration, our new home will transform the institute into a true intellectual destination for economic inquiry.

Lars Peter Hansen
Director and Co-chair
## 2013–14 Highlights

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What is the price of investor uncertainty in terms of stalled economic growth? This year the Becker Friedman Institute launched a project exploring that essential question. A generous grant from the John D. and Catherine T. MacArthur Foundation helps us build on innovative research and share findings widely in the policy community.
Among 32 visiting scholars, the institute welcomed Nobel laureate Robert Engle as the inaugural Ta-Chung Liu Distinguished Visitor. A famed econometrician, Ta-Chung Liu was known for blending theory and fresh data sources in his pragmatic approach to building models. The visitorship supports scholars—like Engle, Liu’s former student—who work in this vein. Ernest and Joan Liu created the named post to honor his father.

A highlight among our 26 programs for students was a panel discussion organized by and for undergraduates. The event showed that economic analysis can transcend partisan politics. The panel featured Martin Feldstein and Martin Baily, who headed the Council of Economic Advisers under Reagan and Clinton respectively. Questioned about a range of current economic issues by student moderator Chris Denning, their views turned out to be remarkably similar.
Robert Gibbons introduced students to the emerging field of organizational economics. Sir John Vickers gave a public talk on banking reform in Britain. George Tavlas of the Bank of Greece gave undergraduates a personal and detailed overview on the sovereign debt crisis. Our visitors gave student lectures, presented at workshops and conferences, or gave public talks.

These reflect a few of the many ways our 32 visiting scholars enriched the UChicago economics community with fresh perspectives and expertise.

Visitor activities

6 conference presentations
33 workshop or seminar talks
11 student lectures
2 public talks

Visiting Scholars 2013–14

Eduardo Azevedo
University of Pennsylvania
international and monetary economics

Efraim Benmelech
Northwestern University
corporate finance, contracts, and bankruptcy

Stéphane Bonhomme
University of Chicago
microeconomics and labor economics

Thomas Chaney
Toulouse School of Economics
international trade theory

Robert Engle
New York University,
Ta-Chung Liu
Distinguished Visitor
time-series analysis and
financial markets

Michael Fabinger
Pennsylvania State University
international and public economics

Robert Gibbons
Massachusetts Institute of Technology
organizational economics

Avner Greif
Stanford University
economic history and institutional economics

John Hatfield
Stanford University
contracts, competition, and strategy

Michael Keane
Oxford University
behavioral economics and econometrics

John Kennan
University of Wisconsin—Madison
microeconomic theory and labor economics

Phillipp Kircher
London School of Economics
international and public economics

Pablo Kurlat
Stanford University
liquidity, information, and financial markets

David Lagakos
Arizona State University
macroeconomics and growth theory
Distinguished Research Fellows

Pierre-André Chiappori
Columbia University
household behavior, risk, insurance, contract theory

Thomas J. Sargent
New York University
monetary and fiscal economics

Robert M. Townsend
Massachusetts Institute of Technology
development economics

Ulrike Malmendier
University of California, Berkeley
Hodson Thornber Fellow
corporate and behavioral finance

Petra Moser
Stanford University
economics of innovation

Nick Netzer
University of Zurich
behavioral aspects in mechanism design theory

Maurice Obstfeld
University of California, Berkeley
international and monetary economics

Harry Paarsch
University of Melbourne
applied econometrics

Dimitri Papanikolaou
Northwestern University
asset pricing and macroeconomics

Parag Pathak
Massachusetts Institute of Technology
market design in school choice

Jose Luis Peydro
Pompeu Fabra University
systemic risk and central bank policies

Hélène Rey
London Business School
trade, fiscal imbalance and financial crises

Esteban Rossi-Hansberg
Princeton University
international trade and urban economics

Konstantin Sonin
New Economic School (Moscow)
development and political economics

Holger Spamann
Harvard University
corporate finance, law and economics

Tomasz Strzalecki
Harvard University
decision theory, ambiguity aversion

George Tavlas
Bank of Greece
monetary policy and monetary unions

John Vickers
Oxford University
economics of competition and regulation

Becker Friedman Institute | 5
RESEARCH CONFERENCES

Advancing Economic Research

From tax policy to changing media and communications markets, topical research conferences and workshops brought evidence to bear on current economic issues, unanswered questions, and emerging trends.

➔ The Empirical Foundations of Supply-Side Economics conference demonstrated the institute’s unique strengths: it presented the best available evidence on how taxes impact individual and corporate economic decisions, providing a factual basis for tax policy discussions. It highlighted micro-and macroeconomic perspectives and brought together experts from different disciplines and policy roles to discuss the implications.

➔ The Monetary and Fiscal History of Latin America conference was a key part of a long-term historical research project. Teams of researchers are comparing economic data and policies across the crisis-prone region to learn why its growth lagged well behind much of the rest of the world. The project relies on such conferences to review data and calibrate the models used to analyze it.
10 conferences
186 presenters
713 total attendees

Research Conferences 2013–14

Networks in Macroeconomics and Finance*
The Empirical Foundations of Supply Side Economics *
Macro Financial Modeling and Macroeconomic Fragility* (Boston)
Science of Philanthropy*
Conference on Empirical Labor Economics in Honor of Finis Welch
The Monetary and Fiscal History of Latin America*
Macroeconomic Fragility*
Economics of Media and Communications
Workshop on Risk and Family Economics* (London)
Macro Financial Modeling* (New York)

*starred conferences are part of our multiyear research initiatives.
The institute made it a priority to bring learning opportunities to students at all levels, from new undergraduates to doctoral candidates completing their dissertations.

**Research Experience for Undergraduates**
This summer program gives budding economists a broader research perspective and enhanced analytic skills.
June 26–July 12, 2013
June 23–July 3, 2014

**Friedman Forum Lectures**
This series for undergraduates offers informal access to leading researchers and Nobel laureates

The Euro Crisis
Pierre-André Chiappori

On Moral Hazard and Macroeconomics
Roger Myerson

Financial Globalization and Financial Crises
Maurice Obstfeld

**Other Undergraduate Events**
Students planned, promoted, and presented a discussion with top economic policymakers.
Views from White House Economists
China and the World
Yao Yang keynote address

**Becker Brown Bag talks for MBA students**
Top faculty share emerging research with MBA students in this popular series.

Regulating Consumer Financial Products: Evidence from Credit Cards
Neal Mahoney, University of Chicago Booth School of Business

Perspectives on Greece
George Tavlas, Bank of Greece

Asset Pricing and Sports Betting
Tobias Moskowitz, Chicago Booth
8 undergraduate events
566 estimated attendance

18 graduate student events
921 estimated attendance

Monitoring Risk with V-LAB
Robert Engle, Ta-Chung Liu
Distinguished Visitor, New York University

The High-Frequency Trading Arms Race
Eric Budish, Chicago Booth

Graduate Student Lecture Series
Students gained access to a broader range of expertise at lectures by institute visitors

Economic Applications of Modern Numerical Methods
Gregor Reich, Karl Schmedders, Simon Scheidegger, and Ole Wilms, University of Zurich;
Victor Zhorin, UChicago

Three ‘Biased’ Lectures on Economic Models of Internal Organization: Pricing, Politics, and Path Dependence
Robert Gibbons, Massachusetts Institute of Technology

Computational Economics: Practical Tools and Techniques
Victor Zhorin, UChicago

Structural GARCH: The Volatility-Leverage Connection
Robert Engle, New York University

Segregated Security Exchanges with Ex Ante Rights to Trade
Robert Townsend, MIT

Internal and International Migration: Models and Empirics
John Kennan, University of Wisconsin—Madison

Trilemmas and Tradeoffs
Maurice Obstfeld, University of California, Berkeley

Friedman Forum
Research Experience for Undergraduates
OUR NEW HOME

Saieh Hall for Economics
With 150,000 square feet of new and beautifully renovated space, Saieh Hall offers additional classroom and seminar space for the institute’s conferences and workshops. Offices for visitors near the Department of Economics allow impromptu exchanges and easy collaboration, making the institute a true intellectual destination.
Emerging new initiatives are exploring topics like the price of policy uncertainty, industrial organization, and the economics of health care markets, while existing projects engage faculty and young scholars from around the world.

7 topical initiatives
91 papers presented
480 conference participants

The Human Capital and Economic Opportunity Global Working Group is becoming part of the new Center for the Economics of Human Development, directed by James Heckman.

More than a dozen doctoral students received dissertation support from the Macro Financial Modeling and Systemic Risk initiative, supporting innovative new work on the topic. The project is working to develop macroeconomic models with enhanced linkages to the financial sector, with the aim of providing better policy tools for managing systemic risk.
The Experimental Economics Initiative is yielding evidence on effective approaches in early childhood education and philanthropy. One project tests interventions with students, teachers, and families in Chicago Heights schools to see which methods boost student achievement.

Initiatives 2013–14

The institute supported research activity exploring key questions in these areas in 2013–14.

Economics of the Family
Fiscal Studies
Human Capital and Economic Opportunity
Industrial Organization
Macroeconomic Modeling and Systemic Risk
Policy Uncertainty
Andrew and Betsy Rosenfield Program
  • Experimental Economics
  • Law and Economics
  • Price Theory
The institute shared Chicago-style economic analysis at breakfasts, informal talks and receptions, panel discussions, and workshops. These events engaged attendees in discussions of some of our greatest economic and policy challenges.
14 events 900+ attendees

Visiting Scholar Sir John Vickers gave a public talk on post-crisis banking reform in Britain.

The Economics of Climate Change: Conversation with William Nordhaus

Scheinkman on Bubbles: Workshop with José Scheinkman (New York)

From the Trading Floor to the Foreclosure Next Door: Financial Markets and Economic Performance panel discussion (New York)

Uncommon Core: The Future of Economics with Lars Peter Hansen
## 2013–14 Financials

### Revenue

<table>
<thead>
<tr>
<th>Funding Source</th>
<th>Budget</th>
</tr>
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<tbody>
<tr>
<td>Unrestricted Support</td>
<td>1,000</td>
</tr>
<tr>
<td>Unrestricted Endowment Payout</td>
<td>536</td>
</tr>
<tr>
<td>Restricted Gifts and Grants</td>
<td>2,483</td>
</tr>
<tr>
<td>Restricted Endowment Payout</td>
<td>569</td>
</tr>
<tr>
<td><strong>Total Current Year</strong></td>
<td><strong>4,588</strong></td>
</tr>
</tbody>
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### Actual Expense

<table>
<thead>
<tr>
<th>Expense Area</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>BFI Operations</td>
<td>1,368</td>
</tr>
<tr>
<td>Researcher Compensation</td>
<td>789</td>
</tr>
<tr>
<td>Conferences &amp; Research Support</td>
<td>882</td>
</tr>
<tr>
<td>Visitors</td>
<td>382</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,421</strong></td>
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Overall, the institute underspent funding by $1.167 million, but this was almost exclusively from restricted sources. Unspent funding rolls over into the next fiscal year.

### Funding Allocation to Expense Areas

<table>
<thead>
<tr>
<th>Expense Area</th>
<th>Unrestricted</th>
<th>Restricted</th>
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</thead>
<tbody>
<tr>
<td>BFI Operations</td>
<td>1,114</td>
<td>254</td>
</tr>
<tr>
<td>Researcher Compensation</td>
<td>63</td>
<td>726</td>
</tr>
<tr>
<td>Conferences and Research Support</td>
<td>190</td>
<td>692</td>
</tr>
<tr>
<td>Visitors</td>
<td>167</td>
<td>214</td>
</tr>
<tr>
<td><strong>Expense Total</strong></td>
<td><strong>1,534</strong></td>
<td><strong>1,886</strong></td>
</tr>
<tr>
<td><strong>Funding Available</strong></td>
<td><strong>1,536</strong></td>
<td><strong>3,052</strong></td>
</tr>
<tr>
<td><strong>Net Total</strong></td>
<td><strong>2</strong></td>
<td><strong>1,166</strong></td>
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