

# Economics Department Newsletter

October 22, 2013

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3. Monday, October 28, 4:00pm – 5:30pm. Griffin 6. Class of 1960 Scholars Seminar. [James X. Sullivan](#), University of Notre Dame. [Consumption and Income Inequality in the U.S. Since the 1960s](#).

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### Seminars and events

#### 1. Structural Panel VARs

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On Wednesday, October 23, from 4:00pm to 5:30pm in Griffin 6. [Peter Pedroni](#) of Williams College will present an Economics Department Seminar on his paper [Structural Panel VARs](#). From the abstract: “The paper proposes a structural approach to VAR analysis in panels, which takes into account responses to both idiosyncratic and common structural shocks, while permitting full cross member heterogeneity of the response dynamics. In the context of this structural approach, estimation of the loading matrices for the decomposition into idiosyncratic versus common shocks is straightforward and transparent. The method appears to do remarkably well at uncovering the properties of the sample distribution of the underlying structural dynamics, even when the panels are relatively short, as illustrated in Monte Carlo simulations. Finally, these simulations also

illustrate that the SVAR panel method can be used to improve inference, not only for properties of the sample distribution, but also for dynamics of individual members of the panel that lack adequate data for a conventional time series SVAR analysis. This is accomplished by using fitted cross sectional regressions of the sample of estimated panel responses to correlated static measures, and using these to interpolate the member-specific dynamics.”

## **2. American Banking and the Transportation Revolution before the Civil War**

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On Friday, October 25, from 12:30pm – 1:30pm in Schapiro 309, [Matt Jaremski](#) of Colgate University will present an Economics “Brown Bag Lunch” seminar on his paper [American Banking and the Transportation Revolution Before the Civil War](#). From the abstract: “Studies have shown a connection between finance and growth, but most do not consider how financial and real factors interact to put a virtuous cycle of economic development into motion. As the main transportation advance of the 19th century, railroads connected established commercial centers and made the unsettled areas along their routes better candidates for development. We measure the strength of links between railroads and banks in seven Midwest states using an annual transportation GIS database linked to a census of banking. These data indicate that those counties which already had a bank were more likely to see their first railroad go through over the next decade, while new banks tended to enter a county a year or two after it got a railroad. The initial banking system thus helped establish the rail system, while the rapid expansion of railroads helped fill in the banking map of the American Midwest.”

## **3. Consumption and Income Inequality in the U.S. Since the 1960s**

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On Monday, October 28, from 4:00pm – 5:30pm in Griffin 6, [James X. Sullivan](#) of the University of Notre Dame will present an Economics Class of 1960 Scholars Seminar on his paper [Consumption and Income Inequality in the U.S. Since the 1960s](#). From the abstract: “Official income inequality statistics indicate a sharp rise in inequality over the past four decades. These statistics, however, may not accurately reflect inequality in well-being for a number of reasons. Income is likely to be poorly measured, particularly in the tails of the distribution. Also, current income may differ from permanent income, failing to capture the enjoyment of past and future income through borrowing and saving and the consumption of durables such as houses and cars. This paper examines inequality in economic well-being in the U.S. since the 1960s using consumption and income based measures of inequality. We advance the literature on inequality by constructing improved measures of consumption over a long time period. We examine income inequality between 1963 and 2011 using data from the Current Population Survey and consumption inequality between 1960 and 2011 using data from the Consumer Expenditure Survey. We investigate inequality patterns in different parts of the distribution by reporting ratios of percentiles, focusing on the 90/10, 90/50, and 50/10 ratios. In general, accounting for taxes considerably reduces the rise in income inequality since 1963, while accounting for noncash benefits has only a small effect on changes in income inequality. Consumption inequality is less pronounced than income inequality, particularly for the bottom half of the distribution. Income inequality fell in the 1960s while consumption inequality rose. In the 1980s, inequality for both measures rose, but the increase was much greater for

income than for consumption. After 2005 these measures moved in opposite directions as income inequality rose sharply while consumption inequality fell. Over the period from 1980 to 2011, both income and consumption inequality rose, but the rise was much more noticeable for income (45 percent) than for consumption (19 percent). Furthermore, until 2005 differences between the two are only apparent in the bottom half of the distribution.”

## **Jobs and internships**

### **4. Summer 2014 Institute on Comparative Political and Economic Systems**

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The Institute on Comparative Political & Economic Systems in Washington, DC combines elements of an academic program and a summer internship program. They are now accepting applications for their summer 2014 program. For information, see: <http://web.williams.edu/williams-only/Economics/NewsletterAnnouncements/2013103/ComparativePoliticalAndEconSystems.pdf>

### **5. Federal Reserve Bank of Kansas City Full-Time Research Associate Opportunity**

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The Federal Reserve Bank of Kansas City seeks applicants for a full-time research associate opportunity. For information, see: <http://web.williams.edu/williams-only/Economics/NewsletterAnnouncements/2013103/KC-Fed.pdf>

### **6. Industrial Relations Section at Princeton University seeks Full-Time Data Analyst**

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The Industrial Relations Section at Princeton University seeks applicants for a full-time Data Analyst position. This is an opportunity to work as a research assistant for some of the world’s leading economists, studying topics related to labor economics, public economics, or education, and would be ideal for a current senior who is thinking of eventually pursuing graduate school in economics. For more information, see: <http://web.williams.edu/williams-only/Economics/NewsletterAnnouncements/2013103/PrincetonRA.pdf>

## **Graduate programs**

### **7. Berkeley Masters of Financial Engineering Program**

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The Masters of Financial Engineering program at the University of California, Berkeley, is seeking applicants, and will be hosting an information session for interested students in New York City on November 1. For information, see: <http://web.williams.edu/williams-only/Economics/NewsletterAnnouncements/2013103/BerkeleyMFE.pdf>

## Interesting reading

### **8. Raj Chetty: “Yes, Economics Is a Science”**

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Harvard economics professor [Raj Chetty](#), a MacArthur "Genius" Fellowship recipient and a winner of the John Bates Clark medal (given by the American Economic Association to the best American economist under age 40), defends the scientific nature of economics in the *New York Times* today. See:

<http://www.nytimes.com/2013/10/21/opinion/yes-economics-is-a-science.html>

### **9. Eight of the World’s Top Young Economists Discuss Where Their Field Is Going**

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Ali Wyne of the web site “Bigthink.com” asked eight of the world’s top young economists where their field is going. Their answers are very interesting. See:

<http://bigthink.com/power-games/empirics-and-psychology-eight-of-the-worlds-top-young-economists-discuss-where-their-field-is-going>

## About the newsletter

### **10. How to get items into the newsletter and how to unsubscribe**

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Please contact [Jon Bakija](#) with any news, events, or other information that you would like to send around to Economics and Political Economy faculty and majors, as well as anyone who has manifested an interest in the field by taking a class in either department this semester, or if you would prefer not to receive the newsletter and want to unsubscribe.