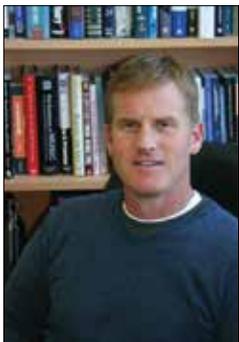




Economics



Weighing the Options: Starbucks Looks Better Than Dunkin' Donuts



It didn't move the meter much on obesity, but a 2008 mandatory calorie-posting law in New York City did cause Starbucks customers to

choose lower-calorie items, according to a study co-authored by UW-Madison Associate Professor of Economics Alan Sorensen, published in the *American Economic Journal: Economic Policy*.

The study also found that, although overall company profits weren't measurably affected by the policy, a few individual Starbucks stores actually did better.

Why?

Sorensen and co-authors Bryan Bollinger (NYU) and Phillip Leslie (UCLA) believe it's because those stores were located very close to Dunkin' Donuts.

“Since all chains had to post calorie info, and since this info was probably more unfavorable for Dunkin' Donuts products than for Starbucks products, we suspect the finding reflects a substitution effect: people choosing to go to Starbucks instead of Dunkin' Donuts after they start seeing calorie counts,” said Sorensen.

The findings are significant because a similar mandatory calorie-posting law will soon go into effect nationwide as part of President Obama's Patient Protection and Affordable Care Act.

The dramatic rise in obesity rates in the United States over the last 15 years is a well-known and much-studied phenomenon. Because obesity tends to cause or exacerbate other health problems — and consequently increases the health care costs borne by programs such as Medicare — there is considerable interest in policy interventions aimed at curbing obesity.

To study the effects of the New York City policy, Sorensen and his co-authors obtained complete transaction

records from Starbucks for all shops in New York, Boston, and Philadelphia for a 13-month period spanning the regulatory change. They then measured the change in calories per transaction in New York after calorie posting went into effect, and compared that change to trends in Boston and Philadelphia.

They found that Starbucks customers reduced their calories per transaction by a modest 6 percent, an effect that came almost entirely from reduced purchases of food items such as muffins and scones. The policy was shown to increase profits at Starbucks locations in areas where a Dunkin' Donuts (the main competitor of Starbucks) was within one hundred meters.

The study shows that even if the health benefits of the policy are modest, they could easily outweigh the costs because calorie posting is relatively inexpensive. Moreover, the long-run effects of calorie posting are potentially more substantial than the short-run effects documented in the study. ■



Notes from the Chair



BRYCE RICHTER, UNIVERSITY COMMUNICATIONS

The start of a new academic year is always exciting.

In kindergarten, the thrill for me came from new clothes (or at least sneakers); the school cafeteria (one doesn't get to be my size — I'm a little over six-foot-four — by being a picky eater); and recess. The reasons for my excitement have changed, but the start of the fall semester in Madison is still full of promise.

Students are flocking to economics.

What do I mean by “flocking?” As recently as 2006–07, we had just more than 300 economics majors. In the spring of 2012, we had 960. In the first two weeks of this semester, our stellar undergraduate team (advisers Susan Hering and Allen Riegel, new undergraduate coordinator Rori Costello, and career adviser Bethany Nelson) met with 350 students! In that same two-week period, the

department welcomed 130 additional economics majors. It would not surprise me to have more than 1,000 economics majors by the end of this academic year, making us the largest major at UW-Madison.

I am often asked what accounts for the popularity of the economics major. The tough economy and job market clearly have something to do with it. But other factors matter a lot.

Economics trains students to think systematically about the ways in which individuals, companies, and governments try to achieve their objectives, subject to constraints. The logical, disciplined economics way of thinking is appealing to employers and graduate schools. We offer a rigorous but highly marketable degree. We also have a superb undergraduate team (Rori Costello, Susan Hering, Bethany Nelson, and Allen Riegel), and many outstanding colleagues are delivering great classes.

We wouldn't be where we are without our alumni. Last year individual contributions to the annual fund doubled, and the number of first-time donors more than tripled. These gifts help us to increase critical career advisory services in the undergraduate office; fund faculty recruitment and retention; aid graduate student travel and projects; help finance *Equilibrium*, our unique undergraduate research publication; provide scholarships for deserving undergraduates; and support alumni networking and outreach.

Alumni and donors, *thank you*. Your job connections, student mentoring, financial aid, and even your well wishes make a huge, positive difference.

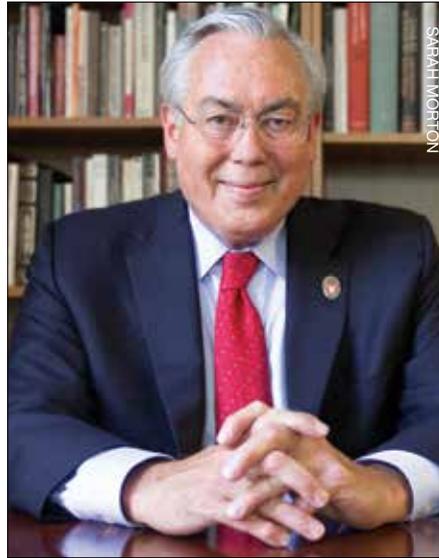
Stay in touch and On, Wisconsin!

John Karl Scholz, Chair

From the Dean's Desk

I am delighted to write to you from the College of Letters & Science: the heart of UW-Madison, where students learn to make a good living and lead a good life. When I think of the contributions that our departments make to the university, the state, and the world through research, teaching, and public service, I am reminded why I have spent 30 of my happiest and most rewarding years here.

As you have heard, public higher education is at a crossroads. State support for this university now provides only 15 percent of our annual budget. I have asked all departments to carefully consider innovations that give us new tools and strategies for ensuring a world-class, 21st-century education. The Department of Economics has truly risen to this challenge, having



grown from 300 majors in 2006–07 to more than 950 last spring. The department is also committed to providing enhanced career and

networking opportunities that connect students with our alumni and prepare them to lead a good life.

Indeed, the Department of Economics has much to celebrate. Alumni and friends should feel proud of its vibrant, engaged community of faculty, staff, students, and alumni, as well as the department's outstanding ranking among peer institutions.

I invite you to stay connected to your alma mater. I appreciate your feedback and support, and I want to thank you for all that you do.

On, Wisconsin!

Gary Sandefur, Dean

New Faculty Profiles



Javier Bianchi joins the Department of Economics as an assistant professor after spending a year as a visiting assistant professor at New York University. The Uruguay native is, not surprisingly, a huge soccer fan who still likes to play regularly (and he's looking for a team to join in Madison if anyone has an opening). Bianchi, who was hired with funding from the

Madison Initiative for Undergraduates, obtained his PhD from the University of Maryland in 2011, after graduating from the Universidad de Montevideo in 2003. Javier will teach international economics.



Once upon a time, **Jesse Gregory** was a record-setting power hitter for the Kenyon College baseball team. These days, he is acclimating himself to the University of Wisconsin-Madison in his first year as an assistant professor in the Department of Economics. Gregory studied physics and economics at Kenyon College in Gambier, Ohio, and earned Academic All-American honors as a senior in 2003. He earned his PhD in economics from the University of Michigan in 2012. Jesse is an applied micro economist who will teach public economics.

Economics Matters is the alumni newsletter of the Department of Economics at the University of Wisconsin-Madison.

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Survey Says: Econ Department Helps Graduates Land Jobs

How many of our graduates find jobs or go to graduate school? What percentage are still searching for opportunities a year or two later?

For a department that scrutinizes the markets, these are vital questions. We assess the quality of our program, in part, through the employment outcomes of our graduates.

For the past few years, the department has conducted post-graduation student surveys. Historically, response rates have been low (35 percent), despite our efforts to encourage students to participate. This year, with the assistance of advisory board member CJ Wilson, we contracted with a survey company, Secret Survey (secret-survey.com), to increase participation.

Our short survey focused primarily on post-graduation plans and the perceived effectiveness of departmental efforts to enhance employment outcomes, such as offering career advisory services.

Recent graduates were repeatedly contacted by the department chair, by CJ, and by Secret Survey staff. Our ultimate response rate exceeded 50 percent. The department will continue to develop a culture among our students that this is an important evaluation tool.

Of the respondents:

- 42 percent had accepted a job offer.
- 28 percent had accepted a place in graduate school.
- 21 percent were searching for jobs or considering graduate school.

- Remaining respondents had offers for either employment or graduate school, but had not decided what to do.

More than 60 percent of respondents rated their “overall satisfaction” level as 8 or higher on a 10-point scale. More than 80 percent gave us a 7 or better. The open-ended feedback we received has focused us on further enhancing the breadth of our course offerings, continuing to improve our teaching quality, and bolstering our academic and career advising.

In market terms, students are buying our “product.” Moving forward, our goals are to increase post-graduate survey participation and further improve employment outcomes and overall satisfaction.

Emeriti Corner

W. Lee Hansen

Since retiring in 1998, I have been working on a book manuscript describing my proficiencies-based approach to economics instruction, and continuing to research and comment on UW-Madison and UW System diversity plans, policies, and practices (ssc.wisc.edu/~whansen/). I am editing my collection of letters to my family from my undergraduate years at Madison (BA'50), as well as from my military service years in Turkey and my graduate days both at Madison and at Johns Hopkins University (PhD'58). The project is intended for the UW-Madison Archives and the Wisconsin Veterans Museum.

wlhansen@wisc.edu

Robert Haveman

I arrived at UW-Madison on the day of the Sterling Hall bombing — August 24, 1970 — and retired in 2004. I was director of the Institute for Research on Poverty, director of the La Follette School of Public Affairs, and chair of the economics department. I still teach and have several ongoing research projects. For more details, see lafollette.wisc.edu/facultystaff/haveman-robert.html. Both my spouse, Bobbi Wolfe, and I hold academic appointments at Australian National University, which takes us to Canberra in January and February each year.

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Donald Nichols

I retired from the economics faculty in 2005 after 40 years. For five of those years, I served as director of the La Follette School of Public Affairs. I was also chairman of the economics department for several terms. Currently I serve on the board of academic advisers of the Chicago Federal Reserve Bank and am chairman of the board of the Thompson Plumb Funds, a family of mutual funds. I am also a fellow of the Wisconsin Academy of Sciences, Arts & Letters. I remain closely attached to the university I love.

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Jeffrey G. Williamson

I was on the economics faculty for 20 years (1963–83), after which I left for Harvard. After 25 years, Nancy and I moved back to Madison to retire in 2008. I am an honorary fellow in the economics department and spend most of my time doing research, writing, and lecturing. (My book *Trade and Poverty: When the Third World Fell Apart* was published by MIT in 2011.) See economics.harvard.edu/faculty/directory/emeritus.

jwilliam@fas.harvard.edu

To read the Faculty Senate memorials for great friends and supporters Bob Baldwin, Art Goldberger, and Ed Young, please visit secfac.wisc.edu/senate/MemorialResolutions.asp. Additions and updates to this list will appear in future issues. Contact Jeff Williamson (jwilliam@fas.harvard.edu).

New Economics Advisory Board Members

Barbara Widder Lowry, BS'72, economics, is a fourth-generation Badger alumna and former owner of Genuine Kids, a company that designed and manufactured children's clothing. Lowry and her husband, Paul, sold Genuine Kids to Oshkosh B'Gosh in the mid-2000s, and worked with that company for several years.

Susan Fancher, BS'81, economics, is senior vice president of marketing at Connections Academy, a nationally recognized, tuition-free public school that combines aspects of home schooling with those of traditional public education. Fancher also earned an MBA from New York University.

As a financial economist at the Brattle Group, **Lynda Borucki**, BS'80, math and economics, provides advice and develops expert testimony on the application of corporate finance and economics in litigation and strategic engagements. Borucki also earned an MA degree in managerial economics from Northwestern University's Kellogg School.

Charles Walbrandt, BS'60, economics, is founder and chairman of the Fiduciary Asset Management Company (FAMCO), acquired by Piper Jaffray in 2007. Walbrandt continues to lead the FAMCO team in St. Louis. He also earned an MBA in finance from St. Louis University.

Thanks to the generosity of our alumni and friends,

the Department of Economics is able to provide a diverse range of grants, scholarships, and awards to our outstanding students and faculty.

Give today at www.econ.wisc.edu. A gift of any amount makes a difference.

For more information, please contact Ron Luskin at the UW Foundation at 608-265-3526 or ron.luskin@supportuw.org.



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BRYCE RICHTER (2), JEFF MILLER, UNIVERSITY COMMUNICATIONS



Janice Baldwin with Department of Economics Professors Bob Staiger, Karl Scholz, and Charles Engel.

Workshop Series Honors Baldwin

Janice Baldwin, wife of the late Professor Robert E. Baldwin, remembers how visiting economics scholars in town for the department's workshop series inspired not only the campus community, but her family of six.

"The speakers often stimulated lively dinner conversation," Baldwin said, whose own background was in international economics before her law career.

She and Bob often discussed the workshop topics during her husband's long and distinguished affiliation with the Department of Economics.

Robert E. Baldwin, Hilldale Professor of Economics, passed away on April 7, 2011. To honor his memory, Janice Baldwin made a gift to support the workshop series. Now named the Robert E. Baldwin Workshop in International Economics, the series commemorates Baldwin's focus and dedication, which inspired many graduate students throughout the years.

Professor Baldwin's long and distinguished affiliation with the department afforded a great life for his family.

"Bob loved his work, his colleagues, and his students," Janice said. "The workshops offer opportunities for graduate students to observe inter-collegial discussion of hot topics in international economics at the state, national, and world level," she said.

The University of Wisconsin Foundation assisted the Baldwin family to fulfill their vision, creating a fund that will support the workshops.

"The UW Foundation provides a very effective vehicle for continuing the financial support for the UW's international economic workshops for graduate students," Janice Baldwin said.

Previous gifts in memory of Professor Baldwin were also added to the fund. Additional gifts can be made by contacting Ron Luskin of the UW Foundation at 608-265-3526 or ron.luskin@supportuw.org.



BRYCE RICHTER, UNIVERSITY COMMUNICATIONS

Student Association Looking to Another Year of Success

After a record-setting year for the UW-Madison Economics Student Association (ESA), the club is eager to build on its success. The kickoff event for ESA attracted nearly 200 students. Looking forward, we have several events planned with companies, including Merrill Lynch, Capital One, Northern Trust, and Fidelity, and we have plans to host informational sessions with PhD students to discuss graduate studies.

We will continue our annual networking trips to Minneapolis, Chicago, and Milwaukee, where we are able to hear from UW alumni working at top companies.

On October 25, 2012, ESA and the department co-sponsored a forum called Economic Issues in the November

Election, featuring Jeffrey Liebman, former executive associate director and chief economist of the Office of Management and Budget during the first two years of Barack Obama's presidency; and Douglas Holtz-Eakin, former director of the Congressional Budget Office and former chief economic policy adviser to John McCain during his 2008 presidential campaign.

With continued devotion to the Wisconsin Idea and the Department of Economics, ESA will keep expanding its program offerings to reach as many undergraduate economics majors as possible.

On, Wisconsin!

The ESA Board

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**For more information, visit esamadison.org
 or email ESA president Joel Cohen at jhcohen4@wisc.edu.**

Get Involved with Students!

Share your knowledge and expertise with students and assist them with their academic and career goals. Contact Bethany Nelson at banelson2@wisc.edu to find out how you can support undergraduates!

We have multiple ways to get involved with the department, and we value your continued support.

Celebrating John Kennan's 65th Birthday

Professor John Kennan celebrated his 65th birthday last May, and as a tribute to his teaching and research, the Department of Economics hosted a two-day special conference.

More than 30 former colleagues, collaborators, and students attended to present papers and research on a wide range of topics, including the effects of parental time investment in children, inflation and monetary policy, and the effects of criminal sentencing policy on inequality.

"The range of topics addressed at the conference and the high quality of the conference participants and their work is a testament to the impact John has had on the profession," said department chair Karl Scholz.

Current faculty member Christopher Taber added, "I work with John on advising many graduate students and see the effort he puts into it. I was thrilled to see so many of his former students come back to celebrate and recognize John's many achievements."

Want to contribute to the *Economics Matters* newsletter?

Contact Bethany Nelson at banelson2@wisc.edu with news, articles, or ideas.

Economics ■■■■ matters



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Join Us

Economics department alumni attending the Allied Social Science Meetings (ASSA) in San Diego, January 4–6, 2013, please look in the conference program for the UW-Madison Economics Reception.

We look forward to seeing you there!

January 4, 2013

6 p.m.

Manchester Grand Hyatt, Randle A

Alisenne Sumwalt

It's not just what Alisenne Sumwalt does that makes her such a valuable employee for the Department of Economics. It's *how* she does it.

Sumwalt, the program assistant for the Social Systems Research Institute, coordinates travel arrangements for more than 100 visitors to the department each year. She handles the purchasing of all the materials that a large, active research department requires to maintain excellence. And she handles budget work for grants submitted by the department.

All the while, she is kind, gentle, and unflappable. Earlier this year, Sumwalt received a Discretionary Merit Compensation Award from UW-Madison, given to outstanding staff members. As the longest tenured non-instructional staff member in economics, she is one of the reasons the department has maintained its sterling international reputation.

thank you

Mary Beth Ellis

The department would also like to thank our exceptional former department administrator, Mary Beth Ellis, for her 10 years as “chief operating officer” for the department. Ellis is now an assistant dean with the College of Letters & Science. Her replacement, Tammy Herbst-Koel, is off to a great start. Thank you, Mary Beth, and welcome, Tammy.