Department of Economics
UNIVERSITY OF WISCONSIN–MADISON

Economics matters

News for Alumni and Friends of the Economics Department

Winter 2024

UW–Madison Economics Hosts the 2024 Laurits R. Christensen Econometric Society Summer School in Dynamic Structural Econometrics (DSE)

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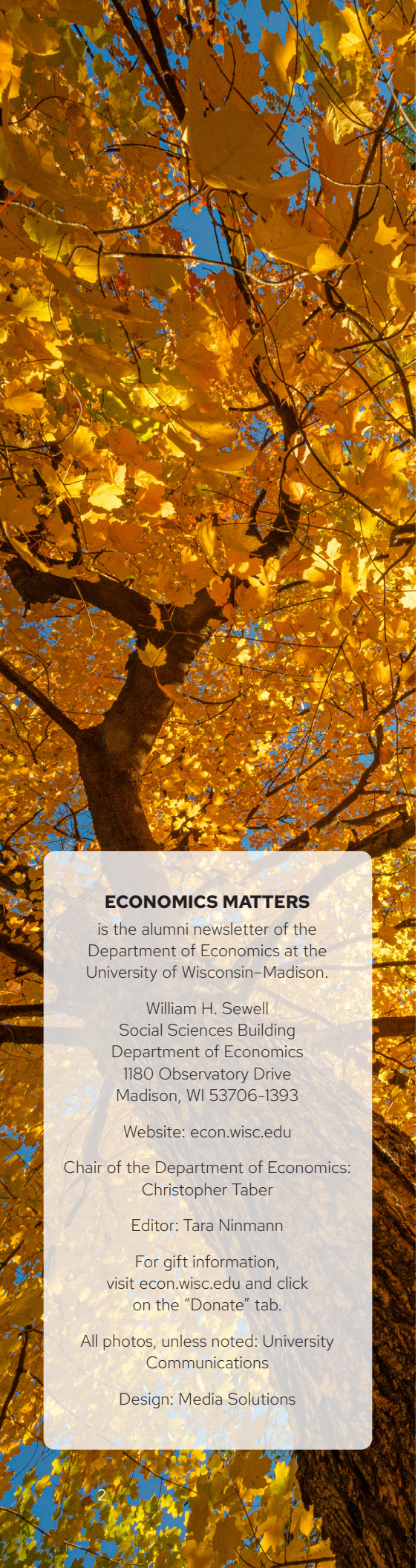

ECONOMICS MATTERS
is the alumni newsletter of the Department of Economics at the University of Wisconsin–Madison.

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Letter from the Chair

Greetings from Madison where the Department of Economics has been on a roll! Our undergraduate program is growing, and our graduates are placing in excellent jobs. The international reputation of our masters programs continues to rise. Our PhD program is achieving remarkable placements three years in a row. Our world-class faculty continue to publish rigorous research which influences policy deliberation. This is all due in large part to our generous alumni and friends.

Our department is also growing! We hired 18 new faculty in the last three years, which has brought a great influx of new ideas and perspectives into our program. This growth has enhanced our intellectual breadth both in research and in the type of courses that we are able to offer. Read more about our new faculty on page 3.

We have numerous outstanding young economists who are establishing themselves as research stars, and I am happy that the future of the department looks bright. Here are a few examples of research topics by our assistant professors:

- "Macroeconomics of Mental Health," by Job Boerma. See page 5 for more on his research on the price tag of mental illness
- "Sticky Portfolio Adjustment," by Louphou Coulibaly (and senior faculty member Charles Engel)
- "The Rise of Urgent Care Centers: Implications for Competition and access to Health Care," by Chris Sullivan and Lorenzo Magnolfi (along with recently promoted Corina Mommaerts and recent PhD graduate Natalia Serna)

- "Technological Change and the Consequences of Job Loss," by Carter Braxton (and a coauthor outside Madison)
- "Shopping around? How households adjusted food spending over the Great Recession," by Martin O'Connell (and outside coauthors)
- "Sent Away: The Long-Term Effects of Slum Clearance on Children," by Fernanda Rojas Ampuero (and an outside coauthor)

One of my favorite trips this year was to Chicago at our alumni event at the top of the John Hancock Tower. The energy at the event was great – as I have come to expect in my interactions with you. It is always great to connect with alumni from the department, and it's energizing to hear the enthusiasm you have for the department and the University. I hope to see you soon!

On, Wisconsin!

Christopher Taber
Chair, Department of Economics
Walker Family Distinguished Chair
James J. Heckman Professor

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Thank you!

Letter from the Dean

As we embark on another academic year, I look at all the work being done in the College of Letters & Science with remarkable pride. In our College, I see research opportunities that are fueling discovery, a curriculum that challenges students to think critically and alumni working across the state and world to make a difference in their communities.

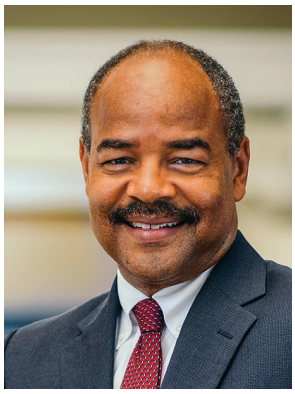
The fundamental strength of our educational experience is that it is broad and inherently interdisciplinary. That diversity of thought, skills, backgrounds and lived experiences is what makes L&S such an extraordinary learning environment. And our unwavering commitment to the value of sifting and winnowing is what makes our education stand out. We're not just teaching students the knowledge of the world but helping them develop an understanding of how that knowledge is built. Every day we prepare our students with the tools they need to succeed and make their impact on an increasingly complex and nuanced society.

L&S remains at the heart of this vibrant university. Our faculty, students, alumni and staff continue to be recognized year after year for their teaching, research and service. We're also strengthening our investment in the sciences and the humanities with esteemed faculty hires, new research initiatives and plans for state-of-the-art facilities on campus.

I'm proud of what we're accomplishing in the College of Letters & Science, and I hope you are, too. Thank you for your continued support of L&S.

On, Wisconsin!

Eric M. Wilcots, Dean
Mary C. Jacoby Professor of Astronomy
UW–Madison College of Letters & Science



Welcome to the Department

The Department of Economics is pleased to expand our research and class offerings as a direct result of the caliber of faculty we attract. This past year, the department welcomed the following faculty:

Miguel Acosta
Assistant Professor
Fields: Macroeconomics, International Trade

John Brauer
Lecturer

Yong Cai
Assistant Professor
Fields: Econometrics

Laura Schechter
Vilas Distinguished Achievement Professor
Fields: Development Economics, Behavioral and Experimental Economics

Alice Wu
Postdoctoral Fellow
Fields: Labor, Personnel, Innovation

The DSE summer school is paired with a two-day conference. This year's conference participants enjoyed a Madison lake view during sessions and networking with peers.

UW-Madison Economics Hosts the 2024 Laurits R. Christensen Econometric Society Summer School in Dynamic Structural Econometrics (DSE)

Canberra in Australia, Lausanne in Switzerland, Bonn in Germany – and now Madison in Wisconsin – are just a few of the cities/countries that have hosted the Econometric Society DSE summer school and conference.

This year the Wisconsin Economics Department welcomed more than 300 economists to Madison for the 4-day summer school and 2-day conference with breakout sessions throughout the day, lunches on beautiful Lake Mendota, and networking events into the evening.

The annual conference brings together top junior and senior researchers from the field to discuss recent advances in theoretical and applied work.

Mental Toll

Assistant professor Job Boerma from the Department of Economics is part of a team of researchers that put a price tag on the cost of mental illness to the U.S. economy.

BY AARON R. CONKLIN

By now, most of us are aware that mental illness is a serious issue in the United States. Nearly 50 million people experience it, and most of us likely have a friend or family member who is affected.

While it's often easy to see the emotional cost of mental illness, the economic cost is more difficult to chart. A team of researchers that included Job Boerma, an assistant professor of economics and Richard E. Stockwell Fellow, recently released a study that, for the first time, integrates state-of-the-art economic modeling with psychiatric literature. The team found that mental illness costs the U.S. economy $282 billion annually, or 1.7% of aggregate consumption. That's the equivalent of an economic recession.

"We wanted to get a better understanding of mental illness and quantify its economic costs," says Boerma, who wrote the paper with Aleh Tsyvinski, a professor of economics at Yale University, and Boaz Abramson, an assistant professor at the Columbia Business School. "Mental illness is something that 20% of the population experiences at any given point in time. The fact that the costs of mental illness amount to a number as large as 1.7% of aggregate consumption for the U.S. population – that's massive."

The team's estimate for the cost of mental illness is 30% higher than previous epidemiology studies that focused only on income loss related to mental illness and the cost of mental health treatment. Boerma's team accounted for other relevant factors, including the fact that people with mental illness consume less and invest less in risky assets such as houses or stocks, and may choose less-demanding jobs.

The researchers constructed a model using U.S. economic microdata that analyzes individuals' mental health, consumption patterns, labor market choices and investment decisions. "What we have in our data is not only the consumption, the portfolio decisions and the labor supply, but also the measure of mental health," says Boerma. "That means we can do a statistical analysis on the extent to which someone's consumption varies with their mental health."

One of the first things the researchers observed from parsing the data was that individuals experiencing mild or severe mental illness consume 3-7 % fewer goods and services. They also work fewer hours and tend to gear their financial savings toward safer rather than riskier assets like housing and equities.

Boerma and coauthors configured their research findings to address three widely discussed policy proposals, which are currently being forwarded by the Biden-Harris administration, to address the U.S. mental health crisis: increasing the availability of mental health services, lowering out-of-pocket costs to access it and targeting adolescents and young adults for increased mental health care. The group's research suggests that only two of those policies are likely to be effective.

Starting early seems the strongest bet. The researchers estimated that providing mental health services to all adolescents and young adults experiencing mental illness could have a large societal benefit.

Expanding the availability of mental health services could also prove beneficial, according to the researchers. Addressing the shortage of care providers could have a benefit equal to 1.1% of aggregate consumption.

Somewhat unexpectedly, the researchers found that reducing out-of-pocket costs of accessing mental health services would have only a

minimal economic effect. According to Boerma, many individuals who experience mental illness do not seek treatment because of the lack of availability of services. The social stigma attached to using mental health services, as well as the negative expectations those who suffer from mental illness often have towards its potential effectiveness, already impact the number of people who seek treatment. Lowering costs wouldn't be enough to offset that.

"If you don't affect those other factors, lowering the cost of care itself is not going to increase people's propensity to take up treatment," Boerma explains.

Boerma is hopeful that merging psychiatric and economic literature will give rise to a full-blown research agenda that could lead to more scientifically grounded policy recommendations. He's excited to begin communicating his findings to legislators at the state and national level.

He also sees this collaboration as an example of a multi-disciplinary crossover in which an economic perspective might shed light on a thorny topic.

"Very exciting insights are always coming at the edges or the overlaps of different fields," Boerma says. "It will be good for the field if we do this more."

Downtown's Hot New Restaurant Comes from an Economics Alum

Doug Hamaker has been working in Madison's restaurant scene for 13 years. His latest entrepreneurial endeavor, Comfort Fuel, merges health and comfort for a fast-casual dining experience.

BY ALLI WATTERS

Nestled on North Frances Street just a couple of blocks from the Capitol is one of Madison's hottest new restaurants. A smiling avocado and cool chili pepper decorate the door of Comfort Fuel (439 N. Frances St.), which opened last year in November. Walk in, and you'll find a sleek interior with green accents, wood furniture and a neon sign that reads, "Eat good, feel good."

You'll also likely find economics alum Doug Hamaker ('10) standing behind the counter.

"I try to be there almost every day, including weekends," Hamaker says. "We're still new, and we're really trying to grow the brand and make a name for ourselves."

He dreamed up this restaurant along with chef and minority partner David Spittel. The menu has a little something for everyone with wraps, acai bowls, salads, sandwiches and all-day breakfast on the list of offerings.

"Comfort Fuel is trying to blend the mix of health and comfort," Hamaker says. "Eating healthy is awesome, but every once in a while, you want some bread or cheese. So, we're morphing those options for people."

This concept has proven to be a winning one – especially with Madison athletes. Comfort Fuel recently joined the Red Card Athletics program and within a month became the number-one spending destination.

"They came down to the restaurant and said, 'This is crazy – you're beating the grocery store,'" Hamaker says. "We could feel the momentum, and that was a really big turning point."

And this is hardly Hamaker's first rodeo. He's been working in Madison's restaurant scene for 13 years. Shortly after graduating, he and fellow economics alum Henry Aschauer ('10) co-founded the now-closed Roast Public House, a sit-down spot that served sandwiches and craft beer on the campus side of State Street. In 2015, the duo then went on to launch Forage Kitchen, which now sports eight locations and a kombucha line.

> *"Comfort Fuel is trying to blend the mix of health and comfort."*
> **– Doug Hamaker**

Hamaker stepped away from Forage in 2021 to take time away from the day-to-day grind of the restaurant industry. He had just become a new father – child number two was on the way – and wanted to spend more time at home.

"It was the most relaxing time, and my daughter was new, so I got to spend a lot of time with her, which was amazing," Hamaker says. "But then it started to hit me that leaving left a big hole in my life … and I started dreaming up a new restaurant."

That restaurant actually wasn't Comfort Fuel, it was for a spot he planned to call Troo Eats. He spent nine months flushing out the business plans and even found a space to rent on State Street. An electrical issue in the building derailed the plans, leaving him back at square one.

He found a new space to rent, but the location wasn't ideal for Troo Eats' menu, so he needed a new idea. That's when he started brainstorming with

Spittel, who was one of the chefs at Roast Public House and had been consulting with him for Troo Eats. Spittel had the idea for a restaurant called Comfort Fuel, and together they were able to bring that idea to reality.

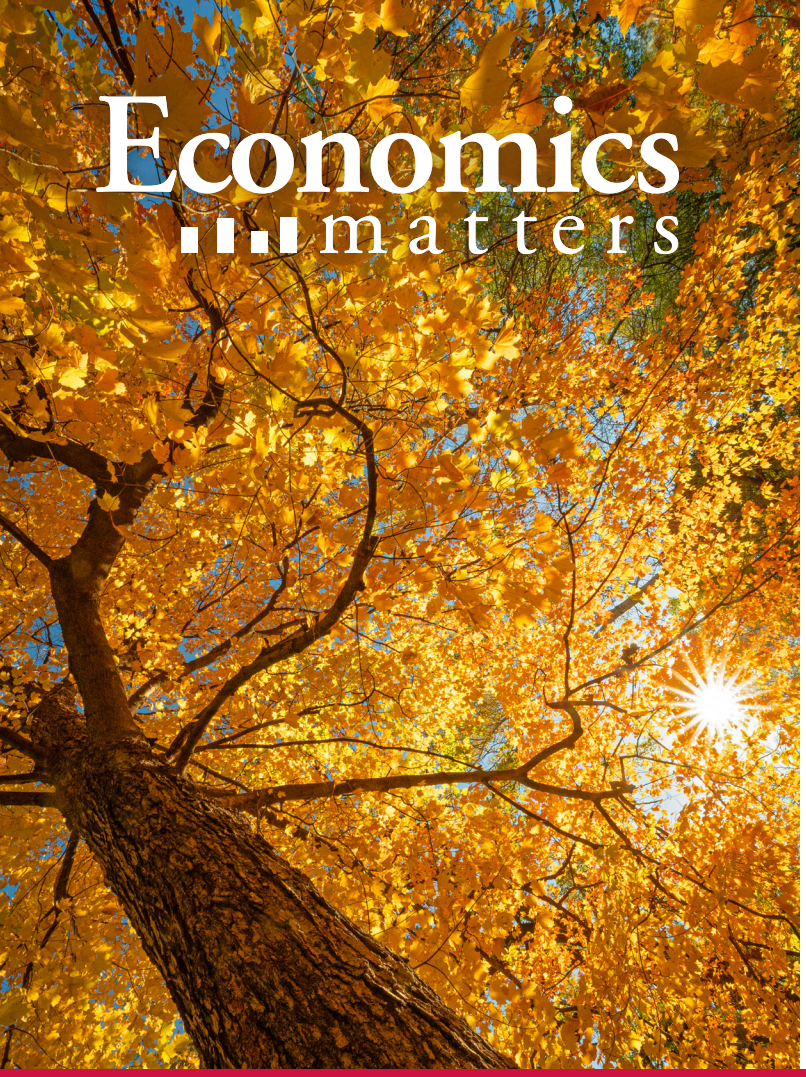
"What really gets me going and makes me happy is when people realize the hard work we put in," Hamaker says. "I really do want to expand into Troo Eats, but for now the goal for this restaurant is great reviews and to be known for our service and quality day in and day out."

Hamaker bikes to work most days, and that's when he does most of his thinking about the future of Comfort Fuel, Troo Eats and the other businesses he's building.

"I kind of envision my future as having three really good, thoughtful restaurants," Hamaker says. "And then maybe a product line," he added with an entrepreneurial grin. He's already workshopping an idea to launch a beverage line in the near future.

Doug Hamaker (left) with chef and minority partner David Spittel (right).

Photos: Isabelle Delfosse



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Congratulations to Associate Professor Corina Mommaerts

The Department of Economics is pleased to announce the promotion of Corina Mommaerts to Associate Professor, with tenure.

Corina joined the department in 2017 as an applied microeconomist whose research focuses on insurance against risks over the life course. Her work explores fundamental questions about how households insure themselves, the impact of different forms of insurance on household incomes, and the optimal design of formal insurance.

"Corina is a rising star who was awarded early tenure this year. She is a terrific researcher and colleague, and she's an excellent teacher."

– Chris Taber
Chair, Department of Economics

Corina Mommaerts
Associate Professor
Fields of Study: Public Economics, Labor Economics