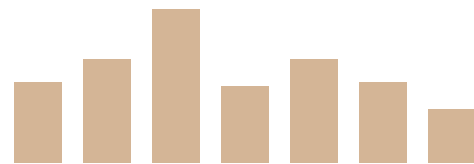




College of Letters & Science

UNIVERSITY OF WISCONSIN-MADISON

Economics matters



News for Alumni and Friends of the Department of Economics

Fall 2014

*From the Classroom to Careers:
Read about how our alumni use their
economics educations beyond Bascom Hill*



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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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Notes from the Chair

I have the privilege of taking over the chair of the economics department from Ananth Sheshadri, who took over from John Karl Scholz after he left the position last July to become dean.

I am in the fortunate position of inheriting a department that is in fine shape, due in large part to the new master's program that Karl and Ananth initiated and the strong partnership they have forged between alumni and the department. The revenues from the master's program and the gifts from alumni provide us with the resources we need to achieve excellence in service, teaching, and research.

Realizing these goals, however, requires us to use our resources efficiently and responsibly, and this newsletter is, in part, a way for you, the students and alumni, to hold us, faculty and staff, accountable.

The Economics Advisory Board is also undergoing a change. Todd Warnock (B.A.'83, Economics), who has served as chair since its inception in 2007, is stepping down and passing the torch on to another alumni leader. I want to thank Todd for his path-breaking work with this board. Under his inspirational leadership, the board has become a tremendously effective organization through which alumni can get involved in supporting our students and faculty. We welcome the

new chair, Richard Davies (B.A.'79, Economics and Political Science), and I look forward to working with him, although both of us recognize that we have big shoes to fill.

Demand for our undergraduate degree continues to grow. Last year we had more than 1,100 majors and more than 500 graduates. We have more majors and issue more undergraduate degrees than any other department on campus! An important factor is the marketability of our economics degree. In our end-of-the-year survey to graduating seniors in May, most of the more than 50 percent that responded had already received job offers, offers from graduate schools, or both.

The fiscal climate for public universities is a challenging one. To meet this challenge, public universities that want to maintain excellence are increasingly moving to a public-private model. This is where the revenue from gifts, donations, and tuition fees from the master's program come into play. So, alumni and donors, we thank you!

On, Wisconsin!

Ken Hendricks
Professor and Chair

How did you do on our page 7 quiz?

Answers: 1. b; 2. e; 3. b; 4. a; 5. a

For in-depth explanations, please join our

LinkedIn group at <http://go.wisc.edu/econlinkedin>



Charting a path

Students in UW-Madison's College of Letters & Science are bright, creative and hard-working. Each fall, they bring fresh perspectives and inquisitive minds to campus.

But they face challenges as they prepare for life after graduation — whether it is four months or four years away. Competition for jobs is fierce and young Badgers need to articulate what they have learned, in and out of the classroom.

To help them learn how, Dean John Karl Scholz launched the Letters & Science Career Initiative (LSCI), which will engage students in personal and career development from the time

they step on campus to graduation.

The LSCI is a new, coordinated approach to serving students across L&S departments and programs. The initiative will spark students' imaginations about career possibilities, help them find majors that align with their passions, connect them with strong alumni networks, and coach them to talk about the lessons and skills they learned at UW-Madison.

In addition, the LSCI will:

- recruit and hire more academic and career advisors
- launch a new second-year academic- and career-planning course

- analyze alumni data to help students plan their own career trajectories
- open doors to alumni mentors who can share tips, strategies, and opportunities

You can help. Dean Scholz is looking for alumni, friends and parents who can share valuable insights about the job market, internships, career development and more.

To get involved, visit go.wisc.edu/lsci or email careerinitiative@ls.wisc.edu. You can also read more about the LSCI in this year's L&S Annual Report at go.wisc.edu/annualreport.

Q&A: Meet Elizabeth Foste

Helping students form and execute a post-graduate plan was already a priority for the Department of Economics, but has received even more attention with the College of Letters & Science's Career Initiative. We sat down with career and outreach coordinator Elizabeth Foste to find out how she works with current students and how alumni can get involved.

What does a career and outreach coordinator do?

A big part of my job is connecting students and alumni. Whether for networking, meeting students or giving a presentation, econ alumni go into many different areas and have great advice and experiences to pass along to students. I meet with as many of

our 1,000 majors as I can to make sure they are prepared for success.

What do you enjoy most about your new job?

The varied backgrounds and career interests of economics students keep me on my toes. I rely on alums and industry leaders to keep me up to date on what options are available to students studying economics. No two days are ever the same, and I am constantly learning new and interesting facts about the world through the lens of economics.

What types of jobs are students interested in?

The top areas right now seem to be finance, research/analytics, and public

policy, but we have students who are interested in everything from real estate development to catastrophe modeling.

What is your vision for career initiatives in the economics department?

I think it is important for students to be exposed to the real world applications of what they learn in the classroom. I would like to offer hands on and interactive learning experiences for students throughout the year like job shadows, on-site employer visits, and informal networking events.

Elizabeth can be reached at foste@wisc.edu. Also be sure to join the Economics Department Alumni group on LinkedIn: <http://go.wisc.edu/econlinkedin>

From finance to fashion

*“Explore and find
your passion, find
what you love, and
what makes you
happy.”*

COURTESY OF BRITT LINTNER



After working for more than 10 years in finance, Britt Lintner (B.A.'92, Economics) had an epiphany: She would start her own clothing line.

“I didn’t like any of the professional clothes being sold to women” Lintner says, “and I was tired of spending money on clothes I didn’t like.”

Her undertaking started as one of necessity, but turned into a business when friends and co-workers started asking her to make clothing for them, too. Fashion provided Lintner with a creative outlet and an opportunity to follow her passion. After working in finance, where so much of what gets created exists only in cyberspace, Lintner enjoys being able to see and admire tangible products.

Her clothing has been featured in *Marie Claire*, *Harpers Bazaar*, *Vogue* and others. But, as Lintner says, “new businesses eat cash for breakfast.”

Working in finance has allowed Lintner to support her growing business. She currently works at Man Group in London, and has launched a special line of dresses for the British clothing line The Fold. Lintner is also working on a T-shirt line called “BEG” — “Between Elvis & God” — and would love to one day take her clothing global with stores in New York and Paris.

Lintner has strong ties to Wisconsin and comes from a long line of Badgers. She says Madison still has a soft spot in her heart and that she loved being a part of the campus, sporting events, her classes and even her part-time job at the Kollege Klub. She encourages students to take advantage of their time at UW-Madison.

“Explore and find your passion, find what you love, and what makes you happy,” she says.

Her advice for those thinking of starting their own business?

“Make sure you have a high-quality product, something that is a necessity,” she says. “You will need to network as much as you can and don’t be afraid to jump by taking every risk.”

Alum's startup delivers

It's startup city at the new offices of EatStreet in downtown Madison.

The company — a coast-to-coast, online restaurant ordering service — has more than doubled its list of customers since January, and it's just received a \$6-million investment. Business is booming, says Matt Howard (B.S.'11, Economics and Political Science), EatStreet's president.

EatStreet, a young Web-based company formed by three former University of Wisconsin-Madison students, is riding to success on a simple premise: Present menus from dozens — even hundreds — of local restaurants at a single website. Make ordering fast and easy. Don't compete with your customers — just bring them more business.

Howard, 25, who grew up in tiny Larsen, Wis., about 100 miles northeast of Madison, says the seed for the business was planted in 2009. He and cofounder Eric Martell (B.S.'12, Computer Engineering and Computer Sciences) had ordered takeout online, and the delivery driver said, "You should stop, they are charging you to

use the service. Just call the order in."

We thought, "There's got to be a better way," says Howard. It was the summer of his sophomore year, and he was selling cars. "Eric said, 'You sign the restaurants and Alex and I will build the website. They started building it in July 2009, I signed a few restaurants up, and we launched on Feb. 1, 2010.'"

The company typically enters a new market (it currently has a presence in nearly 100 cities, from Anchorage to Miami) by selling door-to-door, using a simple pitch, Howard says. "We'll put your menu up on the Web within a week, and you only pay us if we sell for you."

Having signed that \$6 million investment agreement in early April, EatStreet is filling out its floor space. From 16 full-time employees at the start of the year, it's reached 36 now, with another 30 part-timers.

The list of restaurants has grown



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from 2,500 on Jan. 1 to 6,000 today. "We've more than doubled in the last 100 days, and that's added many gray hairs," says Howard, "but we are very happy. We're not going to slow down."



BRYCE RICHTER, UNIVERSITY COMMUNICATIONS

Double your donation

Support from alumni allows the Department of Economics to fulfill its teaching and research mission. Young alumni involvement is critical to the future success of economics at UW-Madison.

To encourage young alumni to get involved, economics alum and Advisory Board Chair Richard Davies (B.A.'79, Economics and Political Science) has offered to make a dollar-for-dollar match on any donation made by an economics alum graduating within the last five years.

Young alumni can even TRIPLE their donation if they receive additional matching funds from their employer.

Davies says he "would like our younger graduates to better understand and promote the UW Econ brand and feel that they have a personal investment in our future success."

Go to www.supportuw.org to make your gift count!



Counterfeiting: A game of cat and mouse

Counterfeiting currency is the stuff of movies and television lore, but for UW-Madison economics Professor Lones Smith, it is also a massively multi-market “large game” with an infinite number of players.

According to Smith, counterfeiting can be seen as a grand game of cat and mouse in which “bad guys” choose how well to make their counterfeits and “good guys” elect how well to examine the cash that is handed to them. Furthermore, the “good guys” then play a collateral “hot potato” game against one another, when they unwittingly end up passing fake money onto others.

Smith, the Maude P. and Milton J. Shoemaker Professor of Economics, is recognized as an expert in the economics of counterfeit currency. His counterfeiting research has been featured on National Public Radio, the *Los Angeles Daily News* and the economics blog Cheap Talk. Smith’s research with Elena Quercioli, a professor at Central Michigan University, proposes a new model for this game played by counterfeiters and the

general public, and then shows how it rationalized an array of facts.

Counterfeiting directly costs Americans about \$60-\$80 million a year, but is more prevalent and costly in other countries. Quercioli experienced this first-hand in Mexico when she was informed by a merchant that a few hundred dollars’ worth of pesos she had just received from an ATM was counterfeit. She had a choice to make: either retain the money and pass it along to a “greater fool” or lose the money by turning it in to the authorities.

“Seized money” is confiscated from “bad guys” before it enters circulation, while “passed money” is unknowingly passed along and found at a later stage, and leads to losses by the public. Quercioli and Smith secured data from U.S. Secret Service, and discovered systematic patterns in both forms of counterfeit money. Among other findings, they discovered that since 1970, the amount of seized money has gone down dramatically, while the incidence of passed counterfeit money has edged up. Even though in the United States only about one in

10,000 circulating notes is found to be counterfeit, it still pays to check your cash!

Quercioli and Smith found that the quality of the counterfeit note tends to improve as the bill’s denomination increases. Some fake \$100 notes are so good even banks cannot detect them! Nevertheless, of all the passed counterfeit notes found by the Federal Reserve fewer are lower denomination bills (e.g. \$5 or \$10 notes). Quercioli and Smith make sense of this paradoxical finding in their theory, deducing that “good guys” pay so much more attention to higher denomination notes that they still discover them at a higher rate.

“The whole exercise has proved an exploration of nanoeconomics,” Smith says. “For instance, we can deduce that individuals expend at most $\frac{1}{4}$ a cent of vigilance attention looking at the \$100 note and much less for lesser notes.” He adds that this research has reinforced his faith in economics, “for despite such miniscule attention costs, the theory does a decent job of explaining patterns in counterfeiting.”

Growing global citizens

Emily Jorgenson (B.A.'14, Economics, International Studies and Scandinavian Studies) spent her summer learning first-hand the amount of hard work and dedication it takes to run a business. Through a World Wide Opportunities on Organic Farms (WWOOF) experience, she volunteered at Hornuddens Trädgård, a small organic family farm outside of Stockholm, Sweden. The WWOOF program allows farms to exchange training and room and board for full-time labor.

Before crossing the Atlantic, Jorgenson didn't know much about agriculture, having grown up outside of Milwaukee. In Sweden, she gained not only an appreciation for agriculture, but she was also able to apply what she had learned in her economics classes.

"I saw how quality affected pricing and, subsequently, demand," she says. "The tomatoes we grew on our farm were the best I had ever tasted, which made them too expensive for a student on a budget like me! Our farm had to compete with lower-priced tomatoes in grocery stores, so they had to differentiate the tomatoes in some way. So a lot of their produce was sold as high-end at gourmet restaurants in Stockholm. This first-hand example of supply, demand, and pricing in the real world made textbook theories come off the page."

Jorgenson put in long days on the farm, but the Swedish tradition of *fika* gave her a daily break to share a snack and *smörgås* sandwiches with other volunteers from around the world. She laughs when she talks about one of the



ISTOCK PHOTO

only cultural differences that caught her by surprise: cheese. "Cheese in Sweden is expensive" she says, "and the farm owner asked me to stop eating so much cheese during *fika*."

Jorgenson, who is currently interning on a coffee farm in Hawaii and hopes to join the Peace Corps, says her WWOOF experience and her economics major helped mold her into a global citizen.

"A lot of my classes emphasized using one's education to make informed decisions to benefit the local, as well as global, communities," she says.

How would you do on an Econ 101 midterm?

Answer the five questions below to test your knowledge of introductory principles of microeconomics, courtesy of Elizabeth Kelly, who teaches Econ 101 and 102.

1. Suppose a dairy crisis causes the prices of milk and cream in Wisconsin to rise. Other things equal, in the ice cream market, this will

- a) Increase the number of Babcock ice cream pints people buy.
- b) Reduce the number of Babcock ice cream pints people buy.

2. Consider the market for the NCAA Final Four men's basketball games. If the Badgers make it to the Final Four, the price elasticity of demand for tickets to the game from those wildly excited Badger fans is most likely to be close to which of the following values?

- a) 2.5
- b) 2.0
- c) 1.5
- d) 1.0
- e) 0.5

3. The marginal revenue curve for a monopolist

- a) Is identical to the market demand curve.
- b) Lies below the market demand curve.
- c) Lies above the market demand curve.
- d) Is identical to the monopolist's marginal cost curve.

4. Suppose you have a linear demand curve and you are considering a price that is greater than the price at which the price elasticity of demand is 1.0. At such a price you would conclude that demand is

- a) Elastic.
- b) Inelastic.

5. If the demand curve and the supply curve for a good both shift to the right, then in the market for this good we can predict that the equilibrium quantity of the good _____ and the equilibrium price of this good _____.

- a) Increases, is indeterminate
- b) Increases, increases
- c) Increases, decreases
- d) Is indeterminate; is indeterminate
- e) Is indeterminate; increases

How did you do? Check your answers on page 2. For in-depth explanations, please join our LinkedIn group at <http://go.wisc.edu/econlinkedin>

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