George J. Stigler Center for the Study of the Economy and the State
Annual Report 2013-14
Nobel laureate George J. Stigler founded the Center for the Study of the Economy and the State at the University of Chicago in 1977. From the beginning, it has been a joint enterprise of economists and legal scholars at Chicago Booth, the Department of Economics, the Law School, and other areas of the university. The center was renamed in Stigler’s memory after his death in 1991.

The George J. Stigler Center is dedicated to understanding the interaction between politics and the economy. To carry out its mission, the Stigler Center supports research by faculty at the University of Chicago and by visitors from other academic institutions. The center publishes a Working Paper series and promotes the dissemination of research to a wider audience via conferences and lectures.

The Stigler Center is a significant contributor to the continuity and growth of Chicago Economics, which is known worldwide for four attributes:

- A view of economic theory as a powerful tool for understanding the world
- A deep appreciation for the role of private markets in promoting human welfare
- An understanding of the legal infrastructure that facilitates market performance
- Careful empirical testing of the predictions of economic theory

The Stigler Center is extremely grateful for the generous support provided by Mark and Anita Brickell, ’76; Raph Appadoo, ’82; the Lynde and Harry Bradley Foundation; The Clearing House; John McQuown; Chevron Corporation; Toyota Motor Corporation; The Fuel Freedom Foundation; the Energy Institute in Chicago; and other contributions to the endowment.

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From the Director

The Stigler Center is a university-wide research center founded by George Stigler in 1977 as the Center for the Study of the Economy and the State. Headquartered at Chicago Booth, the center’s mission is to carry on the intellectual tradition that George Stigler began—promoting research that deepens our understanding of the interaction between the private economy, government policy, and the law. Consistent with George’s scholarly approach and that of the university, the goal of Stigler Center research is not to help formulate policy or even to influence it, but rather to understand its implications and effects. If this understanding helps inform policy formation and debate, then all the better.

The common theme of Stigler Center research is the application of Chicago-style economic analysis to problems that influence, or are influenced by, public policy. The hallmarks of Chicago Economics are:

- A view of economic theory as a powerful tool for understanding the world
- An appreciation for the role of markets in promoting human welfare
- An understanding of the legal infrastructure that facilitates market performance
- Careful empirical testing of the predictions of economic theory

In addition to its traditional research activities in economics and policy—described in some detail below—the Stigler Center also administers the Energy Policy Institute at Chicago (EPIC), which is a joint venture between Chicago Booth and the Harris School of Public Policy. A major expansion of the Chicago Energy Initiative, which was founded in the Stigler Center, EPIC is an interdisciplinary research program devoted to the study of the economic, geopolitical, and environmental impacts of energy use. For the last several years I have codirected EPIC with my Physics colleague Bob Rosner, a former director of Argonne National Laboratory. In an exciting new development, the university has lured leading energy and environmental economist Michael Greenstone from MIT. Michael has agreed to become Director of EPIC, while Rosner and I will stay on as codirectors of the Institute.

The passing of Gary Becker, my friend and colleague of 35 years, was a great loss to the Stigler Center and to the university. Long an affiliate of the Stigler Center, Gary was an active and productive scholar to the very end of his life. Page 25 of this report discusses the man and some of his most recent research contributions.

This annual report summarizes activities of the Stigler Center and EPIC during the 2013-14 academic year.

Sincerely,

Robert H. Topel
Director, George J. Stigler Center
Codirector, Energy Policy Institute at Chicago
Stigler Center Affiliated Faculty

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Chicago Booth School of Business

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Professor of Economics
Chicago Booth School of Business

**Randall S. Kroszner**
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Chicago Booth School of Business

**Neale Mahoney**
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**Kevin Murphy**
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Chicago Booth School of Business

**Derek Neal**
Professor of Economics, the Committee on Education and the College
The University of Chicago

**Brent Neiman**
Associate Professor of Economics and Robert King Steel Faculty Fellow
Chicago Booth School of Business

**Matthew J. Notowidigdo**
Neubauer Family Assistant Professor of Economics
Chicago Booth School of Business

**Tomas Philipson**
Daniel Levin Professor of Public Policy
Harris School of Public Policy
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Faculty Outreach
Chicago Booth faculty have appeared at key conferences worldwide, representing our cogent, cutting-edge academic research and building the Booth brand.

30 Years After the Failure of Continental Illinois Bank: Have We Solved “Too Big to Fail?”
May 2014 | Chicago

This conference, organized by the Stigler Center with financial support from The Clearing House, examined regulators’ decision to rescue Continental Illinois, at that time the largest failed bank in US history, and the effects of that decision on the 2007-08 financial crisis. The participants also discussed current policy responses to systemically important financial institutions.

The first panel, moderated by professor Randall S. Kroszner, revisited the regulatory response to Continental Illinois from the perspective of those involved in the bank’s failure and rescue in 1984. The participants were Michael Bradfield, former general counsel for the US Federal Reserve; Oliver Ireland, former general counsel of the Federal Deposit Insurance Corporation; and Donald Toumey, former special assistant to the general counsel of the US Treasury.

The second panel, moderated by professor emeritus Sam Peltzman, presented research that indicates large banks receive a “too big to fail” subsidy. Expectations of a bailout distort markets, encouraging firms to borrow excessively. Participants were assistant professor Bryan Kelly; Philip Strahan (Boston College); Deniz Anginer (Virginia Tech); and George Kaufman (Loyola University Chicago). Two former Federal Reserve Bank presidents gave keynote addresses emphasizing the importance of a rapid response to incipient problems at large financial institutions: Jerry Corrigan, former president of the Minneapolis and New York Federal Reserve Banks, and
Gary Stern, former president of the Federal Reserve Bank of Minneapolis and coauthor of *Too Big to Fail: The Hazards of Bank Bailouts*.

In the final panel, moderated by professor Douglas W. Diamond, participants debated the merits of the 2010 Dodd-Frank financial-regulation law and proposed other policies to avert the next systemic crisis. Participants were Paul Saltzman, president of The Clearing House; professor John H. Cochrane; John Dugan, former comptroller of the currency; and Roberta Romano (Yale Law).
Ronald Coase Institute Roundtable Discussion
April 2013 | Chicago

*The Role that Scholarly Ideas Have Played in Influencing Policy*

Ronald Coase Institute alumni and faculty examined the role that scholarly ideas play in influencing policy and how they have mattered for policies in different countries. Scott Gehlbach (University of Wisconsin-Madison) argued that during Russian privatization, ideas in Russia interacted with policy constraints to determine the specific designs of firm privatization. Alberto Simpser (University of Chicago) discussed the technical role and the political economy role that ideas have played in the redesign of anti-poverty programs in Mexico, in particular the food subsidy programs. Ning Wang (Arizona State University and Ronald Coase Institute) examined the introduction of the idea that practice should be the criterion for testing truth, and its subsequent impact on the market for ideas and China’s transition to a modern economy. The discussants were Richard A. Epstein (New York University and University of Chicago), Douglass North (Washington University in St. Louis), and Sam Peltzman (University of Chicago).
A community of scholars influenced by Finis Welch, PhD ’66, gathered to celebrate his 75th birthday with this research conference focused on empirical labor economics. Years before the explosion of big data and analytics, Welch displayed an uncanny ability to extract truth from complex data sets. In an academic career spanning four decades and six universities, he applied his patient and rigorous approach to produce significant insights on a number of important social and business issues.

Presenters discussed research papers that relied on “Finis-like” data analysis to explore big questions related to race, gender, labor, education, housing, and public policy. The conference included an entertaining and heartfelt tribute by conference organizer Robert H. Topel to his former professor. Topel and co-organizer Kevin Murphy then presented Welch with a sculpture depicting a champion horse he trained for calf-roping competitions.

The conference, hosted by Becker Friedman Institute for Research in Economics, was also supported by the George J. Stigler Center for the Study of the Economy and the Andrew & Betsy Rosenfield Program in Economics, Public Policy, and Law.
INNOVATIVE RESEARCH
Since 1977, the Stigler Center has supported research of great depth, breadth, and impact. The application of Chicago economics to issues of public policy has yielded groundbreaking results while opening new perspectives in multiple fields of study. This past year was no exception, and the following research adds another chapter to the center’s distinguished legacy.

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Financial Crises and Financial Regulatory Reform

In “A Review of Bank Funding Cost Differentials,” Kroszner dives into the lively controversy over the existence and extent of differences in funding costs between large and small banks that is central to ongoing regulatory reform debate related to perceptions of “too big to fail” government support. A substantial research literature exists that tries to address this issue empirically and the results vary widely. After providing a simple taxonomy of five basic approaches into which the existing literature can be categorized, Kroszner analyzes key challenges that all of the approaches face, namely, the interpretation of funding costs differences between large and small banks, the choice of the relevant time period, the choice of the sample, and the significant differences in the funding structures of large and small banks. After analyzing further more specific challenges for three of the approaches, he describe the most promising methods for measuring funding cost differentials and present a "natural experiment" concerning the elimination of complete FDIC coverage of transactions deposits at the end of 2012. The evidence from this experiment does support the hypothesis that depositors perceived a significant difference in risk between large and small banks during this period.

The controversy over “too big to fail” has been raging for many years. In May 2014, Kroszner organized a full day conference for the Stigler Center titled “30 Years After the Failure of Continental Illinois Bank: Have We Solved Too Big to Fail?” On May 17, 1984, regulators took over the failing Continental Illinois Bank and the government provided complete protection to all depositors and liability holders against loss. This became the modern origin of “too big to fail” in the US. Concerned about the moral hazard problems and unequal treatment, Congress and regulators worked to change the perceptions of government support through various regulatory actions and the passage of FDIC Improvement Act of 1991. The 2010 Dodd-Frank Act contains a number of provisions aimed at mitigating “too big to fail” and debate continues about their implementation and effectiveness. The conference brought together policymakers involved in Continental’s failure/rescue, current policy makers, academics, and practitioners to discuss the impact of the actions surrounding Continental’s failure/rescue on the development of “too big to fail” in the US and the subsequent regulatory, supervisory, and market changes that have affected expectations about perceptions of government support.

We had a vigorous debate among the speakers and the audience participants about the current and proposed reforms to address this crucial public policy issue.

Kroszner also continued his research on a couple of projects comparing regulatory responses to different types of crises to trace out unintended consequences and draw implications for the regulatory response to the recent financial crisis. The first draws parallels between the response to the current crisis and responses to other types of crises. In particular, in response to the Titanic disaster, an international conference on safety of life at sea set out a number of provisions that were adopted by the signatory nations, much like the Basel Committee has set out bank capital and liquidity rules today. In particular, ships were required to have “lifeboats for all.” An infamous unintended consequence of this rule was the loss of life when a ship named the Eastland retrofitted with lifeboats became unstable and capsized in the Chicago River, killing more passengers than the Titanic. The weight and height of the lifeboats apparently contributed to the instability and the disaster.

Kroszner is investigating this example and other instances of regulation to provide some cautious about rules, such as “lifeboats for all,” which on their surface seem quite sensible and are motivated by safety and soundness concerns, but can have severe unintended consequences.

In addition, Kroszner is examining unintended consequences that can arise when government financial regulation is motivated by fiscal considerations. There is a long history in Europe and the US of fiscal needs of the government shaping bank regulatory policy. The most prominent recent example is the zero risk weight (implying no risk of default) on sovereign debt that is permitted under the Basel Committee capital rules. Obviously, for countries of questionable creditworthiness, the zero risk weight provides an incentive for banks to purchase that country’s debt – the banks earn an interest rate on these bonds that includes a risk premium but, unlike other investments with similar returns and risks, they have to hold less capital against it. This incentive has led to a destabilizing cycle in which the banks of such countries have excessive exposure to sovereign risk and the sovereign is more likely to be downgraded as the markets questions the soundness of the investments on the banks’ books. A similar destabilizing cycle occurred in the US, prior to the Civil War, when most states required banks to hold state bonds as backing for their currency issuance. This requirement was at least in part motivated by a number of states undertaking large infrastructure-building programs and wanting the banks to help support the financing. In the 1840s and 1850s, however, many of those projects proved uneconomic and states defaulted on their bonds. The banks in these states as a consequence also went bankrupt. Breaking the destabilizing cycle between government debt and the banking system has important implications for Basel capital and liquidity requirements that today may give incentives for banks to hold more government debt than they otherwise would.
During the past year, Neal spent many months revising his paper on the prison boom and black-white inequality for the *Journal of Economic Literature*. He gave the paper at three different conferences and got very positive responses.

In the coming months, professor Neal will be working on a new project that sits at the intersection of education and public policy. Several recent scholarly papers and a number of press articles have remarked on the increase in measured high school graduation rates over the past decade or more. However, based on some preliminary findings of one of his research assistants, Neal conjectures that these measured increases in high school graduation rates may be driven by changes in graduation and reporting standards among high schools that were required to raise their graduation rates in order to avoid sanctions under No Child Left Behind (NCLB).

The work on this new project will involve extensive library work and extensive documentation review. The key is to figure out what can be learned from different data sources concerning where and when graduation rates jumped and whether or not other changes in educational attainment are consistent with the hypothesis that these changes in graduation rates reflect real improvements in skills.

Neal knows that test score trends under NCLB were contaminated by gaming behaviors, and that there have been no trends in post-secondary attainment during the past 15 years that are consistent with the hypothesis that the fraction of students who “earned” a high school diploma has changed dramatically. Thus, this topic deserves further exploration.

If Neal’s conjecture is correct, the implications for public policy are important. Advocates of recent education reforms may no longer be able to point to rising graduation rates as evidence of progress, and instead, there may be evidence that they no longer have meaningful data on trends in high school attainment.
Housing Booms, Labor Market Outcomes, and Educational Attainment

Notowidigdo, along with Erik Hurst and Kerwin Charles, assesses the extent to which the recent housing boom and bust affected employment, wages, and college enrollment and attainment during the 2000s. They exploit cross-city variation in local housing booms, and identify plausibly exogenous variation in housing demand using sharp structural breaks in local housing prices. They find that positive housing demand shocks significantly increased wages and employment between 2000 and 2007, particularly for less-skilled workers. Consistent with the idea that the housing boom increased the opportunity cost of college for workers on the margin of college attendance, housing demand shocks during the boom reduced college enrollment and attainment for both young men and women, with the effects concentrated at community colleges. Over the longer time horizon spanning the housing boom and bust, Notowidigdo finds that the positive wage and employment effects of the boom were generally undone during the bust. However, the negative effects of the housing boom on schooling persist, suggesting that reduced educational attainment may be an enduring effect of the large, temporary increase in housing demand.
TOMAS PHILIPSON
Daniel Levin Professor of Public Policy
Harris School of Public Policy
Financial Health Economics

Philipson spent the year on a second revision of an ongoing paper titled “Financial Health Economics” (with Ralph S.J. Koijen and Harald Uhlig, second revise and resubmit Econometrica also now out as an NBER working paper). In this research they examine the relationship between financial markets and growth in the real health care sector. Many analysts stress that medical R&D and innovation are central to the expansion of the US health care sector. However, there is no explicit analysis relating financial markets, determining the returns for those investing in medical R&D, and the real health care sector, expanding as a result of such investments. Their research provides the first theoretical and empirical analysis of the link between financial and real health care markets. They document a “medical innovation premium” of four to six percent annually for equity of medical firms and analyze the implications it has for the growth of the real health care sector. They interpret the premium as compensating investors for government-induced profit risk. They provide supportive evidence for this hypothesis through company filings and abnormal return patterns surrounding threats of government intervention. They quantify the implications of the premium for growth in real health care spending by calibrating their model to match historical trends. They find that policies that had removed government risk would have led to more than a doubling of medical R&D and that this partly explains the “missing medical R&D” implied by recent analysis of Murphy and Topel on the large patient gains to medical R&D. They also find that policies reducing such government risk would have increased the current share of health care spending by four percent of GDP, with a predicted long run share of 38 percent.

As a direct consequence of this work, Philipson is currently working with the Milken Institute to design potential financial contracts that allows firms engaged in medical innovation to hedge government risks. One such contract that is being developed is “FDA swaps,” which would act like credit default swaps (CDS) for bond investors, insuring against FDA non-approval being the analog of default.

Economic Analysis of Risk and Uncertainty Induced by Health Shocks: A Review and Extension

Philipson also wrote a chapter (with George Zanjani) titled “Economic Analysis of Risk and Uncertainty Induced by Health Shocks: A Review and Extension” that came out in Handbook of the Economics of Risk and Uncertainty (edited by Mark J. Machina, W.Kip Viscusi). This chapter reviewed and extended the economic analysis of risk and uncertainty as it relates to behavior-mitigating health shocks. They summarized some central aspects of the vast positive and normative literature on the role of insurance in smoothing consumption, which can be uneven owing to medical spending as a result of health shocks. Much of this literature has been concerned with the barriers that prevent full insurance and the role of the government in eliminating any adverse consequences due to a lack of insurance. They argue that this large literature is limited in that it is focused largely on consumption smoothing rather than smoothing of health itself. However, a problem with insuring health itself is that human capital cannot be traded; a person diagnosed with an incurable cancer cannot be made whole by reallocating someone else’s health. This lack of tradability implies that pooling of health risks through private or public insurance is not feasible except in rare instances such as transplants. They argue that medical innovation can be interpreted as an insurance mechanism for a population’s health. By enabling treatment of a harmful disease, it completes the previously incomplete market for risk-sharing in health by pooling the health care spending risk. The chapter explored the positive and normative implications of this “health insurance” view of medical R&D and stressed the ex-ante value of new medical innovations, sometimes for patients who may never even use them, in a similar sense that many insurance products are valued by those not filing claims. Given the potentially large value of smoothing health itself rather than consumption, they argued that more explicit analysis is needed on the relative value of public programs that are designed to stimulate medical innovation versus health care reforms largely aimed at enabling consumption smoothing.
Noting that many countries have adopted fuel-economy standards that implicitly reward increases in vehicle size or weight, Sallee explores the unintended consequences of such standards. Fuel-economy standards in the world’s most important car markets—including the US, Europe, China, and Japan—now allow vehicles that are larger or heavier to have lower fuel economy. Sallee explains that this is intended to make the standards obtainable for all types of vehicles, but that other features of the policies make this feature unnecessary and in fact cause automakers to comply with standards in part by increasing the size or weight of their vehicles. This has pernicious consequences that work against the intentions of the policy because heavier vehicles are less fuel efficient and cause greater safety risks in accidents.

Sallee’s work includes both a theoretical treatment of this class of policies, which he terms “attribute-based regulations,” and an empirical documentation of the distortions this incentive creates in the Japanese car market. His model demonstrates that basing standards on size or weight necessarily creates a class of distortions. It also shows that there are potential benefits to using this sort of regulatory flexibility, but only in special cases.

His research then empirically examines the consequences of attribute-based fuel-economy standards in Japan, where fuel-economy standards are a notched attribute-based function of vehicle weight. He uses both cross-sectional and panel data techniques to demonstrate that attribute-based regulation has significantly altered the distribution of vehicle weight in Japan, where ten percent of vehicles are found to have increased weight as a result of the regulation. For cars whose weight is altered in response to the policy, he estimates that the alteration generates a welfare loss from the exacerbation of weight-related safety externalities of $1,500 per car sold, which translates into a $700 million annual welfare loss across the Japanese auto market.

Results have been presented at more than a dozen conferences and university seminars, including workshops at the University of Chicago, Harvard, MIT, and the National Bureau of Economic Research.
Jesse Shapiro presents a model in which competing special interests seek policy influence through the news media. In the model, a journalist reports on expert opinion to a voter. Two competing interested parties can invest to acquire credentialed advocates to represent their positions in the press. Because advocates are easier to obtain when expert opinion is divided, the activities of special interests can reveal useful information to the voter. However, competition among special interests can also reduce the amount of information communicated to the voter, especially on issues with large economic stakes and a high likelihood of a scientific consensus. The model provides an account of persistent voter ignorance on climate change and other high-stakes scientific topics.
Shapiro, Gentzkow, and Taddy study the evolution of partisan language using a new corpus of legislative speech that consists of the full text of the US Congressional Record from 1873 to 2010. They estimate a model in which phrase choice is determined by the speaker’s party, and they use the model to compute a novel index of partisanship: the probability that a listener can guess the speaker’s party after hearing a speech of given length. This index shows that partisanship peaked during the highly disciplined Congress under President Theodore Roosevelt, declined thereafter, and began to rise again since the 1970s in parallel with trends in other partisanship measures.
Goolsbee, Hurst, and Neiman are examining sales tax changes during the Great Recession, especially time series variation in tax changes within a county. The fact that sales tax changes only hit a subset of consumer goods allows the authors to use goods for which the tax rate did not change as a control for local demand conditions. Preliminary estimates suggest that prices received by sellers do not respond at all to the tax changes—which means there is 100 percent pass-through of sales taxes to consumers. These results are important for analyzing the welfare implications of tax changes, as well as other policy interventions that raise a seller’s incremental cost, such as the minimum wage. They indicate that the incidence of such cost changes mainly falls on consumers rather than producers.
Murphy, Snyder, and Topel (MST) study a broad class of quasi-exclusive, vertical agreements in which a seller conditions price discounts on the specified quantity or share of a product line that the buyer commits to purchase from the seller. They refer to such agreements as “quantity commitment discounts” (QCDs), though such arrangements are often referred to as “loyalty discounts” as they appear to exchange price concessions for a buyer’s loyalty to a particular brand. Both economic theory and the law recognize that such practices have procompetitive benefits, though if widely practiced by a dominant seller the cumulative effect of such practices might be to weaken competition by impairing rivals’ ability to compete in the market.

Law and policy have not evolved to yield clear standards for judging QCDs and indeed have taken divergent paths. MST demonstrate that QCD agreements that would arise absent an ability or intent to exclude rivals might nevertheless do so, and might also cause ancillary harm to competition. They then assess the various means of testing for potential harm and they analyze tests for potential harm, including the so-called attribution test and its flaws. They reach two main conclusions. First, QCDs virtually always have a clear procompetitive rationale. Second, while economic theory shows that under certain conditions the intent and effect of commitment discounts could be to harm competition, these same theories provide little guidance in identifying situations where harm actually occurs. Further, few if any past cases provide convincing evidence of competitive harm, and no evidence of outright exclusion. The ubiquity of procompetitive or competitively neutral reasons for QCDs, combined with the lack of reliable tests or filters that would identify anticompetitive conduct, indicate that QCDs should be viewed as presumptively legal. The authors’ views contrast with current US policy whereby a broad range of single-firm pricing practices are typically judged under a rule of reason analysis.

Competitive Discounts and Antitrust Policy

Law and policy have not evolved to yield clear standards for judging QCDs and indeed have taken divergent paths. MST demonstrate that QCD agreements that would arise absent an ability or intent to exclude rivals might nevertheless do so, and might also cause ancillary harm to competition. They then assess the various means of testing for potential harm and they analyze tests for potential harm, including the so-called attribution test and its flaws. They reach two main conclusions. First, QCDs virtually always have a clear procompetitive rationale. Second, while economic theory shows that under certain conditions the intent and effect of commitment discounts could be to harm competition, these same theories provide little guidance in identifying situations where harm actually occurs. Further, few if any past cases provide convincing evidence of competitive harm, and no evidence of outright exclusion. The ubiquity of procompetitive or competitively neutral reasons for QCDs, combined with the lack of reliable tests or filters that would identify anticompetitive conduct, indicate that QCDs should be viewed as presumptively legal. The authors’ views contrast with current US policy whereby a broad range of single-firm pricing practices are typically judged under a rule of reason analysis.
Human Capital Investment, Inequality, and Growth

Murphy and Topel treat rising earnings inequality as an equilibrium outcome in which endogenous human capital investment fails to keep pace with steadily rising demand for skills, driven by skill-biased technical change (SBTC). They focus on the supply side, where human capital choices of individuals and families affect the skill composition of the labor force, and hence skill prices, on three margins: (i) the type of human capital in which to invest; (ii) how much human capital to acquire via investment; and (iii) the intensity with which human capital is applied in producing earnings. They refer to first of these as the extensive margin of skill production, and the latter two decisions as occurring on the intensive margins of human capital acquisition and utilization. Intensive margin choices are substitutes for the creation of new skilled workers on the extensive margin, and we provide evidence that the extensive margin has stalled as a source of skilled labor. Yet intensive margin choices are strongly complementary with each other.

Greater incentives to invest in human capital also raise the returns to using human capital intensively, while the opportunity to use skills intensively increases the returns to investment. Though the extensive margin supply elasticity always dampens the impact of SBTC on inequality, greater elasticities on the intensive margins magnify inequality. Murphy and Topel also show that when SBTC is the main driver of economic growth, greater inequality reduces the rate of economic growth.
THOUGHT LEADERSHIP
Faculty in the News

Matthew Gentzkow
University of Chicago Economist Who Studies Media Receives Clark Medal
April 17, 2014
nytimes.com/2014/04/18/business/media/university-of-chicago-economist-who-studies-media-receives-clark-medal.html?_r=0

Randall S. Kroszner
Year In Numbers: The Federal Reserve’s $85 Billion Question
December 17, 2013
npr.org/2013/12/17/251796694/year-in-numbers-the-federal-reserves-85-billion-question

Derek Neal
Derek Neal, Professor in Economics - Biography
January 2014
news.uchicago.edu/profile/derek-neal

Matthew Notowidigdo
Chicago Booth’s Notowidigdo Wins European Economic Association’s Hicks-Tinbergen Medal for Health-Care-Focused Research
May 29, 2014
newswise.com/articles/chicago-booth-s-notowidigdo-wins-european-economic-association-s-hicks-tinbergen-medal-for-health-care-focused-research

Tomas Philipson
Tomas Philipson, Professor in the Harris School of Public Policy Studies - Biography
January 2014
news.uchicago.edu/profile/tomas-philipson

James Sallee
James M. Sallee – Assistant Professor, Harris School of Public Policy, University of Chicago
January 2014
paulsoninstitute.org/about-us/institute-staff/university-of-chicago-faculty-advisory-board/james-sallee/
The Energy Policy Lecture Series is a component of the Energy Policy Institute of Chicago (EPIC) and the Stigler Center’s commitment to research and training. It is a forum for faculty, postdoctorals and graduate students across disciplines whose work focuses on energy, energy policy, and energy economics. The lectures host faculty speakers from inside and outside of the University of Chicago, and provide a forum for the University of Chicago energy research community to present works in progress.

**Patricia Kampling**
CEO, Alliant Energy: Generating Results in an Environmentally Conscious World  
April 16, 2014

**Edwin Lyman**
Union of Concerned Scientists: Renaissance Lost? The Future of Nuclear Power  
April 3, 2014

**Patricia M. Dehmer**
US Department of Energy: Facing Our Energy Challenges in a New Era of Science  
November 5, 2013

**Rob Gardner**
ExxonMobil: The ExxonMobil Outlook for Energy: A View to 2040  
October 14, 2013

**Severin Borenstein**
University of California Berkeley: A Microeconomic Framework for Evaluating Energy Efficiency Rebound  
October 5, 2013
For research proposals with particular relevance to energy policy, the impact of oil consumption on economic activity and welfare, and the evolution of transportation fuels promise to make a distinct contribution to the literature.

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PhD Candidate in Energy Policy
Michele Davies is a PhD student focusing on energy policy at the Harris School of Public Policy Studies. She has previously attended Dartmouth College and Oxford University.

Davies, a Fuel Freedom award recipient, will begin her fifth year as a PhD student in the fall, focused on using the tools of economics and game theory to understand the causes and effects of the natural gas production boom. Her projects include examining the implications of the Energy Policy Act of 2005 on the practice of hydraulic fracturing, studying the conditions under which conversion from gasoline or diesel to natural gas as a motor fuel is viable, and developing a model of national energy security. Davies brings a background of engineering and energy sector experience to bear on exploring these subjects. She has previously attended Dartmouth College and Oxford University.

Avihai (Avi) Rapaport
PhD Candidate in Finance and Economics
Research Interests: Macro-Finance, Asset Pricing, Banking and Financial Intermediary, Risk Analysis.

Rapaport, a Fuel Freedom award recipient, is a fourth year PhD student in finance and economics, a program jointly offered by the University of Chicago Booth School of Business and the Economics Department. His thesis offers a new way to identify supply shocks in the oil market—prominently due to wars in the Middle East—by the strong empirical tendency that they lead to negative correlation between changes in the price of crude oil and returns in the stock market. He demonstrates how episodes of an adverse supply shock, which lead to an increase in the price of oil, precede declines in real economic activity and are associated with a rise in the aggregate risk premium in the equities market in the United States.
Hunt Allcott
Professor Allcott’s research focused on randomized field experiments related to energy efficiency programs as well as on revising a study of how oil and gas booms affect local economies and local public finances in the United States.

Kenneth Gillingham
Professor Gillingham researched uncertainty in optimal climate change policy, transportation energy use, and the influence of social networks on the diffusion of solar photovoltaic panels.

Ashley Langer
Professor Langer conducted research on the economics of transportation, energy consumption, and the automobile market, with a specific focus on the development of models of vehicle choice and analysis of a rich, new dataset on driving behavior.

Their work while at the University of Chicago was supported by Fuel Freedom Foundation funds.
Our longtime friend, colleague, and Stigler Center member Gary Becker passed away in May, aged 84. Dozens of tributes have recounted Gary’s many scholarly contributions in economics and in the social sciences, all part of a remarkably productive and intellectually courageous career. His work will influence generations of future scholars and policymakers. Rather than add to and repeat what has been said about Gary by others, I think a more unique tribute might be to let Gary speak for himself.

Research support from the Stigler Center is provided in response to requests from affiliated university faculty. Of course Gary was never short of funding from any variety of sources. Yet he regarded his Stigler affiliation as an important one, and he applied for support every year—dutifully describing the projects he would like the center to support. Here, in its entirety, is Gary’s last proposal to the center, submitted in the Spring of this year.

–Robert H. Topel

Dear Bob and Vicki,

I continued to work on several projects during 2012-13. One (with Kevin Murphy and Jorg Spenkuch) considers the relation between old age support by children of parents and parental investment in the human capital of children. The connection between old age support and investments depends on several variables, including parental wealth, parental altruism, children’s altruism, and bequests to children. This paper will be submitted for publication.

Another project (with Julio Elias and Karen Ye) considers the market for kidneys. We show that the waiting list has grown since 2005, despite the growth in kidney exchanges, and the growth in giving by persons other than relatives of recipients. We also are considering the effects of opt in vs. opt out systems on attracting kidney donations. We show that opt out systems do not appear to increase donations when live donations are included. We use a model of altruism of relatives toward persons needing kidneys to explain these and other empirical results.

A third project (with Jorg Spenkuch) is developing some results on the relation between parental and children’s human capital and earnings. We show that the theory predicts, with perfect capital markets, a convex relation between parental and children’s human capital. We also show that a convex relation is likely to hold even when parents are liquidity constrained. We also consider the relation between intergenerational mobility of human capital or earnings, and the degree of inequality in these variables.

We are also determining how well these and other results are consistent with empirical data for the United States. The relation between years of schooling of parents and children appear to be convex when comparing sons to fathers and also daughters to mothers.

Similar budget to last year would be appreciated.

Thanks,

Gary Becker

In case you are wondering, Gary’s request for support was approved.
George J. Stigler joined the faculty of the University of Chicago Booth School of Business and the Department of Economics in 1958. His efforts helped make an extraordinarily fruitful cooperative research enterprise between the university’s Department of Economics, Law School, and Booth. Together with the arrival of Merton Miller in 1960, Stigler is widely recognized as having established Chicago Booth as a world leader in academic research.

Stigler was one of the great economists of the twentieth century. He made seminal contributions to the economic theory of information and oligopoly and to the economic analysis of government regulation and the public sector. Stigler received the profession’s highest honors, including the presidency of the American Economic Association and the Nobel Memorial Prize in Economic Sciences. His 1982 Nobel Prize was the first awarded to an economist whose primary appointment was in a business school.