Greetings to alumni, friends, staff, and supporters of the
Department of Economics

This spring season is a season of change. As the academic year draws to a close, we find ourselves in the midst of a series of important personnel transitions in the university's administrative ranks. Starting at the very top, Steven Leath, took over as Iowa State University’s president on January 16, becoming the fifteenth person to serve in that office. Dr. Leath is a plant pathologist who spent many years on the faculty at North Carolina State University. Since 2007, he served as vice president of research and sponsored programs for the 16-campus University of North Carolina system, and in the last year of that appointment added to his role the responsibilities of interim vice president for academic planning.

The College of Liberal Arts and Sciences, one of the two colleges that jointly administers our department, also has a new dean. Beate Schmittmann took over that position at the beginning of April. Prior to joining Iowa State, Dr. Schmittmann was a member of the Physics Department at Virginia Tech since 1991, and department chair since 2006. Virginia Tech and North Carolina State are large public universities that share much in common with Iowa State, including land grant status. So both new leaders, Leath and Schmittmann, come on board with considerable relevant experience and a good understanding of the issues and challenges they will face going forward.

After five and a half years of dedicated service as provost and executive vice president, Betsy Hoffman has announced her resignation from her administrative position to take effect as soon as a replacement is ready to step in. Campus visits by finalist candidates for the provost’s job are currently underway, and the expectation is that the final selection could be made quite soon. Dr. Hoffman, an economist and tenured professor in our department, has a distinguished record of teaching and research accomplishments. Her plans for the future have not yet been finalized, but we are excited about the prospect that she may be returning to the department in a faculty role.

There has also been an administrative transition much closer to home. The department’s Center for Agricultural and Rural Development has a new leader. Bruce Babcock served as director of CARD since 1998, but moved in October to a new position as the university’s Cargill Endowed Chair in Energy Economics and director of the Biobased Industry Center. Cathy Kling, professor of economics and head of CARD’s Resource and Environmental Policy Division, graciously offered to step in and serve as interim director until a new director can be recruited for a standard term. We thank both Bruce and Cathy for their service. CARD’s reputation as the nation’s preeminent center for agricultural and food policy research ensures that the director position vacancy will attract interest from many distinguished scholars. The
Awards & Acknowledgments

Tesaftson earns $1.7 million DOE award to improve electrical grid

Professor Leigh Tesfatsion of the Department of Economics is among three ISU faculty members who are recipients of a $1.7 million award from the US Department of Energy.

In collaboration with faculty from ISU's Department of Electrical and Computer Engineering, she will be working to improve the function and reliability of the electrical grid as new resources such as wind and solar power are added. The result of their efforts could lead to lower costs for electric power and an increased ability to maintain the continual balancing of supply and demand essential for the physical operation of the power grid. Broader economic benefits, including job creation, may also result.

Other participants in the broader collaboration include Sandia National Laboratories, University of California Davis, Alstom Inc., and the Independent System Operator of New England (ISO-NE). The total award to all of these participants is $3 million. ISU is the lead institution in this effort.

Economics faculty and staff honored

Four Department of Economics faculty and staff members were presented awards at the annual spring convocation of the College of Agricultural and Life Sciences at ISU.

Ron Deiter and William Edwards, both professors in economics, received the Outstanding Service in Student Recruitment and Retention Award. Under their joint guidance, the Agricultural Business Club has won the Agricultural and Applied Economics Association's Outstanding Club Award for the past six years. They have also increased student recruitment and retention within the agricultural business major.

Ebby Luvaga, a lecturer in economics, received the Learning Community Coordinator Award. Luvaga has established a welcoming environment for freshmen into the agricultural business learning community. Since 2001, she has increased participation, while sustaining the quality of the learning community.

Jacinto Fabiosa, a scientist with the Center for Agricultural and Rural Development, received the Professional and Scientific Research Award. Fabiosa is a scientist and co-director of the ISU Food and Agricultural Policy Research Institute (FAPRI). He is a leading expert in emerging issues, and both industry and policymaking representatives seek his expertise.

As a member of the FAPRI team, he also developed cutting edge methodologies in the analysis of proposed agricultural policies for several farm bills.
Jensen named AAEA Fellow

Helen Jensen, professor of economics and head of the food and nutrition policy division of the Center for Agricultural and Rural Development (CARD), joins the 2012 Class of the Agricultural & Applied Economics Association (AAEA) Fellows.

The Fellow Award is the highest honor bestowed by the AAEA. Individuals receiving this honor are recognized for their continuous contribution to the advancement of agricultural and applied economics. Their achievements may be in research, teaching, extension, business or public service. The four 2012 Fellows will be recognized at the 2012 AAEA Annual Meeting in Seattle on Tuesday, August 14, following the AAEA Fellows Address.

“I feel honored,” says Jensen. “Food and nutrition problems are important work in the area of agricultural and applied economics. I’m grateful that Iowa State University has provided great opportunities for the development of my interest in these problems.”

Jensen has made outstanding and continuing contributions to agricultural and applied economics through her research in economics applied to food consumption, food policy, nutrition, and food safety; through service to the profession; and through active engagement in extending scientific evidence to the policy process during her 25 year career at Iowa State University. Her economic analyses of food safety regulations on the meat industry, the role of nutrition and product information on consumer demand, and the integration of economics in the assessment of food system risk analysis have provided a sound, scientific basis for the effective design of programs and policies related to nutrition and food safety.

Jensen’s contributions through national and international committees, including the National Academies, have been instrumental in leading to change in measurement of food insecurity and standards for major federal food programs that reflect new scientific evidence and sound economic research. She has mentored and provided guidance to graduate students and young scholars in the field. She has served on the AAEA Board of Directors and various committees of the AAEA, and presented the 2002 Waugh Memorial Lecture.

Fund designated in Alexander’s name

Terry Alexander, senior lecturer and undergraduate advisor with the Department of Economics, was recently honored with a student scholarship fund designated in his name. The $15,000 fund was awarded by the Randall family, whose daughter Alexander had advised prior to her graduation in the spring of 2011.

“The award was an honor, and also came as a big surprise to me,” he says. “I think the role of an advisor is to be a motivator—to make the student’s life through the bureaucracy of school a little easier.”

― Helen Jensen

― Terry Alexander
If a fat tax is coming, here’s how to make it efficient, effective

by Dan Kuester, ISU New Service; photo, Bob Elbert

A ‘sin tax’ applied to sweetened goods on store shelves is not the most efficient, effective method of lowering caloric intake from sweet food and would be more disruptive to consumers than necessary, according to Iowa State University research.

With a national debate taking shape about the possibility of a national tax on foods with high sweetener content, ISU economists have examined how such a tax would best be applied.

Rather than assessing a tax on these sugary goods as they are taken through the grocery store checkout lines, the research shows that a better way is to tax the food processors on the amount of caloric sweeteners, such as corn syrup and sugar added in processing before the product hits the shelves.

The economists, John Beghin and Helen Jensen, both professors in the Department of Economics, are quick to point out that they are not advocating for or against any tax, but simply researching how and where a possible sweetener tax would be most effective.

“We are not saying, ‘To resolve obesity, here is what you should do,’” said Beghin. “In that sense, we are not advocating anything. We are saying, ‘Given that you are considering a panoply of tax instruments, and there is a possibility of a soda tax, is there a better way to use that idea?’”

“This is motivated,” added Jensen, “by a lot of ideas out there that say we could tax sweetened products. We wanted to see what the effect of such a tax would be, and alternatively, if you imposed a tax on ingredients, what would be the effect of that.”

The research, published in the journal Contemporary Economic Policy, shows that if the goal of a sin tax on sweeteners is to reduce calories consumed, lawmakers should consider taxing the inputs instead of the final product.

Assessing the tax at the processing stage allows food processors to reduce the amount of sweeteners they put into their products. Processors will also have incentives to use more of the lesser-taxed artificial sweeteners, and less of the higher-taxed sweeteners that are heavy in sugary products.

These solutions would also raise the price at the store less than a direct tax on the end product, while reducing the calories attributable to the sweetener, according to the study.

“Taxing the processing ingredients makes more sense when compared with taxing the end product. You can abate the same number of calories without having consumers face such high prices.” —John Beghin

Any new tax on sweeteners, even the tax on food inputs proposed by the study, will cause prices to go up. One drawback of any tax on sweetened goods is the regressive nature of that tax.

In economic terms, regressive taxes are those that impact poorer economic groups more than higher ones.

“Since much of these (sweeter) goods are consumed by poorer economic groups,” said Beghin, “you may be increasing the cost of calories for poor people.”
The study looks only at calories in food. The research does not make any claims about lowering obesity.

The United States’ obesity rate has many factors, and the amount of calories consumed is only one, say the economists.

“We are not looking at health aspects,” said Jensen. “Just the consumption of calories from sweetened goods and the disruption to the consumer.”

The findings of the study fit generally accepted economic principles that say if you want to change a given behavior or economic decision, you should try to find a policy instrument that is closest to the behavior or decision, according to Beghin.

As part of the study, the two collected data from both government and private sources on industrial food inputs.

“We spent quite a bit of time assembling a data set based on published data on what inputs the food industry uses,” said Jensen. “So we know that for all the different food sectors, how much sugar and corn syrup go into that industry group’s food processing. You’d be amazed to see how much sweetener goes into food processing.”

National School Lunch Program a plus for children

by Mike Ferlazzo, ISU News Service; photo, Steve Jones

The federally funded National School Lunch Program (NSLP) provides free and reduced-price meals to more than 31 million children every school day, according to its website. And a recent study by current and former Iowa State University researchers confirmed that school lunches improve the health outcomes of children who reside in low-income households.

The researchers analyzed data from nearly 2,700 NSLP children (ages 6-17) taken from the 2001-04 National Health and Nutrition Examination Survey. Their study finds that the NSLP reduces the prevalence of food insecurity—a situation in which an individual cannot access enough food to sustain active, healthy living—by 3.8 percent, poor general health by 29 percent, and the rate of obesity by at least 17 percent in its participants.

“Our first objective was to try to provide policymakers with the best estimates of the effects of the NSLP on the well-being of children,” said Brent Kreider, an Iowa State professor of economics who collaborated on the study. “We think our results provide good evidence that the school lunch program is having generally beneficial effects on children’s health outcomes. Of course, we can’t say that all children benefit, but it appears from our results that the prevalence of food insecurity, poor general health and obesity would be higher without the program.”

Craig Gundersen, a former ISU professor of human development and family studies who now is a professor in the Department of Agricultural and Consumer Economics at the University of Illinois; and John Pepper, an associate professor of economics at the University of Virginia, also collaborated on the research. The study was posted online by the Journal of Econometrics and will be published in an upcoming issue of the journal.

Drawing on CDC data

To study the impact of school lunch on children’s nutritional health, the researchers used data from the National Health and Nutrition Examination Survey, conducted by the National Centers for Health Statistics, Centers for Disease Control—a program of surveys designed to assess the health and nutritional status of adults and children in the United States through interviews and direct physical examinations. Their sample included 2,693 children between the ages of 6 and 17 who were reported to be attending schools with the NSLP and residing in households with income less than 185

Continued on page 19
High land prices, high commodity prices make this a great time, bad time to start farming

by Dan Kuester, ISU News Service

With farm land prices reaching record levels, right now would seem to be a bad time to choose farming as a profession.

Mike Duffy, professor of economics and director of Iowa State University Extension’s Beginning Farmer Center, agrees.

With demand for agricultural products higher than ever and a growing national trend toward local foods, right now would seem to be a great time to choose farming as a profession.

Mike Duffy agrees.

“The high prices we have right now for land are at record levels,” said Duffy, who also directs ISU’s annual Land Value Survey, which he will present Wednesday.

Duffy concedes that a young farmer trying to buy a few hundred acres to farm for a living will have a very tough time.

“(Young farmers) just aren’t going to make it under those conditions,” Duffy said. “They can make money, but not a living.

“And they sure aren’t going to make a living raising cheap bulk commodities like corn and beans competing against a farmer with 2,000 acres.”

Instead, Duffy suggests that young farmers explore new ways to make money, like producing vegetables for sale to local restaurants or using the Internet to market products, producing high quality or organic produce, or any other of a number of ways to make money farming.

Annual land value survey reveals historic $6,708 statewide average

The average Iowa farmland value is estimated to be $6708 per acre, an increase of 32.5% from 2010, according to results of the Iowa Land Value Survey conducted in November 2011. This is the highest percentage increase ever recorded by the ISU annual survey, presented by Mike Duffy, economics professor and extension farm management economist, and conductor of the survey. Read the complete results of the 2011 Iowa Land Value Survey at: http://www.extension.iastate.edu/article/2011land-value-survey.
“I know one young farmer who has 120 acres where he is growing hay,” said Duffy. “He listed his hay on Craig’s List and got a call from a rancher in Texas who said, ‘I’ll take all you got and I’ll come up and get it.’ Those are the opportunities that we didn’t have 20 years ago.

“It is a better time than ever to sell beyond the elevator. Because of that, this is as good a time to get into farming as there ever has been.”

If young people do want to concentrate on row-crop agriculture, there are other ways to begin than by having to purchase huge amounts of land at the current high prices.

“If you want to get into agriculture, you may have to start out as a hired hand on someone else’s farm just to generate the needed capital,” he said. “You may need to have some animals to help you generate income. You need to find a way to get your foot in the door.”

While the entry price to become a farmer is high, Duffy says it is the same as other businesses.

“With land values at record highs, Mike Duffy is frequently asked about the prospect of a bubble and a potential collapse in value. Here’s what he had to say:

“The situation today is different than in the 1970s: debt is lower, incomes are higher, inflation is lower, and interest rates are lower. The probability of a major collapse in land values isn’t very great right now. We may let a little air out, but I don’t think we will see a bubble burst.”

“If some young person wanted to start their own hardware store, for instance, they couldn’t do it,” Duffy said. “They would have to work at a hardware store and get some experience and some training and some understanding of the business. Then they may be able to open a store—and with a lot of debt, too.”

Many young farmers are getting their foot in the door by marketing themselves to established farmers who may need help. Once the young farmers gain experience, they may try to work to buy the land on contract.

“I talk to farmer groups all the time,” said Duffy. “And I ask them to think about the people who have given you a break when you were starting out,” he said. “And if they say that no one ever gave them a break, I tell them to think again. Lots of these established farmers want to help young farmers. They want to keep young people in their towns. They want to keep their towns from dying. They don’t need to give the young farmers money, just some help getting started.”

Duffy says that starting a career in farming has always been difficult and that some people tend to believe that things were always better in the past. But that’s not always true, he says, for anyone, including young farmers.

“The good old days were generally good for people who didn’t live in them,” he said.

Former faculty profile: Neil E. Harl

I was born in 1933 on an 80 acre rented farm near the Mormon Trail. Like many, my family struggled through the Great Depression. My early education was in a one-room country school a mile and a half away, where I was the only student in my class for the entire eight years. Going to a big high school (45 students in my class) was a huge adjustment. With considerable encouragement from three of my teachers, I reluctantly applied for an Iowa Centennial Memorial Scholarship, which I surprisingly won.

At Iowa State College, I prepared myself for a career in farming, which did not materialize. After two years of military service, I confidently met with the owner of the 320 acres which my father had been renting and was told that my plans were much too grandiose for him (I asked for a livestock share lease with a sizeable commitment on his part). Instead, I went to work for Wallace’s Farmer in Des Moines. A few months into that job, I met with Prof. John O’Byrne of the Iowa law school. He offered me a half-time position to pursue a law degree, and in conjunction with ISU, a Ph.D. in economics. The law degree was completed in 1961, the Ph.D. in 1965.

I joined the faculty of the Department of Economics at ISU
Was it merely coincidence? Or was there something implied in Peter Orazem’s workshop, “Labor and Human Resources,” which caused five out of the twelve participants (or their spouses) to become pregnant or give birth.

“It’s clear that we had a little bit of a baby boom,” says Orazem, who coordinated the workshop last fall.

Being part of a boom at ISU is really nothing new to Orazem. In 1955, when his father was a graduate student at ISU, young Peter entered the world – one of 250 babies that year who came to live in Pamela Court.

During the Great Depression, many people had forestalled starting a family due to the poor economy. However, as things picked up, having a baby was a sign of confidence that economic times were shifting.

Orazem wonders whether the current workshop boom is a “leading economic indicator” for our own recessionary times. “It might be a small sign that the economy is lifting!” he jokes.

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Labor workshop’s “baby boom” a leading economic indicator?

by Kristin Senty
holiday gatherings 2010 & 2011
Faculty Changes

Bruce Babcock was named Cargill Endowed Chair in Energy Economics and director of the Biobased Industry Center in 2011. He has left his role as director of CARD, which he held since 1998.

Cathy Kling, head of the resource and environmental research unit at CARD, is also serving as the interim director of CARD.

James Bushnell resigned in 2011 to move to the University of California at Davis. He came to the department as an associate professor in 2009, and served as the Cargill Chair in Energy Economics and the director of the Biobased Industry Center.

Lee Schulz joined the department as an assistant professor and extension livestock economist in 2012. He attended Kansas State University for his Ph.D. His research interests include animal identification and traceability, fed cattle trade, feeder cattle pricing, animal welfare and handling, meat demand, and price risk management and analysis.

Staff Changes

Curtis Balmer, a systems analyst with CARD since 2003, now also works for the department in the same capacity.

Stephanie Bridges transferred to IT Services as a systems analyst in 2011. She was employed with the department since 2003.

Sandra Clarke transferred to the office of the vice president for Research & Economic Development as a communications specialist in 2011. She was employed with the department since 1998.

Carly Cummings started as a program assistant in the Agricultural Entrepreneurship Initiative in 2011. She was formerly an undergraduate student at ISU, and a student employee of the department.

John Inama started as a systems support specialist in 2012. He formerly worked for HCMS Group in Cheyenne, Wyoming as a systems administrator.

Brent Moore transferred to the LAS College as a systems analyst in 2011. He was employed with the department since 1995.

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When Kevin Kimle first started to teach a class in agricultural entrepreneurship, he contacted several other universities that had similar programs to compare notes. But when he asked how many students had actually started a business based on their class experience, Kimle says they didn’t want to talk about actual business starts. “They said that most classroom business concepts weren’t ready for the marketplace and most students weren’t ready to be entrepreneurs,” he says.

Kimle knew from the beginning that one of his goals for ISU’s entrepreneurship program was to see at least some students turn classroom business concepts into start-up companies. “I realize that many students aren’t ready to start a company and need to dive into their profession working for someone else to gain experience,” he says. “But many of our students at ISU bring some business experience, having grown up on a farm, or having held jobs with some responsibility. In the class, we’re able to break the entrepreneurship process down into smaller parts, connect students with entrepreneurs, and overall, make the idea of starting a business more approachable.”

Students spend the first part of the semester learning how to identify and form a business. The second half, they work in teams to develop a feasibility study of a sub-set of the business concepts. The semester ends with students making final presentations to investors, bankers, business people, and entrepreneurs. Kimle describes those presentations in front of a professional panel as the “spine sweat” moment in the class. “The panelists take the students seriously as aspiring entrepreneurs, and ask them questions accordingly,” he says.

Two to three tangible businesses emerge from the class each semester, and then move into the student incubator program. Students continue to refine their business concepts, research markets, develop technologies and products, write full-fledged business plans, and scope out partnerships. Some students choose to compete in business plan competitions, such as the annual Pappajohn Business Plan Competition, against students at other universities.

The program will complete its third semester in May, but there are now student start-up businesses ‘graduating’ from the program. “It’s gratifying to see students pushing forward business ideas with great potential,” Kimle says. “A powerful example for students is to see their friends start their own successful businesses.”

Learn more about Scoutpro and the Agricultural Entrepreneurship Initiative at: http://www.entrepreneurship.ag.iastate.edu

(left to right) Stuart McCulloh, Holden Nyhus, and Michael Koenig have developed a smartphone app that helps farmers identify corn and soybean pests in the field.

“In the class, we’re able to break the entrepreneurship process down into smaller parts, connect students with entrepreneurs, and overall, make the idea of starting a business more approachable.”
—Kevin Kimle
Outstanding department seniors honored with Wallace E. Barron Award

Three seniors from the Department of Economics were awarded the prestigious Wallace E. Barron University Senior Award for 2012.

The award was established by the Iowa State University Alumni Association in 1968, to recognize outstanding seniors who display high character, outstanding achievement in academics and university/community activities, and promise for continuing these exemplary qualities as alumni. The award is named for Wallace E. “Red” Barron (Class of ’28), who served as director of alumni affairs at ISU from 1937 to 1968. Awardees receive recognition and the Official Iowa State University Ring, compliments of the ISU Alumni Association. Two to five awards are granted annually. ✧

Amy Peyton (majors: agricultural business, economics, international agriculture, public service and administration in agriculture) Peyton has been active in a wide range of areas throughout the University, including Cyclone athletics, campus organizations, the foundation, and the Greek community. She has been awarded numerous times for her dedication. Last summer she studied in Rome through the Dean’s Global Agriculture and Food Leadership program, and worked on a team project with the United Nations Food and Agriculture Organization. After graduation, she’ll work for Caterpillar as a marketing representative in the agricultural division.

Scott Henry (majors: agricultural business, international agriculture, finance) Henry has served in numerous leadership positions throughout campus, in student government and through his fraternity. As a community volunteer, he completed over 545 hours of service during his time at ISU. Henry is the recipient of more than 40 scholarships, and has represented ISU internationally in Brazil, Argentina, Uruguay, China, Vietnam, Greece, Spain, Italy, Austria, Germany, Tanzania. After graduation, he’ll work in business development for Summit Farms.

Sam Bird (majors: economics, global resource systems) Global research and philanthropy have been important to Bird while at ISU, and he has served in a leadership capacity and as a mentor for the Global Resource Systems program. Bird has lead several fund-raising efforts for children in Uganda, and has participated in United Nations events in New York City and Rio de Janeiro, Brazil. He is planning a career in public service, working with economic practices and public policies in global development, and will attend graduate school at the University of California at Davis in economics.
Hoben reflects on time as GSB president

As senior Dakota Hoben steps down from his role as president of the Government of the Student Body (GSB) at the end of his term, he took some time to reflect on the year-long role and what he had learned. Hoben will graduate in the spring of 2012, with majors in economics, agricultural business, political science, and international agriculture. He will continue to live in Ames with his wife Carley, and will begin working for Summit Farms in business development after graduation.

What was the most interesting part of your role as GSB president? The chance to interact with the administration and work to influence University policy on behalf of students. I had the chance to serve on a budget advisory committee and a search committee for the new president and provost. I was also involved in discussions around fees and tuition, and certain aspects of the athletic program. I enjoyed offering the student perspective, and we are fortunate to have a great administration who welcomed our involvement.

What strengths did you bring to the role that helped you the most?

“Being able to check your emotions and work for common ground is another strength that is helpful.”
—Dakota Hoben

What was one of the most difficult aspects of being president? It takes a lot of time to get things done! You can recognize a good idea, but it can take four to six months to get everything in motion. There were things we started back at the beginning of the term that now are just beginning to come to fruition.

What was one of the most important things you learned? I had numerous philosophies around organizing and managing people, but those changed. I realized that you have to work to build relationships and must always be ready and willing to adapt. You need to do that to be more effective. In an executive position, it’s also important to identify people’s strengths and empower individuals to succeed.

Any other thoughts? It was a great experience. I was blessed to have this time, build these relationships, share in these interactions, and be involved in some good projects. I am passionate about ISU and its many offerings, and serving in this capacity was extremely fulfilling. My only over-arching goal was to improve the student experience on this campus, and it’s my hope that today we’re further along towards that than we were a year ago.
Does European aflatoxin regulation hurt groundnut exporters from Africa?

Peanuts are an important agricultural commodity for Africa, exported primarily to the European Union and other parts of the world. They can also contain certain levels of the carcinogen known as aflatoxin, which the EU created more stringent safety regulations around in 2002.

Bo Xiong, in his research on agricultural economics, international trade, and food safety, was curious to see if the stricter aflatoxin standards had any economic impact on African exporters. “Prior to the harmonization of aflatoxin policy in the EU, there was a report made by the World Bank that predicted it would decrease the export of African peanuts by 36%;” he says. “That’s a big number in trade revenue, so we wanted to revisit that prediction to see if it was correct.”

Xiong discovered that, in fact, African exports of peanuts had not been adversely affected by the policy change. Instead, while exports to the EU had decreased since 2002, this was the result of internal issues within Africa itself. “So we proved that harmonized regulations created by the EU did not have any new negative economic impacts,” he says.

While Xiong knows that some countries may abuse food safety regulations in order to reduce competition from abroad, “legitimate food safety standards can be used to protect human health, animal health, and the environment,” he says.

Are exporters more environmentally friendly than non-exporters?

Emissions are a reality for companies involved in the industrial production process, and it stands to reason that the higher the level of production, the greater the amount of emissions. To the contrary, Jingbo Cui, in his graduate work around environmental economics and international trade, has found that some companies are actually polluting lower emissions per output, while still showing strong productivity.

In his studies, Cui noticed that there was a gap in information between environmental economics and international trade, so he knew that exploring a problem that fell into these areas would be a challenge. He wanted to know if there was a difference in the level of pollution per output emitted between companies that export, and those who do not. “There was little study around exporters in terms of their environmental impact,” he says.

It was a challenge for him to find a data set that contained both emissions and export information, but the EPA eventually supplied what he needed. Part of the data was purchased with fund support by his co-major advisor Dr. GianCarlo Moschini. Cui was able to determine that companies who export their products, overall, tend to pollute less sulfur dioxide, CO, 03, and TSPS per value of sale in the production process, more so than those who sell to a domestic market only. “We knew that exporters were more productive, but we also saw that they’re the ones more likely to adopt emissions savings strategies as well,” he says.

Ultimately, Stinn says the information from the survey and the data are a powerful combination, “because they both offer up different types of information which are equally valuable.

“A well conducted survey such as Duffy’s is a proven and useful tool, and this just adds a new layer.”

When Stinn completes his masters, he hopes to do more economic analyses in the agricultural industry. “I like being able to take complex information and distill it down,” he says. “I like making information practical and accessible for everyone.”

Land price determinants in Iowa

Graduate student Matt Stinn’s major professor Mike Duffy compiles and releases the popular Iowa farmland value survey annually, building the results through a combination of his own observations as an extension economist, and the opinions of Iowa farmers.

Duffy and Stinn wanted to check the survey against actual sales data to see how close the observations and opinions were to the numbers, and in the process they discovered a number of similarities.

While the results between the two were close, Stinn says they weren’t exactly the same because they reflected a different kind of value for the land. “When you’re asking people about ‘value,’ there are certain elements in their minds that aren’t connected to money,” he says. “So the value people place on their land was predicted a little bit higher than the sales data.”

Ultimately, Stinn says the information from the survey and the data are a powerful combination, “because they both offer up different types of information which are equally valuable.

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The causal effects of criminal convictions on labor market outcomes in young adults

A widely-used economic analysis shows that employers are less likely to hire an individual with a criminal background, and when they do, they tend to offer lower wages. However, graduate student Jeremiah Richey, in his work with econometrics, says that the assumptions economists used to arrive at these results “may not be so credible.”

The tools of econometrics used to answer such questions “mix assumptions with data to get an answer,” says Richey. Previous analyses by economists have used “strong” assumptions that resulted in a definitive number showing causality between a conviction and low wages. But Richey says that perhaps the assumptions should be “less restrictive and a little weaker,” in order to come up with a more credible result.

“We know that something like a person’s attitude affects employment, but we can’t measure that,” he says. “So when we know that a poor employment outcome has so many other factors like this that come into play, we can’t say that it’s due to a criminal conviction alone. My work is to try to answer how much of the difference in wages is solely the result of the conviction.”

Richey came up with a range of wages that could result from a conviction, rather than a specific wage. By looking at the problem with less restrictive assumptions, he was also able to tease out some other interesting results. He saw that for white males, a criminal record did, in fact, affect the type of wage and job match they were able to get. But for black males, he was only able to determine that the conviction affected their wages. Says Richey, “For other reasons, black men are likely already marginalized in the labor market.”

Behavior incentives in experimental labor markets

Do girls shy away from competition, and are women prone to choose less competitive career paths? Graduate student Fanzheng Yang knew that the economic literature supported this idea, but in her native China, this wasn’t what she’d observed.

Using the tools of behavioral economics, she set up a pilot experiment in China to test women’s competitiveness, working with a subject pool of women from top Chinese universities. Yang was “surprised” by what she learned.

“In China, girls like competition. They have a strong attitude and good performance when they’re in a competitive situation,” she says. From the experiment, she also learned that women work well in cooperation as a team when one team competes against another, and rise to higher competitive challenges when there are special financial incentives.

The implications of her work may help workplaces to predict the types of workers who will be more competitive, or understand better the kinds of incentives that encourage workers to improve their performance.

Yang concludes that the difference between Chinese and Western girls has a lot to do with China’s one child policy. “Children who grow up in a family with more siblings have an easier time cooperating, but for women who grew up in the one child policy, they harbor all of the hopes, dreams, and pressures from their family,” she says.

“This may make them have a more competitive drive.”

Vector autoregression with varied frequency data

When the Fed wants to shift monetary policy in order to affect the economy, they need a source of data to study in order to make an effective prediction. Gross domestic product data is an important source used toward that aim, but it’s only compiled quarterly, while other sources like the Consumer Price Index are compiled monthly.

“Economic data is not perfect,” says graduate student Hang Qian, whose research interests include Bayesian econometrics, microeconometrics, time series, and financial economics. Imperfect or inconsistent economic data, or data presented at different “frequencies,” makes it difficult to draw an accurate picture of the economy. This makes a shift in policy a complex process.

To remedy this, Qian set out to find a way to view data at conflicting frequencies as part of a total picture. “I wanted to use all of the information that we have -- monthly and quarterly data -- so we run a regression model to study the relationship between these different variables,” he says.

Through his model, Qian also explores how to use quarterly data to make inferences for all of the months in between -- “a best guess,” he says. Making use of all of the variables, he says, will be a helpful resource for policymakers as they complete a broader picture of the economic landscape.

“When hidden knowledge like this becomes clear to me, it really feels like an achievement,” he concludes.
Alumni News

Joe and Lulu McPhail

My wife and I fell in love in the Economics Help Room. I loved teaching, but was occasionally distracted by one of the new PhD students named Lihong. Call me a hopeless romantic, but something about a beautiful woman studying the behavior of rational agents takes my breath away. We were married a few months later in July of 2006.

We moved to Washington DC in early 2010. Lihong took a research position at the Economic Research Service at the USDA, where she continues her work on bioenergy and commodities. I am a consultant for Pricewaterhouse Cooper’s Financial Services Regulatory group, where I specialize in credit risk modeling. Last October, we bought our first home and became residents of Falls Church, Virginia. Our daughter Sumay is excited about her baby sister, who is due in early April.

We love it here but we miss ISU—especially the spring when the red buds are in bloom and the ice begins to melt from over the top of the Squaw Creek. Most of all, we miss the people who helped us get our start. There are so many wonderful and brilliant faculty members, it would take a full page just to list them all, but here are a few that we must give a special shout out to.

Brent Kreider who helped me discover my love for teaching, Peter Orazem for being our favorite politician and early career help, Bruce Babcock for working with Lihong on their many papers, and John Schroeter for his continued friendship and guidance.

Contact Joe and Lulu McPhail at: lihong.l.mcphail@gmail.com ✧

Kuejai (Nan) Jungjaturapit

I currently work for Bunge Global in White Plains, which I joined last January as part of the global research team. The work is exciting and it never gets boring. I started as an oilseed analyst, learning about the business, and I now work on different projects in modeling and forecasting. My current responsibility is a long term analysis of grain and oilseed, palm production, and US crop production forecast.

My degree and past experience at CARD have prepared me well for this job. I’ve often looked back to my thesis or projects I did at CARD for ideas. The difference in the private sector is that the results from your research matter to the company’s profits almost right away.

The thing I miss the most about being in the academic world is the freedom to do different research, to talk to others about different research topics, and the summer!! However, I definitely enjoy my weekends without homework. I spend most of my weekends with my coworkers and friends, and am glad to have two of my best friends from ISU within a three hour drive away from me. During the winter, there are a number of ski resorts close by, so I go snowboarding every weekend. I also enjoy running and biking, and have a triathlon in NYC coming up this summer. Contact Kuejai (Nan) Jungjaturapit at: kuejai@yahoo.com ✧
Allan A. Warrack

Allan Warrack graduated from ISU with an MS in 1963 and a PhD in 1967. His undergraduate degree is from the University of Alberta in agriculture sciences, 1961. A fellow Canadian, Professor A. Gordon Ball of ISU, was on leave to the U of Alberta, and taught a course Warrack took—this resulted in his recruitment to the Department of Economics at ISU. Dr. Ball supervised Warrack’s MS program and thesis. Years later, Ball became dean of agriculture at the University of Guelph in Ontario, Canada.

Warrack’s supervisor at ISU was well-known Professor Lehman B. Fletcher, who taught Microeconomics. He recalls courses taught from the distinguished Professor Earl Heady, Dudley Luckett, Dennis Starleaf, and Wayne Fuller. Warrack earned the honorary designations of Gamma Sigma Delta and Phi Kappa Phi while at ISU.

In Alberta, Warrack has played exceptionally significant roles in academics, business, and politics. He earned full academic rank and tenure, and taught agricultural economics, and later business economics in the U of Alberta Faculty of Business. He is co-author of a textbook in Managing Business-Government Relations (Prentice-Hall). He also served a five-year secondment as University of Alberta Vice-President (Administration and Finance).

Warrack was twice elected to the legislature, and was a cabinet minister in both legislative terms. He also served on several Government of Canada boards, most recently the National Research Council. He has just completed a year as president of the Canadian Club of Edmonton. He was awarded an Outstanding Albertan Centennial Medal (2005), and a Delta Upsilon Distinguished Alumnus Medal (2005). In 2009, the University of Alberta honored him with an Alumni Honour Award.

This year, Warrack and his wife Jean will celebrate their 50th anniversary. Contact Allan Warrack at: Allan.Warrack@ualberta.ca.

Roman Lynch (Captain Midnight)

I graduated in 1976 from ISU’s Department of Economics and thought I was ready to become a citizen of the world. As it turned out, I stayed in Ames, took a job selling life insurance, and got involved in the Lions Club, Toastmasters, and St. Thomas Aquinas Church.

Twenty-six years later, even though I am not a “citizen of the world,” it’s the world that comes here. This is what makes Ames great, along with the Cyclones.

I began running at 31, and entered my first race two years later. In 1986, I helped organize an Ames race called Midnight Madness, which attracted about 1800 runners. The next year I organized the entire race and have been the director for 26 years.

I wanted Midnight Madness to be different, so I developed a character for it called “Captain Midnight.” First came a cape, then a mask with special tights and shirt—finally, the mercury ears topped off the character! It’s interesting that many people know the Captain, especially in running circles. Last year we hosted 2400 runners. I’ve also helped to form a running club in Ames, and helped to organize a race called Run for the Roses, that has raised $120,000 for arthritis research.

When I first started running, I was able to go 8-minute miles for 5K and 10K, and participated in three marathons in under five hours. I no longer run because my knees have no cushion, but I do stay involved because the people are great. I’m grateful that I came to ISU because it gave me a chance to become who I am today and gave me a place that feels like home.

Contact Roman Lynch at: www.amesmidnightmadness.com.
Assistant scientist Liesl Eathington says that while the amount of economic data available today is “growing exponentially,” it doesn’t always mean that what’s out there is well-explained, or even in a form that’s usable for the general public.

Eathington, director of Iowa Community Indicators Program (ICIP), formerly known as ReCAP, takes complex data and puts it into a form that people can readily work with. She works collaboratively with David Swenson, associate scientist with the Department of Economics, and says that together, “we’re a little like a bridge, putting information into a form that the lay public can understand.”

Their audiences include the University, state government, business, and the general public. A typical project might be an economic analysis of a community to determine its strengths and weaknesses, or an impact assessment of a plan to bring new industry to a community. They’ve consulted on such things as the impact to the town of Newton after Maytag’s exit, the potential result of closing a state mental health facility, rural road planning, or the long-term impacts of the biofuel industry in Iowa.

They produce studies that are easy to read and understand, and often include computer-generated visuals that can integrate and reframe information about population, agricultural or industrial production, and geography. Both Swenson and Eathington make presentations to government agencies, associations, and chambers of commerce. Swenson has become a familiar voice in local and national media, providing analysis about Iowa’s economy.

Swenson studied political science and regional planning in his graduate work, specializing in public finance and regional economic analysis. He works for Iowa State University in his capacity as a research scientist, and he teaches economic impact, benefit cost, and economic effectiveness analysis at the School of Urban and Regional Planning at The University of Iowa.

Eathington came to her role as a graduate student in planning and business administration in 1998, and today leads ICIP.

Together, the role they play in providing information to the public continues to be interesting and invigorating for them both, says Swenson, because, “we’re structured to work on so many different topics for so many different groups.”

But providing accurate information and a balanced assessment also requires a lot of sensitivity—and sometimes telling people what they don’t necessarily want to hear. “I tell people that I’m not a cheerleader or a marketer,” says Swenson. “We produce information that assists the decision-making process. We try to provide a common understanding so that we’re all focused on the same thing.”

ICIP is in the process of shifting from its former identity as ReCAP, with the launch of a new website this summer.

Learn more at: http://www.recap.iastate.edu/
percent of the federal poverty line.

Kreider says it’s been well documented that children who qualify for free and reduced-price school lunches tend to have worse health than their fellow students.

“What is more difficult to identify is the causal role of the program itself when children are not randomly assigned into the NSLP,” Kreider said. “Parents and teachers who know that particular children are not getting adequate nutrition at home may be self-selecting such children into the program. This can make it appear that the program is ineffective when it is really just the composition of high-risk beneficiaries.”

Kreider and his colleagues’ analysis developed new statistical methods capable of estimating causal “treatment effects” for government assistance programs when participation and eligibility are imperfectly measured. While their data came from 2001-04, Kreider says the basic structure of the NSLP and its participation rate haven’t changed much in recent years, so the researchers expect their conclusions to be stable across time.

**Surprising results on obesity reduction**

Among their findings, Kreider found the rate of obesity reduction to be the most surprising.

“We didn’t expect to find such a large effect of the NSLP on reducing the obesity rate,” Kreider said. “Theoretically, the impact of reduced-price lunches on obesity is ambiguous. Because NSLP administrators must adhere to nutritional guidelines, one might expect the NSLP to reduce obesity. But school lunches might also lead to higher caloric intakes, and possibly more fat-related calories.”

“The magnitude of this effect was surprising to us, though we are not estimating an amount of weight loss but rather changes in the fraction of children above a specific threshold. This large percentage change may also reflect the somewhat small base,” he said.

The new study contradicts previous research suggesting that the NSLP actually increases the obesity rate. For that reason, Kreider says he’s looking forward to future literature on the topic.

Still, the researchers conclude that their analysis shows that the NSLP program significantly improves the well-being of children in several dimensions.

They plan to continue studying the health outcomes of participants in government programs that target low-income households. ✧

Neil Harl

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as an associate professor in 1964, with promotion to full professor in 1967. Much to my great surprise, I was made a Charles F. Curtiss Distinguished Professor in Agriculture in 1976. My major areas of teaching, research, and extension were in resource economics, finance, and agricultural law. During my years at ISU, I served on six federal commissions.

An invitation from the U.S. Government in early 1990 to help survey the needs of the countries transitioning to a market economy led to the establishment of the Center for International Agricultural Finance, which I directed until retirement in 2004. The Center conducted 79 schools of banking, credit, and finance, and provided educational programs on legal systems needed to support a market economy, graduating more than 1,600 individuals from the schools.

I would probably never have retired had it not been for the frigid Iowa winters. Since retirement, I have been fully employed and off the streets running seminars, updating my publications, consulting with practicing attorneys and CPAs, and managing our farming operations in Appanoose County, Iowa.

My wife, Darlene, and I have two sons, Brent and Rod, and five grandchildren. We enjoy spending time in Hawaii, the Lake of the Ozarks, and in Denver, where four of our grandchildren now live. We also enjoy time in Ames. ✧

Neil Harl can be reached at: harl@iastate.edu
search for the new CARD director is one of the tasks on the department’s agenda for next fall, in what promises to be a very busy recruiting season that will include searches to fill at least three other faculty positions.

One final administrative transition looms: Since my appointment as department chair is also on an interim basis, there will be a search for my replacement at some point in the not-too-distant future. That task is not an immediate priority, however, because my interim appointment, originally scheduled for the fiscal year ending in a couple of months, has been extended until June 30, 2013. With ten months as interim chair now behind me, I really need to express my gratitude to our faculty, staff, and students for their patience and support, as I’ve struggled to climb the “learning curve” that every new department chair faces. The opportunity to serve as chair has given me a “big-picture” perspective on the department that I never had before in my comparatively insular faculty role. The result has been a new appreciation for the talent and dedication of the many people who make vital contributions to the diverse teaching/research/outreach mission of this department. I look forward to my final year as interim chair and to the opportunity to do what I can, from the chair’s office, to promote that mission.

We appreciate your ongoing interest in and support of the department. My best wishes to all of our friends.

John Schroeter
Professor and Interim Chair