Murray Weidenbaum Center on the Economy, Government, and Public Policy

2004 Annual Report
LETTER FROM THE CHANCELLOR

The Murray Weidenbaum Center on the Economy, Government, and Public Policy continues its important work at Washington University. The Center is beginning its thirtieth year of contributing to our understanding of public issues. It sponsors some of the most important public affairs programs in the region, reaching a wide audience of influential individuals in business, government, academia, and national media.

Center programs and reports include the Weidenbaum Center Forum, special multi-year programs of research and public outreach, a series of public policy discussions, biannual newsletters, monthly regulatory reports, a wide range of faculty research and workshops, and an online library that incorporates streaming videos of Center events.

The Weidenbaum Center Forum hosted several key programs in 2004 including a major conference on the future of health care. Public policy discussions examined issues such as social security reform and outsourcing of American jobs. It once again released its annual Regulatory Report and began a special monthly update summarizing current regulatory studies.

The Center continues to provide timely and targeted support to the research programs of the excellent faculties of economics, political science, and related fields. Major studies are now being published that have been funded by the Center. The Center also continued its summer institute program (EITM) with the funding of the National Science Foundation. This program brought faculty and graduate students from many of the nation’s top universities to study theoretical and measurement issues at the cutting edge of political science and economics.

The Center is a vital asset of Washington University, drawing together many in our community to better understand public policy issues. I thank all involved in its programs and support.

Mark Wrighton

LETTER FROM THE DIRECTOR

I am very pleased to report a most successful year of research and public affairs programs at the Weidenbaum Center. We addressed issues through research, forums, public debates, lectures, and scholarly conferences.

Forums highlighted the importance of public education by focusing on issues such as health care, bankruptcy/reorganization, and urban sprawl and transportation policy. Speaker programs covered issues such as election reform, outsourcing, budget deficits, social security and tort reform, and the future of the space program.

The Center is also building upon its research activities through relationships with the faculties of economics, political science, business, law, and other departments at Washington University. Center small grants provide seed money for research. Two current major projects from this endeavor are: the Multinational Enterprises and the Global Political Economy Program and the Citizenship, Civil Society, and Democratic Values Program. Both sponsor research and public affairs forums. We are also working closely with university faculty to seek out major external funding.

The Center provides Ph.D. student fellowships and support for dissertation research. Our NSF-supported EITM Summer Institute gives graduate students and junior faculty from around the country a rare opportunity to attend training seminars.

My special thanks go to the many people associated with the Center. I can only mention a few. Chancellor Mark Wrighton and Executive Vice Chancellor Ed Macias provide support for the Center and continue to make my service as director a real joy. Jim Schiele, Chairman of the Center’s Eliot Society and Corporate Volunteer Committees, has worked hard to expand our Eliot Society to a record high and is working to build our corporate membership as well. Our efforts would not be possible without the financial assistance and encouragement of our volunteer committee members and the many supporters of the Center. Most of all, Murray Weidenbaum’s friendship and collaboration make it all worthwhile.

Steven Smith

In late May, Murray Weidenbaum was part of a group of administration and faculty who met with Washington University’s International Advisory Council in Seoul, South Korea. While there, Dr. Weidenbaum gave a lecture on the global economy to students at Yonsei University (this speech was printed in the July issue of Vital Speeches of the Day). He also spoke at a dinner of the Advisory Council, which included University alumni. Weidenbaum subsequently wrote an article, “Korea, the United States, and the Global Marketplace,” which appeared in Challenge, an economic policy review.

The Weidenbaum Center hosted its annual Media Retreat at Cape Cod in late June. Weidenbaum gave two presentations to the group of journalists who participated. One was on the current state of corporate governance. The other dealt with the winners and losers of globalization. An expanded version of the latter was published by the Woodrow Wilson International Center for Scholars.

In August, Weidenbaum traveled to Russia and spoke to Washington University alumni. His lecture, “The Uncertain Prospects for the Russian Economy,” appeared in Vital Speeches. He also gave a talk on Russia’s role in the global economy as well as one on the U.S. economy.

Dr. Weidenbaum’s book, One-Armed Economist: On the Intersection of Business and Government (Transaction Publishers), was published over the summer. It is an analysis of major public policy issues including economic policy, tax reform, government regulation, defense spending, and the international economy. He gave a talk to Center supporters about this book in September, which was followed by a book signing. His talk was printed in Executive Speeches.

In addition to teaching a senior Arts and Sciences course, “Business, Government and the Public,” Weidenbaum is actively involved with the University’s Business School. He spoke at their conference on corporate governance in November and lectured to their Executive MBA and Senior Honors classes. His presentation at the conference, “Regulating Corporate Governance,” was published by Directors and Boards.

Dr. Weidenbaum wrote and lectured extensively on outsourcing. He appeared on the local PBS program Stl Biz to discuss the pros and cons of outsourcing. He also gave a Center breakfast talk in June on that topic. USA Today Magazine printed his “Outsourcing Is a Good Thing—Mostly” in May. Another version of this topic appeared as “Outsourcing: Pros and Cons” in St. Croix Review in October.

On October 8, Washington University hosted the third presidential debate. Dr. Weidenbaum and four other faculty participated in a post-debate panel that discussed how well the candidates responded to the debate questions. Earlier, he participated in a Student Union Forum on the Presidential Election campaign.

Late in 2004, Dr. Weidenbaum wrote a short memoir of his experiences in the Reagan administration. The publication will be available in the summer of 2005.

Speaking to students at Yonsei University.
Steven Smith is a professor in the political science department, director of the Weidenbaum Center, and the Kate M. Gregg Professor of Social Sciences at Washington University. As the Center’s Director, Dr. Smith is responsible for sponsored research, public outreach programs, university programs such as the Center’s EITM Summer Institute, and the general direction and administration of the Center. He also pursues a program of research, gives talks at various venues around the country, and offers commentary on American and Russian politics for the press and electronic media.

He currently has three books in the works, covering the development of party organization and leadership in the U.S. Senate and on the influence of institutional arrangements on policy choices in the U.S. Congress. He is currently on the editorial board of Legislative Studies Quarterly and has served on the editorial boards of other journals. He will chair the Legislative Studies Section of the American Political Science Association for the next several years.

While his early research focused primarily on the modern U.S. Congress, it has evolved over the years to include more historical studies of Congress and parliaments around the world, including the emerging Russian democracy. A current project concerns the development of presidential-parliamentary relations in Russia.

As the Kate M. Gregg Professor of Social Sciences, Dr. Smith was called upon to serve the University in a variety of ways. One of his major assignments was to chair the search committee for a new chairman for the Department of Economics. This search was unique as it was a nation-wide search for a prominent economist to build and strengthen the department. Professor Ping Wang, formerly with the department of economics at Vanderbilt University, was recruited successfully to begin his term as chair of the department in July 2005.

Professor Smith taught a seminar jointly with Professor Randall Calvert on Legislative Politics. The seminar had three major parts: roll-call voting studies, institutional dynamics, and inter-branch relations. He also mentors students on a regular basis and received the Excellence in Mentoring Award from the Graduate Student Senate at Washington University for 2003-2004. His first two Washington University Ph.D. students took faculty positions at the University of Minnesota and the University of Pittsburgh.

During 2004, Dr. Smith gave talks on his research in the political science departments at Penn, Princeton, and Stanford. He was called upon by media for interviews and commentary throughout the year. The 2004 elections and the fight over judicial nominations in the U.S. Senate occupied much of his time.

The upcoming fourth edition of Professor Smith’s textbook, The American Congress, gives readers an appreciation for the importance of a strong legislature in the American democracy. It contributes to the reader’s understanding by introducing key concepts, describing essential details of the process, and outlining general principles for understanding Congress.

Dr. Paul Rothstein, Associate Professor in the Department of Economics at Washington University, continued to serve as the Center’s Associate Director in 2004. His specialty is public sector economics, and he has written in the areas of local public finance, taxation, and public choice.

Dr. Rothstein played an important role in the Center’s annual media retreat. During the course of the year, he continued to interact with and assist a number of the participants with information and data for articles and commentary.

Dr. Rothstein also assists with the Center’s forum programs. His concentration is on programs related to public finance and taxation as well as issues specifically related to development in the St. Louis region. In addition, he writes summaries of all forums for nationwide distribution.
In 2004, the Weidenbaum Center held seven major forums with topics ranging from health care, the economic policies of the presidential contenders, social and economic challenges facing the St. Louis region, bankruptcy and reorganization, and urban sprawl. Two of these forums had specific applicability to the St. Louis area while the other five were national in scope. Below are short descriptions of each of the Center’s 2004 forums.

Weidenbaum Center Forum

Bankruptcy and Reorganization. With corporate bankruptcies increasing in prominence, April 2004 was an appropriate time to consider the consequences of bankruptcy and reorganization. The economy and stock market were still below their highs during the expansion of the 1990s. Under-funded pension benefit plans were also of concern, as people faced retirement with significantly fewer benefits than they anticipated. On April 2, the Weidenbaum Center and the Washington University School of Law cosponsored the F. Hodge O’Neal Corporate and Securities Law Symposium for the third consecutive year. This conference, “Bankruptcy and Reorganization: Current Events and Future Outlook,” focused on the changing trends in bankruptcy.

The first panel featured talks by Washington University professors F. Scott Kief and Troy Paredes, UCLA’s Lynn LoPucki, and University of Texas’s Ronald J. Mann discussing how bankruptcy law should be structured to address a host of issues relating to corporate bankruptcy and reorganization. Commentators for this session included The Honorable Barry S. Schermer of the United States Bankruptcy Court.

Elizabeth Warren, the Leo E. Gottlieb Professor at Harvard Law School, gave the luncheon keynote address. Her talk, “The Over Consumption Myth and Other Tales of Economics, Law and Morality,” focused on families, money, and their affect on corporate bankruptcies.

Gary Chase from Lehman Brothers and Richard Ippolito of George Mason University debated the employee concerns raised by corporate failure. The Weidenbaum Center’s Distinguished Executive in Residence Richard Mahoney was a commentator for this panel.

Third Congressional District Debate. On September 21, the fall semester’s programs began with an important debate among the candidates for Missouri’s hotly contested 3rd District seat in the U.S. Congress. Dick Gephardt had held this seat since he was first elected in 1976. Three candidates for the seat—Libertarian Kevin Babcock, Democrat Russ Carnahan, and Republican Bill Federer—participated.

Jim Kirchherr, a program host and senior producer at KETC, moderated the debate. Candidates fielded questions on foreign- and domestic-policy issues as presented by a panel composed of student Katie Ridgway, a WUSTL political science and economics major from Westerville, Ohio; Jo Mannies, political reporter for the St. Louis Post-Dispatch, and Tom Weber, KWMU public radio’s morning drive newscaster and reporter.
A large audience turned out to hear the debate, which was covered by radio stations KWMU, KMOX, and the *St. Louis Post-Dispatch* and *Suburban Journal*. The debate was sponsored by the Weidenbaum Center and three St. Louis media outlets: KETC-TV Channel 9, KWMU public radio, and the *St. Louis Post-Dispatch*.

**Presidential Economic Adviser Debate.** Top economic advisers for President George W. Bush and Senator John Kerry faced off in a debate on October 8. John Berry, columnist for *Bloomberg News*, moderated the debate between Todd Buchholz and Roger C. Altman, who appeared on behalf of the Bush and Kerry campaigns, respectively. This event was held the morning of the presidential candidate debate at Washington University in St. Louis.

**Todd Buchholz**, Chairman and Chief Investment Officer of Victoria Capital Partners, an international investment fund, served from 1989 to 1992 as Associate Director for Economic Policy in the George H. Bush administration. **Roger C. Altman**, former deputy secretary of the U.S. Treasury Department in the Bill Clinton administration and now chairman of investment banking firm Evercore Partners, was Kerry’s primary economic adviser.

“Economic Plans of the Next President: A Debate Between the Top Economics Advisers to Bush and Kerry” was cosponsored by the Weidenbaum Center, the St. Louis Gateway Chapter of the National Association of Business Economics, and the Missouri Historical Society.

**Health Care Challenges Facing the Nation.** In the 20th century, life expectancy in the United States increased by 30 years and infant mortality plummeted. Against these accomplishments stand health care cost increases that exceed income growth, inequality of access to care, and concerns over the quality of care.

On October 7, 2004, the Weidenbaum Center, in conjunction with Washington University’s Center for Health Policy and the Brookings Institution in Washington, D.C., presented a conference on health care challenges facing the nation.

The conference brought together academic researchers, policy makers, business experts, and community leaders to address four important health care issues: politics and policymaking, racial and ethnic disparities, the specter of rationing, and increasing medical research and development costs. In six sessions, the presenters and panelists educated each other and the public about these issues, offering ideas that could meet the challenges while preserving innovation and creativity in medical research and practice.

David Satcher, Director of the National Center for Primary Care at the Morehouse School of Medicine in Atlanta and former Surgeon General of the United States, led off the conference. He drew connections between the public health priorities of the nation and political realities. In the health care politics area, Brookings Fellow Henry Aaron emphasized that Medicare and Medicaid are the source of our nation’s long-term fiscal gap.

Keynote luncheon speaker Gail Wilensky of Project Hope pointed out American medicine’s poor resource utilization skills. She argued that major cost savings would likely be accomplished by tying payments to caregivers more closely to the results achieved. Missouri Foundation for Health President and CEO James Kimmey addressed the issue of spatial and racial disparities. He stressed that people with first-hand knowledge of those experiencing disparities should be involved in the design of disparity-reduction programs.

Harvard economist David Cutler spearheaded a session on the impact of medical R&D costs, concluding that medical research and development have produced clear gains for society regardless of the higher costs of treatments. Mark McClellan, administrator of the federal government’s Centers for Medicare and Medicaid Services, argued that current medical practice
The first is the Pierce Report, which analyzed the state of affairs of the St. Louis region and offered a blueprint for civic experimentation. Second, the launching of St. Louis 2004, which was responsible for many impressive accomplishments in the St. Louis region. Lastly, the school desegregation settlement negotiations were an important milestone in terms of sparking community dialogue.

Ms. Bell believes that the fragmentation, division, and complacency that once existed in St. Louis is slowly yielding to the recognition that inclusive, collaborative, coordinated actions and resources will be required to answer the challenges facing the St. Louis region.

Urban Sprawl and Transportation Policy. Urban sprawl is the subject of much academic research and policy discussion. Social scientists tend to accept sprawl as a consequence of market forces that are mostly positive. Policymakers tend to focus on the consequences, like inequality across communities, long commutes, and environmental damage. The Weidenbaum Center Forum/St. Louis Series on May 7, 2004 looked at both aspects of urban sprawl and transportation policy, bringing together an interesting mix of social scientists, transportation engineers, and policymakers—all of whom have different perspectives on sprawl.

In the keynote address, Anthony Downs of the Brookings Institution emphasized that new roads, as currently managed, become congested quickly. Building more highways enables more people to commute but does not significantly reduce commuting time. Mass transportation has little effect on congestion so automobiles remain the quickest way for most people to commute in most locations. Long commutes are a fact of life and will remain so for the foreseeable future.

As the lead speaker in the panel on local and regional policy, University of Illinois economist Jan Brueckner emphasized restrictions on growth are not the remedy. Rather, he endorses the use of development taxes, higher gasoline taxes, congestion fees, and impact fees to reduce rewards expenses and called for pay for performance, evidence-based medical practice, and the use of quality controls.

On Friday, October 22, 2004, John Taylor, Undersecretary for International Affairs, Department of the Treasury, gave a breakfast talk as part of the Weidenbaum Center Forum series. Cosponsored with the St. Louis Gateway Chapter of the National Association of Business Economics, this talk focused on the international economy and how it relates to the United States economy. He reported that global economic growth, which is close to a consensus for the world economy, is as high as it has been for 30 years. Dr. Taylor also spoke about President Bush’s Millennium Challenge Account, a program under which the World Bank gives grants to countries that follow good monetary and fiscal policies.

St. Louis Series

The St. Louis Series is part of the Weidenbaum Center Forum program. This series addresses important needs in the community and surrounding region by sponsoring conferences, speeches, and other programs.

Social and Economic Challenges Facing St. Louis and the Region. Valerie Bell, local attorney and public policy consultant, was the keynote speaker at a St. Louis Series forum on March 3, 2004. Ms. Bell is President of the Board of Trustees of John Burroughs School, is on the national board of Parents as Teachers National Center, Inc., and serves on the boards of the St. Louis Black Leadership Roundtable, the St. Louis Science Center, and the St. Louis Public School Foundation.

Ms. Bell is a full-time civic volunteer, devoting all of her professional time on a pro bono basis. Her talk focused on efforts to strengthen the St. Louis region, particularly with respect to improving race relations, enhancing educational opportunity, and establishing a regional vision. While much still needs to be addressed, three discussion topics were worthy of note in her address.

Valerie Bell

Anthony Downs
sprawl. John Hoskins, Director of the Missouri Department of Conservation, noted that development creates problems that are less visible than traffic congestion, including massive flooding, soil erosion, the expansion of nuisance wildlife, changes in the mix of species in a region, and traffic accidents with wildlife.

Mark Tranel, Director of the Public Policy Research Center at the University of Missouri-St. Louis, pointed out that developing sound policies to address sprawl is difficult because people regard other people as the source of the problem and not their own choices and behavior. University of Colorado economist Randy Walsh explained that if citizens want to preserve open space through land purchases, it is more effective to buy land very close to the developing area and not the most pristine areas further out.

Leading off the panel on transportation issues, University of California economist Ken Small argued that the term “urban sprawl” is not very useful for analysis. It combines everything but the highest density kind of development. The term also does not suggest any remedy other than strict controls on land use. Transportation engineer Luis Porrello argued that firms building public infrastructure provide a service to their customers and are outside the policy debates about sprawl. Dave Snider, Director of the Missouri Department of Transportation, suggested that much is unknown about the relationship between regional economic development and transportation infrastructure. Washington University Civil Engineer Gudmundur Ulfarsson gave detailed information about the costs of providing a wide range of public services; particularly, how much more expensive it is to provide these services in low-density areas.

Weidenbaum Center Breakfast Series

The Center’s Breakfast Series looked at a variety of important public policy issues in 2004. Experts were given an opportunity to present their views and voice their concerns on issues such as election reform, outsourcing, social security, and tort reform. The following is a summary of these programs. Transcripts of many of these programs can be obtained by accessing the Center’s website, http://wc.wustl.edu.

Elections

With the 2004 Presidential election just a month away, the director of the Center for the Study of the American Electorate, Curtis Gans, spoke on his predictions for voter turnout. Due to public’s high emotions—both pro and con—towards President Bush, Gans argued, turnout would be at one of the highest levels since the 1960s.

A week after the election, Steven Smith, the Center’s director and an expert on Congressional politics, spoke on election results. Smith addressed how the makeup of the new Congress could affect potential legislation. With Republicans gaining seats in both the House and Senate and with a recently re-elected President Bush, it appeared that the Republican agenda would have no trouble in being enacted. However, as Smith pointed out, without a filibuster-proof majority of sixty seats in the Senate, the Republicans would still face a tough battle with Democrats over key policy areas such as judicial nominations and tort reform.

Lewis & Clark

As Missouri celebrated the bi-centennial of the Lewis and Clark exploration that opened up the West to settlement, the Weidenbaum Center welcomed Dr. Robert Archibald, President of the Missouri Historical Society, to give his thoughts on why the exploration was so important. In
particular, Dr. Archibald illustrated how critical were the maps they made and the journal recordings they took, allowing for an unprecedented migration over the following century that paved the way for the modern United States. He concluded by showing how examining our rich history can better equip us to make decisions—including public policy decisions—for the future.

Public Policy Making and Outsourcing

The Center’s Honorary Chairman Murray Weidenbaum’s latest book, One-Armed Economist, was the topic of discussion during a June breakfast meeting. The book covers four decades of writings on the economy, taxes, government waste, health care reform, corporate governance, regulation, defense, the trade deficit, and globalization.

In September, Weidenbaum gave a talk on the pros and cons of outsourcing—one of the most contentious issues of the day. Pointing out that the United States still in-sources more services than it out-sources, Weidenbaum warned against haphazardly restricting global trade in today’s dynamic world economy. Weidenbaum shared his insights, adding perspective to what is a highly controversial subject to many.

Budget Deficits & Social Security

Increased military and security expenditures along with across-the-board tax cuts have led to budget deficits. Rudolph Penner, former director of the Congressional Budget Office (1983-87), discussed these issues. Penner brought his unique insight into the budget-making process and gave invaluable information about the problems of unchecked deficit spending. In particular, Penner pointed out that our nation’s population is aging and the increased future strains on the Social Security and welfare safety nets will bring even larger deficits. This, in turn, will hamper the ability of the government to pay its debts. He stressed that long-run security necessitates tackling budget deficits now.

Even before President Bush brought the issue of Social Security reform to the forefront, the Weidenbaum Center hosted a talk on the subject by the University of Pennsylvania’s Olivia Mitchell. Mitchell, a well-known expert on issues of Social Security and pension reform, warned that the Social Security system suffers from a variety of mutually incompatible goals that threaten the long-run viability of the system. She stressed that action must be taken soon or the problems will aggregate and lead to dire consequences.

Tort Reform

Mr. Daniel Popeo, Chairman and General Counsel of the Washington Legal Foundation, gave a talk on the desirability of tort reform in the American legal system. Popeo pointed out the consequences of litigation and how it continues to have primarily a negative affect on the quality of life in America—such as drug development, insurance, new technologies, and product prices. He went on to propose ideas for reform and suggestions on how individuals could become actively involved in grass roots efforts.

The Future of the Space Program

In January 2004, President Bush unveiled an ambitious plan to return Americans to the moon by the end of the next decade and indicated that the program would be a steppingstone toward human exploration of Mars. Roger Phillips, Washington University Earth and Planetary Sciences Professor and McDonnell Center for the Space Sciences Director, discussed the problems with space exploration by humans and budgetary challenges that NASA faces.

For more information about the Weidenbaum Center Forums and breakfast programs, please visit our website at http://wc.wustl.edu.
Spending by federal regulatory agencies will exceed the growth of the overall federal budget, according to *Regulators’ Budget Continues to Rise: An Analysis of the U.S. Budget for Fiscal Years 2004 and 2005*, the 2004 edition of the annual report on regulatory spending and staffing by the Weidenbaum Center’s Melinda Warren and Mercatus Center’s Susan Dudley. A joint product of the Mercatus Center at George Mason University and the Weidenbaum Center, this report continues an effort begun in 1977 by the Weidenbaum Center.

This report analyzes projected spending and staffing for the 63 regulatory agencies as proposed in President Bush’s 2005 *Budget of the United States Government*. The 2005 *Budget* requests outlays for federal activities of $39.1 billion, a 4.2 percent real increase over the appropriated 2004 *Budget*. The 2004 regulators’ budget of $37.1 billion represents a 6 percent decline from FY2003, when the budget reached $39 billion.

Melinda Warren, director of the Weidenbaum Center Forum and a study co-author, points out: “Expenditures of federal regulatory agencies and the trends in this regulatory spending over time, as tracked in this report, are a proxy for the size and growth in regulations with which American businesses, workers, and consumers must comply. This information can serve as a barometer of regulatory activity, providing policy makers and others with useful insights into the composition and evolution of regulation.”

The report also tracks the number of people needed to run the federal regulatory agencies. The requested level of staffing in fiscal year 2005 is 242,473 full-time employees, representing an increase of 2,849 people (1.2 percent) since 2004, and a 42 percent increase over staffing levels in 2001. The Transportation Security Administration’s employment of over 56,000 airport screening agents in 2003 is largely responsible for the big increase in regulatory staffing.

The figure below shows the trend in regulatory spending from 1960 to 2005. Since 2001, the budget has grown by $13 billion, a 42% real dollar increase.
The Center sponsors research by the faculty in the Departments of Economics and Political Science and in related fields. The Center does this in a variety of ways. The most important form of support is small seed grants to initiate faculty projects and encourage research and development. The Center also assists faculty with grant applications to private foundations and to the scientific agencies of the federal government. Last, the Center works with faculty on outreach programs. These include scholarly conferences, public affairs events, publications, and websites, all of which give researchers opportunities to reach larger audiences.

**Highlights of Faculty Support**

Economists James Morley and Tara Sinclair, his former student and currently an assistant professor at George Washington University, began examining the basic characteristics of key macroeconomic variables like output, unemployment, and exchange rates.

It is natural to think of these variables as consisting of relatively stable trends with random fluctuations. Since the early 1980s, however, empirical macroeconomists have debated whether the data really support this view. An alternative perspective is that random fluctuations account for most of the movement in all of these variables. As a result, they are not only largely unpredictable but also unaffected by macroeconomic policy. Morley and Sinclair are extending a statistical framework known as the “unobserved components model” that should lead to new tests for distinguishing trends from fluctuations in macro-economic variables and help to clarify the basic nature of the data.

Economist Donald Nichols is in the early stages of a project on the State Children’s Health Insurance Program (SCHIP). SCHIP is financed and administered jointly by the federal and state governments and is similar to Medicaid. Its intended targets, however, are children who are not covered by Medicaid because their family’s income is too high. A question of great concern to policymakers is whether the SCHIP program causes certain families to drop private health insurance in favor of SCHIP coverage. Professor Nichols will use information about income and health insurance contained in the Survey of Income and Program Participation to explore this issue. This is a relatively new survey that follows the same group of people over a number of years, so a researcher can carefully analyze the program participation choices that are made over time.

Political scientist Nathan Jensen is studying the political determinants of “creeping expropriation” in emerging markets. This is one of a series of projects he is conducting with the support of the Weidenbaum Center on political risk and international investment.

While outright nationalizations are rare today, governments regularly impose policies that influence a firm’s income stream after an investment has been made. These actions include restrictions on the movement of capital, changes in tax rates or tax exemptions, and changes in regulations. These policies have a serious impact on investors and investor behavior. What leads governments to adopt them?

To answer this question, Professor Jensen is collecting data from political risk insurance agencies on the costs of breach of contract insurance for a large cross-section of developing countries. This information will be combined with data on the political institutions of these countries. With this unique dataset, he can begin a formal statistical inquiry into the causes of creeping expropriation.

Political scientist Sunita Parikh is examining the relationship between electoral politics and
collective violence in India from 1971-1999. In earlier theoretical work with Professor Charles Cameron of Columbia University, Professor Parikh studied the circumstances in which large groups with ethnic ties can be manipulated by small groups of political actors into riots and mass collective violence. The ability to coordinate activities and demonstrate group cohesion is critical to mass action, and this suggests that there should be spatial relationships among political actors, ethnic groups, and riots.

She will use spatial econometrics and geographic information systems software to analyze the data. This will lead to both a more detailed accounting of mass violence and more rigorous tests of theories of mass violence than have been done to date.

Sunita Parikh

Political scientist James Gibson continues his work on the Center’s program, Citizenship, Civil Society, and Democratic Values. The program focuses on the social foundation of democratic processes in the United States and abroad. Trends in civic engagement and political participation, the development of democratic norms, evolving forms of political organization and social networks, and the consequences of globalization will be analyzed.

His book, Overcoming Intolerance in South Africa (coauthored with Amanda Gouws) was awarded by the International Society of Political Psychology with the Alexander L. George Book Award for the best book published in the field of political psychology in 2003.

Other Faculty Projects

The Center has assisted other faculty on a wide range of subjects, including:

- A statistical study of voting behavior by members of Mexico’s Instituto Federal Electoral, the executive agency in charge of overseeing federal elections—Professor Guillermo Rosas
- A detailed analysis of the political decision-making process behind the Dujiangyan dam project in China, which was approved by the central government and then halted in response to local opposition—Professor Andrew Mertha
- The effects of transactions costs and exchange rate volatility on the ability of developing countries to borrow in the international financial markets and on their strategies for development—Professor David Felix
- The causes and consequences of nationwide at-large legislative districts, under which all members of a national legislative chamber are elected by the nation as a whole, as is currently done in thirteen countries—Professor Brian Crisp
- Fundamental research on Bayesian statistical inference in social science—Professor Andrew Martin
- Fundamental research on the movements of prices over time in decentralized markets—Professor Wilhelm Neuefeind
- The effects of congressional earmarking of research funds at the Department of Agriculture on the quality of scientific work done there—Professor Gary Miller
- The ways that both electoral outcomes and underlying political institutions are reshaped when fundamental challenges arise to established beliefs—Professor Norman Schofield
The Weidenbaum Center hosted the EITM Summer Institute for the second time in June 2004, funded by the National Science Foundation. Forty participants, including graduate students and junior faculty from around the country, as well as Germany, England, and Israel, took part in this three-week program comprised of training seminars focusing on the methodological challenges posed by mathematical models of the strategic aspects of politics.

Five seminars were offered in the 2004 program. Each seminar was led by one or two nationally recognized faculty members, and most featured one or two additional guest scholars who would take over the seminar for a day or more. About half of the program faculty came from Washington University and others came from the California Institute of Technology, the University of Rochester, Carnegie Mellon University, UCLA, Princeton University, Stanford University, and New York University. For more information on the EITM program, please visit the website at http://wc.wustl.edu/eitm.

Seminars

Theoretical and Methodological Foundations
Instructors: Randy Calvert and Andrew Martin (both of Washington University in St. Louis)

The foundations seminar presented important varieties of models that can be used to generate testable implications about politics. The seminar provided tools with which students can develop their own statistical methods to test predictions derived from formal theories of politics.

Quantal Response Models
Instructor: Thomas Palfrey (California Institute of Technology)
Special Guests: Curt Signorino (University of Rochester), John Patty (Carnegie Mellon University), and Jeffrey Lewis (UCLA)

Recent advances in the analysis of equilibria were the focus of this seminar. Quantal response models make it possible to specify models that allow for deviations from choices to costs and generalized preference structures that include risk aversion, inequality aversion, and nonlinear probability weighting.

The Methodological Challenges of Coalition Theory
Instructors: Itai Sened and Norman Schofield (both of Washington University in St. Louis)
Special Guests: John Patty and Maggie Penn (both of Carnegie Mellon University)

This seminar addressed both theoretical and empirical issues in the context of theoretical models, empirical tools, and implementation in the study of legislative and coalition politics in parliamentary systems.

Experimental Test of Theoretical Models
Instructor: Rick Wilson (Rice University)
Special Guests: Gary Miller (Washington University in St. Louis) and Rebecca Morton (New York University)

This seminar addressed the links between theory and experiment, experimental design, pilot experiments, experimental technique, data gathering, and data analysis. Students participated both as subjects and as observers and were asked to design their own experiment using tools given in this seminar. Topics covered included voting experiments, public good experiments, test of non-cooperative bargaining theory, experiments on information, and recent innovations in political science experimentation.

Issues in Testing Positive Theories of Legislative Politics
Instructors: Steven Smith (Washington University in St. Louis) and Keith Krehbiel (Stanford)
Special Guests: Nolan McCarty (Princeton University)

This seminar provided an intensive review of the problems at the intersection of theory and method including empirical implications of theories of legislative parties and measuring individual-level party effects.
The Weidenbaum Center sponsors an annual Media Retreat that brings a variety of media together with scholars and business leaders. The program is led by Richard J. Mahoney, the Center's Distinguished Executive in Residence, and Dr. Russell Roberts, Director of the Weidenbaum Center’s Media Retreat.

This program has two goals: (1) to give journalists a more enriched understanding of public policy issues, and (2) to enable them to become more effective journalists. Intense, interactive sessions on key public policy issues are held for three and a half days. The dynamics of policy intervention, the law of unintended consequences, how markets work, the role of statistics in policy choices, globalization, lessons from the biotech revolution, corporate governance, and the future of media were among the topics discussed. Speakers included Russell Roberts (Weidenbaum Center and George Mason University), Richard J. Mahoney and Murray Weidenbaum (Weidenbaum Center), Professor Don Coursey (University of Chicago), and Professor Donald Cox (Boston College).

Reporters, editors, freelance writers, and producers from across the country participated in this program. Representatives came from NPR, CBS, Resources for Reports, Washington Post, Detroit Free Press, CNN, UPI, Bureau of National Affairs, Dow Jones Newsires, St. Louis Post-Dispatch, Science, Cleveland Plain Dealer, as well as several freelance writers.

The retreat gave participants:
- new ways of grasping the complexities of public policy decision-making;
- fresh insights on assumptions, the quality of regulations, statistical claims, unintended consequences, tradeoffs, and incentives;
- a better understanding of the context in which public policy decisions are made and how this shapes the outcomes;
- improved understanding on examining the whole picture before preparing a story in order to help deepen coverage and prepare more effective questions;
- a broader awareness of new sources and leads for story ideas; and
- insight into globalization, biotech, and endangered species issues.

Feedback included the following comments.
- “I learned a little about economics, but learned a lot about how to think ‘economically’—how to analyze public policy issues and look for risks, payoffs, problems, and benefits. Also, useful to see how economists approach issues and how they do not.”
- “Learning the extent to which numbers and stats are manipulated. Understanding methodology, who gains, who loses, who isn’t in the room is central to story balance.”
- “I enjoyed the opportunity to spend a significant amount of time learning and reviewing important principles of economic, political, and psychological behavior from absolutely riveting speakers.”
- “This is stuff journalists don’t get training in and issues that are sometimes not talked through in the newsroom.”
- “It is always a good idea to step away from the day-to-day deadlines and pressures, to look at what you are doing and how to look at the issues in a different way.”
- “It’s important for us to keep the much broader and diverse perspective in mind, particularly that there are much more than two sides to every story and that we need to challenge the numbers.”
- “It was the most engaging and thought-provoking experience I’ve had in years.”
- “Gets you thinking outside the box; presents alternative ways of analyzing the stories we’ve been doing. Counterintuitive.”
On April 12, the Weidenbaum Center held its annual dinner. The guest speaker was Charles E. Cook, Jr. He is the political analyst for NBC News, CNBC, and MSNBC, and editor and publisher of The Cook Political Report. Mr. Cook’s talk was on “Forces Shaping the Presidential and Congressional Election Campaigns in 2004.”
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Updated Information on Weidenbaum Center Fellow

Jason M. Roberts was a Weidenbaum Center Fellow from 2001-2004. He worked closely with Professor Steven Smith on many research projects including the 4th Edition of Professor Smith’s textbook, The American Congress, and a number of scholarly articles dealing with the politics of congressional procedures. He completed his Ph.D. in Political Science in May 2005 and is currently an Assistant Professor of Political Science at the University of Minnesota.

John M. Olin Prize Winner

Jonathan Greenberger was awarded the John M. Olin Prize for Excellence in Economics by the Weidenbaum Center in May 2004.
Weidenbaum Center Support

The Weidenbaum Center, while an integral part of Washington University, is responsible for its own financial support and relies heavily upon generous donations from individuals, corporations, and foundations. As a nonprofit, nonpartisan organization, the Center falls under the University’s 501(c)(3) tax-exempt status.

The Center is grateful to the volunteers who have worked so hard over the years to help it reach its annual financial needs. Special recognition goes to James E. Schiele who chairs both the Center’s Eliot Society Volunteer Committee (individual giving) and the Center’s Corporate Volunteer Committee.

Expansion of current programs and the creation of new programs require additional funding on a continual basis. Every dollar helps. Anyone wishing to support the Center’s efforts should contact:

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