

Weidenbaum Center on the Economy, Government, and Public Policy

Newsletter

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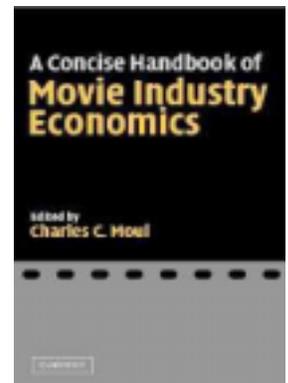
Economics of the Movie Industry Forum Produces Cambridge University Press Book

In April 2005, Cambridge University Press will release **A Concise Handbook of Movie Industry Economics**, edited by Washington University Assistant Professor of Economics Charles C. Moul. This handbook is the result of a scholarly workshop hosted by the Weidenbaum Center on April 4, 2003. The workshop enabled scholars from marketing, economics, and film studies to interact regarding various aspects of the film industry.

The book collects the workshop essays by leading authorities in political economy, economics, account-

ing, finance, and marketing. In addition to giving the reader an up-to-date perspective on what is known and what has been accomplished, the book includes new findings on a variety of topics and guidelines for additional research. Topics range from the timing of theatrical releases to an analysis of the revenue sources beyond the North American box office.

Preliminary reviews of the book are very favorable. Columbia University's Morris B. Holbrook writes:



From the Center's Director Steven S. Smith



This semi-annual newsletter is designed to inform alumni, contributors, and friends of the Weidenbaum Center of important joint activities of the Center and the Departments of Political Science and Economics. It also serves to give recognition to major faculty, student, and alumni achievements.

In 2005, the Weidenbaum Center will be in its 30th year at Washington University. The Center supports scholarly research in the fields of economics, government, and public policy and works closely with the Department of Economics, the Department of Political Science, and other academic units at Washington University.

Your comments on this newsletter as well as information on alumni news that should be included in future issues will be greatly appreciated.

I am pleased to offer my enthusiastic endorsement of Charles Moul's **A Concise Handbook of Movie Industry Economics**. Certainly, there is the need for such a book in the area of motion-picture studies. Much of the related work is far broader and less specialized in focus. Other more specific publications on the movie industry tend to be, at best, out of date. Thus, the **Concise Handbook** fills a major gap and makes an important contribution. Its authors comprise a cast of characters that includes many or most of the leading lights in motion-picture research. . . . [they] know how to deliver the goods in a persuasive and authoritative way. The coverage of topics seems quite complete. . . . I applaud this well-conceived and well-executed concept.

Contributors to the volume are Jehoshua Eliashberg of the University of Pennsylvania, Washington University's Charles C. Moul, S. Abraham Ravid of Rutgers University, Steven M. Shugan of the University of Florida, Harold L. Vogel of Columbia University, Janet Wasko of the University of Oregon, and Charles B. Weinberg of the University of British Columbia.

Weidenbaum Center Programs

The Center hosts programs that address major economic and political issues, including the Weidenbaum Center Forum series, St. Louis Series, Public Policy Breakfast Series, Eliot Society programs, Annual Dinner Gala, Media Retreat, and other discussions and meetings. Streaming video, audio, and/or transcripts are available for most programs.

Forum Series

The Forum Series sponsors conferences, speeches, and other programs. Forums are open to the public. Participants in these programs include policymakers, scholars, and business and community leaders. (For more information, please visit the website at http://wc.wustl.edu/forum_programs.html.)

Debate of Presidential Economic Advisers

The debate, "Economic Plans of the Next President," featured Todd Buchholz, Associate Director for Economic Policy in the George H.W. Bush administration from 1989 to 1992, and Roger C. Altman, former deputy secretary of the U.S. Treasury Department in the Bill Clinton administration. (Cosponsored by the St. Louis Gateway Chapter of the National Association of Business Economics and the Missouri Historical Society.)

Health Care Challenges Facing the Nation

In October, the Weidenbaum Center, in conjunction with the University's Center for Health Policy and the Brookings Institution in Washington, D.C., held a conference on health care challenges facing the nation. Four important health-care issues were addressed: politics and policymaking, racial and ethnic disparities, rationing, and increasing medical research and development costs. Presenters included former Surgeon General David Satcher.



Health Care Challenges Forum

3rd Congressional District Debate

In September, the Center hosted a debate among the candidates for Missouri's 3rd District congressional seat. Three candidates — Kevin Babcock (Lib), Russ

Carnahan (D), and Bill Federer (R) — participated. Jim Kirchherr (KETC) moderated the debate. The debate was covered by KWMU, KMOX, the *St. Louis Post-Dispatch*, and the *Suburban Journal*.

Public Policy Breakfast Program

This series addresses a wide range of public policy issues. Meetings are by invitation only (open to friends and alumni as space permits). Programs in 2004 were: Future of the Space Program, American Politics After the 2004 Elections, Voter Turnout and Participation, Confessions of a Nuts-and-Bolts Economist, Outsourcing and American Jobs, Tort Reform, and Budget Crisis at the Door. (Please visit http://wc.wustl.edu/breakfast_program.html for more information.)

Annual Dinner

The Center's annual dinner program brings in top experts from across the nation. In May, Charles E. Cook, Jr. spoke on "Forces Shaping the Presidential and Congressional Election Campaigns in 2004." Mr. Cook is editor and publisher of *The Cook Political Report* and is regarded as one of the nation's leading authorities on U.S. elections and political trends.

Eliot Society Public Policy Luncheons

The Center hosts a special luncheon series for its Eliot Society members (major individual donors). Each session includes 4 or 5 experts in an open exchange of ideas on current public policy topics. Discussions have focused on the economy, taxes, government spending, international affairs, terrorism, and politics.

Media Retreat

The Center's annual media retreat brings journalists, business leaders, and scholars together with two goals in mind: (1) to assist journalists in obtaining a richer understanding of public policy issues, and (2) to help them become more effective journalists. The dynamics of policy intervention, the law of unintended consequences, how markets work, and the role of statistics in policy choices are discussed.

The Weidenbaum Center Forum and the St. Louis Series is directed by Melinda Warren. Gloria Lucy is in charge of the Public Policy Breakfast series, the Eliot Society Public Policy luncheons, and the Annual Dinner. Individuals who wish to share their ideas or recommendations for speakers or topics should contact Ms. Warren or Ms. Lucy. In addition, volunteers who would like to assist Center staff in planning programs are always appreciated.

Honorary Chairman Murray Weidenbaum

In late May, Murray Weidenbaum was part of a group of faculty and administration who met with the 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. He also spoke at a dinner of the Advisory Council, which also included University alums.

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 such as economic policy, tax reform, government regulation, defense spending, and the international economy. He gave a talk to Center supporters about his book in September, which was followed by a book signing.

Dr. Weidenbaum is also actively involved with the University's Business School. He participated



Murray Weidenbaum speaking to Washington University alumni in Seoul.

in their conference on corporate governance in November and lectures to their Executive MBA and Senior Honors classes.

Upcoming Events

Breakfast Series:

Staffing the Bush Presidency: Second Term Challenges and Opportunities (**January 19**).

Election Reform (**February 8**).

The Politics of Judicial Nomination (**March 15**).

Future of Health Care (**April 26**).

Improving Economic Literacy (**May**).

For more information, please contact Gloria Lucy at 314-935-5689 (glolucy@wc.wustl.edu).

Weidenbaum Center Forums:

The Death of Common Sense: How Law is Suffocating America (**February 14**).

Culture Wars: Polarization, Tolerance & the State of American Public Opinion (**May**).

Taxing Temptation: Excise Taxes and Health (**May**).

For further information, please contact Melinda Warren at 314-935-5652 (warren@wc.wustl.edu).

Publications:

Advising Reagan: Adventures of a Dismal Scientist - Murray Weidenbaum's short memoir of his experiences in the Reagan administration (**Spring 2005**).

Economics Faculty News

North on Global Challenges

Professor Douglass C. North, the Spencer T. Olin Professor in Arts & Sciences and a co-recipient of the Nobel Memorial Prize in Economic Science, joined a panel of distinguished economists in Denmark May 24-28 for an intensive forum that explored the costs and benefits of ongoing efforts to address critical global challenges, such as war, famine and disease.

Known as the Copenhagen Consensus, the project was hosted by the Denmark-based Environmental Assessment Institute, with support from the Danish government and *The Economist* magazine.



Douglass North speaking at the Copenhagen Consensus

The initiative generated controversy and heated discussion from the start. It was designed to provide the world with an unbiased, scientific ranking of where scarce relief funds and resources might best be invested to reap the greatest "bang for the buck" in terms of making real improvements in the day-to-day lives of people in developing countries.

In the end, the Copenhagen Consensus identified a package of measures to control HIV/AIDS as the challenge most likely to yield the greatest return on global relief fund investments. Rounding out the top four places on the Consensus priority list of "very good" investments were interventions aimed at fighting malnutrition, actions to reduce trade barriers and eliminate agricultural subsidies, and efforts to control malaria.

For more information, please visit the website <http://www.copenhagenconsensus.com/>.

Morley on Testing Macroeconomic Theory

Assistant Professor James Morley and senior graduate student Tara Sinclair are studying 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 over 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 macroeconomic variables and help to clarify the basic nature of the data.

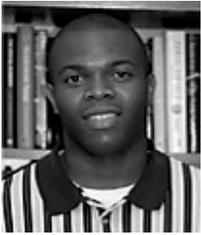


James Morley

Professor Morley came to Washington University in 1999 after earning his doctorate at the University of Washington in Seattle. His research focuses on applied time series topics in macroeconomics, finance, and international finance. A citizen of Canada, he was a visiting scholar at the Bank of Canada in 1998 and 2001. He was a visiting scholar at the Federal Reserve Bank of St. Louis in 2002-03 and in 2004 was appointed as a Research Fellow at the Bank.

Nichols Studies Health Insurance Plan

Assistant Professor 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 target, however, is 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



Donald Nichols

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.

Professor Nichols joined the faculty of Washington University in 2003 after earning his doctorate at Stanford. The focus of his work is health economics. His dissertation examined a variety of questions on health care and race, including the effects of the race of individual patients and hospital patient populations on medical treatments at hospitals.

Economics Student News



Daniel Bikoff

Daniel Bikoff received the CNISS Prize for his paper “Are General Managers Generally Wrong? A Study of Pay, Performance, and Win Shares in Major League Baseball.” It has been shown that most general managers do not use the best system available for gauging player performance, known as Win Shares, and this results in a misallocation of resources. If this has been occurring in a labor market that provides precise statistical measurement, then this problem could be widespread in other labor markets such as sports and education. Baseball data from 2002 and 2003 seasons are used to test the hypothesis that the system general managers use to measure performance and value players converges to the Win Shares system as experience increases. The results suggest that this hypothesis is incorrect and that general managers do not improve their ability to value players.

Justin Burkett received the Olin Prize for his paper on “How Much Will People Pay for Status?” Peoples’ concerns for status raise problems for traditional economic models. Using a survey, his paper showed that status-driven concerns for income are abundant and range in size from very little to very large. Based on information supplied, women showed more concern for status than men.

Robert Holahan, a 2004 honors graduate in Economics and Political Economy, examined in his paper, “The Emergence of New Markets: The Case of Sulfur Dioxide Regulation.” The 1990 Clean Air

Act Amendments mandated the creation of a market in tradable sulfur dioxide emission permits. By allowing coal burning power plants with a comparative advantage in emissions reduction to sell excess permits to less clean power plants, the amendments began an important experiment in market-based solutions to environmental problems. Holahan found that since its operation began in 1995, the quantity of SO₂ emissions has seen a dramatic reduction and has occurred at less cost to the power industry than previous command-and-control regulations. In addition, as traders have learned to work within the market’s institutional structure, the variation in bids has decreased, as economic theory would predict.



Robert Holahan

Robert is participating in the Political Economy program and is a research assistant at the Weidenbaum Center. He plans to pursue Ph.D. work in political economy.

Eliana Balla received her Ph.D. in December 2004. Her research examined determinants of bilateral aid allocation and the effectiveness of development aid for recipients’ domestic involvement. Another line of research dealt with long-term institutional change comparing the credible commitment problems of rulers in France and the Ottoman empire during the early-modern age. She accepted a position at the Federal Reserve Bank of Richmond as a financial economist beginning January 31.

Political Science Faculty News

Professors Gary Miller and Norman Schofield Win Award for Outstanding Paper on Political Organizations and Parties

Professors Gary Miller and Norman Schofield won the prestigious Jack Walker Award for their article, "Activists and Partisan Realignment in the United States," published in the *American Political Science Review*. In their article, Professors Miller and Schofield offer an explanation of rapid swings in the partisan preferences of the American electorate. They observe that parties and their candidates can sometimes engage in "flanking" moves so as to enlist



Gary Miller

coalitions of disaffected voters, but do so at the risk of alienating some of their traditional activist supporters. A result of such flanking moves, such as those in the early part of the 20th century, has been a shift in emphasis from underlying social issues to the economic issues. In recent decades, electoral salience has shifted back to the social dimension. The net result is that the party cleavage line is much as it was a century ago—but the parties have switched sides.

Professor Miller's area of expertise is in the politics of organizations, committees, and small-group decision-making. He has been the principal investigator for three National Science Foundation grants that have funded experimental research on coalition formation and decision-making under various institutional rules.



Norm Schofield

Professor Schofield is Director of the Center in Political Economy and William R. Taussig Professor of Political Economy. He is currently working on topics in the theory of social choice, political economy, and democracy. He has new books nearly completed, both written with Professor Itai Sened of the Department of Political Science, on multiparty parliamentary systems and mathematical models of electoral competition.

Professor James L. Gibson Wins 2005 *Decade of Behavior Award* for Research on Political Tolerance and Democratization

Professor James Gibson, the Sidney W. Souers Professor of Government in the Department of Political Science, won the 2005 Decade of Behavior Research Award for his contributions to our understanding of political tolerance, legitimacy, political behavior, and democratization. The *Decade of Behavior Research Award* is granted by an association of over



James Gibson

50 medical and social science organizations. The award recognizes high caliber research that has had a demonstrated impact on policy or society at large, has contributed to the use of social and behavioral science knowledge in policy settings, or has enhanced public understanding of behavioral or social science principles.

Professor Gibson serves as the director of the Weidenbaum Center's program on citizenship and democratic values. His studies include books on the end of Apartheid in South Africa. *Overcoming Intolerance in South Africa: Experiments in Democratic Persuasion* (Cambridge University Press, 2003), written with Amanda Grouws, was the recipient of an award for the best book published in the field of political psychology in 2003. His work includes survey research on political attitudes in democratizing political systems such as Russia's. He also is a leading authority on the legitimacy of courts.

Professor Gibson joined the faculty of Washington University in 1999 after many years at the University of Houston. Among his current projects is a study of the effects of terrorism and international events on political tolerance in the United States. He is embarking on a study on the effect of electing judges in the American states on public attitudes toward the courts and their decisions.

New Faculty

Brian Crisp received his Ph.D. in Political Science from the University of Michigan in 1992 and is currently Associate Professor in the Department of Political Science at Washington University in St. Louis. His work on the institutional mechanisms constructed to formalize state-civil society relations and their impact on interbranch relations, patterns of government spending, and development policy choices has been published

in *The American Journal of Political Science*, *The American Political Science Review*, *The Journal of Politics*, and elsewhere. His book **Democratic Institutional Design: The Powers and Incentives of Venezuelan Politicians and Interest Groups** was published by Stanford University Press (2000). Professor Crisp is currently completing several projects on democratic institutions and representation.

Itai Sened Becomes New Department Chair

Since July, Professor Itai Sened has been Chair of the Political Science Department. His main interests are theory of institutions, game theory, and applied mathematical modeling. His book, *The Political Institution of Property Rights*, was published by Cambridge University Press in 1997. He is currently working on several different projects, most notably two: (1) a book manuscript entitled *Political Bargaining* with Sage Publications Ltd., covering recent advances in the formal modeling of different forms of political bargaining, and (2) a book project with Norman Schofield and others. The book will include a state of the art theoretical framework for the study of multiparty European parliaments and governments, a statistical package for estimating the positions of voters and parties in policy spaces and eight case studies. He also is Director of the Center for New Institutional Social Sciences (CNISS).

***The Politics of Piracy: Foreign Pressure, Domestic Institutions, and Intellectual Property in China*, by Professor Andrew Mertha (forthcoming)**

Frustrated by the dramatic rise of intellectual property theft in China over the past two decades, many in the U.S. intellectual property rights (IPR) community argue that exerting pressure on Beijing is the best way to get China to protect intellectual property. The application of foreign pressure, always present as a diplomatic tool, became a defining characteristic of the bilateral relations between the United States and China from

June 4, 1989, onward on a host of issues including human rights, trade imbalances, dual-use exports to "rogue" nations, market access, and intellectual property. In this book, Mertha argues that the direction of external pressure, combined with the characteristics of the institutions it is designed to change, are crucial to understanding the effects of foreign pressure on policy enforcement outcomes. More specifically, sustained pressure emerging from state-to-state negotiations has provided substantial, albeit mixed, effects on the legislation of China's patent and copyright laws and the organizational development of some Chinese IPR management and enforcement agencies.

Political Science Student News

Jason Roberts, a Ph.D. candidate in political science and former Weidenbaum Center fellow, has a position as assistant professor of political science at the University of Minnesota in Minneapolis, Roberts is working on his dissertation under the direction of Center director Steven Smith. Roberts specializes in congressional politics and positive theories of politics.

Gina Yannitell Reinhardt received an American Writing Fellowship from the American Association of University Women (AAUW) for \$20,000, to fund the writing of her dissertation. Her work, entitled "Who Gets Foreign Aid and How? An Organizational Analysis of Aid Allocation, with Case Study Evidence from Brazil," explores the micro-level process of foreign aid allocation to aid implementers in the non-profit sector, and tests theoretical models with interview and survey evidence collected in Brazil.

Empirical Implications of Theoretical Models (EITM) Summer Institute

The Weidenbaum Center sponsors a summer institute on the problems of testing theoretical models of politics. The institutes are designed for advanced graduate students and junior faculty whose research and teaching would benefit from training seminars on the link between methods of empirical analysis and theoretical models. Seminars combine both theory and method and several seminars address major substantive fields of application. Faculty will be drawn from universities throughout the country, including Charles Cameron (Columbia), Kevin Quinn (Harvard), and Rick Wilson (Rice), as well as Washington University's Randall Calvert, Lee Epstein, and Andrew Martin. The third NSF-EITM institute will be held June 13-July 1, 2005. The deadline to apply for the 2005 Summer Institute is February 15, 2005. Online applications are available at the Center's website, <http://wc.wustl.edu/eitm/index.html>. The Center plans to extend the program to 2010.

Weidenbaum Center Staff

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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.

Weidenbaum Center
 Washington University
 Campus Box 1027
 St. Louis, MO 63130-4899
 Phone: (314) 935-5630
 Fax: 314-935-5688
<http://wc.wustl.edu>
 E-Mail: newsletter@wc.wustl.edu

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