

WC NEWSLETTER

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

Spring '07
Issue 5

Events



For information, contact the Center at (314) 935-5630, or visit us on the web <http://wc.wustl.edu>. Dates subject to change.

March	
5	Weidenbaum Center Forum — <i>“Women Don’t Ask: Negotiation and the Gender Divide”</i>
6	Public Policy Breakfast Meeting — <i>“Women in Negotiation,”</i> Linda Babcock, Carnegie-Mellon
23	Weidenbaum Center Forum — <i>“Global Challenges to U.S. Business”</i>
26	Eliot Society Public Policy Luncheon
April	
18	Public Policy Breakfast Meeting — <i>“Poverty and Income Distribution,”</i> Gary Hoover, University of Alabama
23	Eliot Society Public Policy Luncheon
May	
14	Annual Dinner — Ernesto Zedillo, former president of Mexico
21	Eliot Society Public Policy Luncheon
June	
8	Weidenbaum Center Forum — <i>“Medicaid in Missouri and the Nation”</i>

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November Elections and Their Continuing Impact

On November 14, the Center’s Director, Steven S. Smith (also Professor of Political Science and the Kate M. Gregg Professor of Social Sciences) gave a rundown of November election results.

His talk focused on the November 2006 returns and the 110th Congress. He spoke on Republican vulnerability coming into the election, the role of money in the election, and the depth and sweep of the Democratic success. A preview of the new Congress and its upcoming relationship with the President also received considerable attention.

Professor Smith emphasized that the Democrats’ victories

went beyond the U.S. Congress, recreating the balance of power in statehouses and governorships prior to the Gingrich Revolution in 1994.

These Democratic victories were expected due to Bush’s unpopularity in the polls, the war, a scandal-plagued GOP, and the historical precedent of the opposition party gaining in the sixth year of a presidency.

He concluded that the GOP is divided as it tries to figure out if it was too conservative or not conservative enough. He noted, however, that the Democrats may have a hard time achieving their agenda with slim majorities and a lack of voter and party consensus on Iraq policy.

WEIDENBAUM CENTER HONORARY CHAIRMAN

Murray Weidenbaum

In the fall of 2006, Dr. Murray Weidenbaum had an opportunity to give two lectures to Washington University alumni. Both lectures, “An American Outlook of the Czech Republic” and “Looking at the German Economy” were delivered on a cruise ship that traveled from Prague to Berlin.

He also had a variety of other public speaking opportunities. Professor Weidenbaum was part of a Washington University panel on International Issues and U.S. Elec-

tions, sponsored by the Gephardt Institute for Public Service and McDonnell International Scholars Academy. His lecture, sponsored by the Center for New Institutional Social Sciences, focused on “Think Tanks in the USA.” He also spoke on “Social Responsibility of Business” to the McDonnell International Scholars Academy and Eisenhower Fellowship Program. Finally, he spoke on “The Fundamental Changes in U.S. Economic Policy, 1965-

2005” for the James Madison Program in American Ideals and Institutions at Princeton University.

A very special opportunity arose when Professor Weidenbaum was invited to speak at Eureka College in Illinois for Ronald Reagan’s 75th Graduation Anniversary. While there, he lectured on “Lessons from the Management Style of President Ronald Reagan” and “What Would Ronald Reagan Do About the American Economy Today?”

WEIDENBAUM CENTER DIRECTOR

Steven Smith

Director Steven S. Smith, on sabbatical leave during the fall semester, remained active in representing the Center and Washington University in the media during the pre- and post-election seasons. He made appearances on the national television networks, National Public Radio, local television and radio stations around the country, and was quoted many times in major newspapers and other publications.

During his leave, Professor Smith completed his book, *Party Influence in Congress* (Cambridge University Press, forthcoming in May). This book concerns the difficulty of deciphering the impact of party activity on legislators’



Weidenbaum and Smith

behavior and policy outcomes. Sorting out the influence of party, personal beliefs, constituency demands, presidential influence, and other forces has been a subject important to both citizens and political scientists. Legislators arrive in Washington with both a general ideological outlook on policy and a party affiliation, and then are subject to a

variety of pressures. They are often criticized for being too ideological and inflexible and at other times for bending too much to the will of their party and leaders.

Professor Smith’s book considers the forms that party influence takes and the difficulties of evaluating its relative importance. His book concludes with an assessment of the major factors that condition the strength of party influence.

In early summer, Professor Smith will be giving the Eliot Lecture at the University of London. He will talk on “The Next Turn in American Politics: Congress in a Presidential Age.”

Center Leadership

WEIDENBAUM CENTER ASSOCIATE DIRECTOR

Paul Rothstein

Center Associate Director **Paul Rothstein** and his research assistant Nathan Wineinger completed a review of Missouri's system of business tax credits – particularly transferable tax credits.

In 2005, tax credits were issued under more than 30 different programs. These credits will eventually offset over \$350 million in state taxes. About half of these credits were transferable. Transferability allows recipients who have more tax credits than tax liability to sell what they cannot use.

Professor Rothstein and Mr. Wineinger's review focuses on the largest transferable tax credit programs, examines how the state evaluates their performance, and asks whether they are truly good public policy.

Their general conclusion is that

programs along these lines could enhance the state's economy, but it is doubtful that these particular programs do so. They are neither structured nor evaluated according to any clear economic rationale. In a subsequent paper, Professor Rothstein will study the determinants of the market prices for the transferable tax credits using data provided by the State.

In the fall of 2006, Professor Rothstein completed a study with Thomas Garrett on the economics of eminent domain. This study, entitled "The Taking of Prosperity?", was published in the January 2007 issue of *The Regional Economist*, a publication of the Federal Reserve Bank of St. Louis.

WEIDENBAUM CENTER VISITING PROFESSOR

Gary A. Hoover

Professor **Gary A. Hoover** has joined the Weidenbaum Center as a Visiting Associate Professor (Honorary) for the spring 2007 semester. Professor Hoover will be part of the intellectual life of the Center, participating in many of the Center's public policy programs. His research interests include public policy analysis, public finance, in-



come distribution, and labor economics.

Professor Hoover comes to the Center from the University of Alabama where he serves as an Associate Professor of Economics and Assistant Dean for Faculty and Graduate Student Development. He earned his Ph.D. in Economics at Washington University in 1998.

Empirical Implications of Theoretical Models Summer Institute

The Weidenbaum Center will host its fifth EITM Summer Institute in June 2007. This NSF (National Science Foundation) funded program is comprised of three-week training seminars focusing on the methodological challenges posed by mathematical models of the strategic aspects of politics.

Students are involved in intensive classes during the day, followed by hands-on lab application in the evening. Seminars are led by Washington University faculty members as well as nationally recognized faculty from institutions such as Princeton, Stanford, and the University of Rochester.

Graduate students and junior faculty from around the world are invited to attend. For more information on the EITM program, please visit the website at <http://wc.wustl.edu/eitm>.

WEIDENBAUM CENTER PROGRAMS

The Center's public policy programs examine important current issues and give experts an opportunity to present their views and voice their concerns through a variety of venues. Transcripts of most events can be accessed via the Center's website, <http://wc.wustl.edu>.

Map Quest: *Jobs and Community Life During the I-64 Reconstruction*

With the 50th anniversary of the interstate highway system bringing attention to the crumbling infrastructure across the country, the Center hosted a conference on jobs and community life during the reconstruction of a portion of a major interstate running through St. Louis. This conference brought together academic experts in transportation economics/finance and government officials — Pete Rahn, Director of the Missouri Department of Transportation; Genevieve Giuliano, Professor at the University of Southern California and Director of the METTRANS Transportation Center; Joseph Giglio, Professor at Northeastern University and Vice Chairman of the Hudson Institute; and Kurt Odenwald, Chairman of the St. Louis County Council.

Forum participants provided detailed information on the project and its upcoming execution. They also discussed the many concerns voiced by



Joseph Giglio

the local community as well as its many diverse businesses. The economic impact of this major road reconstruction and the impact it will have on the affected communities were discussed in great detail.

Research presented at this conference suggests that there will be more minor crashes, significant amounts of noise and dust, and some street damage from construction equipment. Some businesses will experience more patronage, others less, and some of the latter will adapt by changing locations. Typically, commuters readily adapt their routes and driving times, but existing research suggests that

few car users will switch to other modes of travel.

The Missouri Department of Transportation (MoDOT) is working closely with local government officials on critical aspects of the project and will continue to do so throughout the project's four years.

The period of construction will not be easy for the regions affected, but the problems that arise should be manageable. St. Louis should have adequate alternative road capacity to ensure that the overall impact on the region's economy will be small.

While this forum focused on the St. Louis area, its message has much broader implications. The importance of a strong transportation system is essential for economic vitality. The economic adjustment necessary when a major highway is closed for an extended period of time applies to all areas of the country.





Ambassador George H. Walker III

Lessons From Hungary

George H. Walker III, former U.S. Ambassador to Hungary, spoke on “What We Learned From Three Years in Hungary.” He reflected on his time there, what he learned about Hungarians, the challenges they face, and his efforts to promote U.S.-Hungarian relations.

Mr. Walker said the things he loved most were the

embassy’s staff of dedicated and patriotic Americans and the people of Hungary, whom he described as fiercely proud. He noted several problems facing Hungary, including the personally acrimonious relationship between the Hungarian president and the opposition leader there. He talked about his efforts to bring them together to find common ground to help Hungarians.

Electric Utility Challenges

Gary Rainwater, Chairman and CEO of Ameren Corporation, discussed the future of the utility industry and its challenges.

Missouri and Illinois experienced several damaging storms in the past few months that caused massive, fairly long-term power outages in the region. Mr. Rainwater stressed that the cause of the outages was not maintenance, since newer lines suffered as much damage as older lines. Line damage was primarily caused

by fallen trees and limbs — primarily on private property. This raises an enormous challenge to the electric utility industry in terms of cost and effort to protect lines.

Mr. Rainwater also discussed deregulation and how prices rise more quickly in deregulated states (such as Illinois) than in regulated states (such as Missouri). He suggested that this might happen because natural monopoly characteristics of energy are still quite strong.

U.S. Energy Security

John Hofmeister, President of Shell Oil Company, gave his perspective on Shell’s role as an energy supplier in terms of public policy, politics, social responsibility and environmental responsibility. He spoke on the high tension and turmoil around energy policy, energy strategy, the serious debate about price volatility, energy security, and future alternative sources of energy.

Mr. Hofmeister said that while it is believed that the reserves of oil and gas are far greater than any that have been consumed, the company is committed to exploring other opportunities such as unconventional oil and gas, coal to generate electricity, biofuels, solar energy, and hydrogen fuel cell power. He stressed that technological breakthroughs are needed to bring down costs and make a number of these options feasible.

In conclusion, Mr. Hofmeister advocated a culture of conservation and efficiency.

For more information about the Center’s Breakfast Series contact Gloria Lucy by phone at (314) 935-5689 or by email (glolucy@wustl.edu).

The Center continues to build more comprehensive research programs in public policy areas that complement the University faculty expertise. Two programs currently exist and a number of other programs are in the planning stages.

Multinational Enterprises and the Global Political Economy

The program on Multinational Enterprises and the Global Political Economy sponsors research and public outreach programs on the study of multinational corporations and their relationship with domestic governance. Extensive research is conducted in three broad areas of research by Washington University faculty. Academic workshops, graduate student training, as well as a variety of community outreach programs such as public policy conferences, lectures, and debates are held on an ongoing basis.

The program supports three broad research initiatives on:

- Political Risk and Development
- Multinationals and Domestic Society
- Competition for Multinational Investment

This program is directed by Washington University political scientist Nathan Jensen.

The first public conference in the political risk and development portion of this program will be held on Friday,

March 23, 2007, at Washington University in St. Louis. Global Challenges to U.S. Business is bringing together experts in the field of political developments affecting American business in this half-day conference. In addition, an academic workshop on these same topics will be held the afternoon of March 23 and on Saturday, March 24. Go to <http://wc.wustl.edu> to view an agenda, information on the speakers, and registration information for the public portion of this conference.

A Weidenbaum Center Forum | March 23, 2007

Global Challenges to U.S. Business

TOPICS INCLUDE: ● What China Means for the United States
● Challenges to American Business Abroad ● Politics and Political Risk in the Developing World

For more information: <http://wc.wustl.edu>



Citizenship, Civil Society, & Democratic Values Program

Under the direction of Washington University political scientist James Gibson, this program sponsors research and programs on the social foundation of democratic processes in the United States and abroad. The program aims to broaden and deepen democracy by understanding its cultural roots, the social impediments to majority rule, and the respect for minority rights.

The *Citizenship, Civil Society, and Democratic Values Program* has been primarily concerned in the last year with analyzing a survey of the attitudes and behaviors of the American people on civic engagement, citizenship, and political tolerance. The survey, conducted as part of the American installment of the European Social Survey, is perhaps one of the most comprehensive studies of grassroots democracy to have been conducted in the United States. Numerous findings have emerged, including evidence that political intolerance is fairly widespread, although considerably

less common than in the days of the post-World War II Red Scare, led by Senator Joseph McCarthy (Republican, Wisconsin). Perhaps the most surprising finding to date is that many of the American people do not perceive themselves to be free to express their political views. Indeed, freedom is *less* prevalent than in McCarthy Era. Analysis is continuing to try to unravel the interconnections among democratic values, tolerance and freedom, and civic engagement.

The Program will also launch its second national survey on citizenship, civil society, and democratic values in the spring of 2007. The goal of the program's survey agenda is to establish a series of data points so that *change* can be tracked and analyzed. Only with sustained, on-going data collection efforts like this can one begin to understand how American political culture evolves in response to external events, and how it shapes the democratic politics in the country.

For more information about these programs, please visit http://wc.wustl.edu/research_programs.html.
Anyone wishing to help sponsor programs in either of these research areas should contact Melinda Warren (warren@wustl.edu, 314-935-5652)

CENTER GRANTS

A major goal of the Center is to sponsor and support research by faculty in the Departments of Economics and Political Science. One of the ways the Center does this is by providing grants to initiate faculty projects and encourage research and development. The following projects are just a few currently underway.

Economic Stratification

A Weidenbaum Center grant is providing **Ping Wang**, Chairman of the Department of Economics, the funding to work with several colleagues on his project, “Economic Stratification in a Dynamic Process of Economic Development.”

This research project addresses the underlying determinants causing stratification (grouping members of the population into relatively homogeneous subgroups before sampling) in the process of economic development. Residential stratification due to racial and economic forces has received considerable attention in both the economics and sociology professions. A standard measure of segregation indicates that most of the 30 largest U. S. metropolitan statistical areas are highly stratified. Moreover, despite a decline in racial segregation, economic stratification has risen sharply over the past three decades. This trend has led to various adverse socioeconomic consequences, particularly low intergenerational mobility of residents in low-income neighborhoods that led to urban

ghettos.

Three types of human capital spillovers — intergenerational, peer group externalities in schooling, and peer group externalities at work — are considered.



Wang

The project models parents’ investment decisions in their child’s education and their students’ education efforts. It also includes heterogeneous preferences for non-schooling local amenities as a source of economic segregation and shows that local amenity preferences and human capital factors may reinforce each other, jointly influencing the likelihood of economic stratification.

Findings provide a general guidance for policy prescriptions. For example, an appropriate local tax structure, an early childhood development program, and a distribution-mixed school system with small class size are powerful instruments to mitigate adverse socioeconomic consequences of sustained stratification.

Knowledge Creation

Marcus **Berliant**’s work on knowledge creation is also benefiting from the Center’s grant program. Professor Berliant and his collaborator are examining the central role of accumulated tacit knowledge in the operation of firms. In their model, the knowledge each



Berliant

worker has is a function of their work history, particularly through their interactions with

coworkers. Workers are horizontally differentiated by the knowledge they have at any particular time. The model predicts that dynamic interaction patterns in the course of the creation and transfer of knowledge only take place in one of four specified sequences.

For example, one equilibrium path of the model has all agents working together initially, but then splitting into smaller groups, suggesting many agglomerations of small firms. Surprisingly, even though there are no markets and agents that behave myopically, this equilibrium path is efficient. The work has applications to the theories of economic growth and intellectual property rights.

Two papers, “Knowledge Creation as a Square Dance on the Hilbert Cube” and “Dy-

Research Grants

namics of Knowledge Creation and Transfer: The Two Person Case,” can be viewed at <http://econpapers.repec.org/RAS/pbe122.htm>. Another paper, “Dynamics of Knowledge Heterogeneity and Economic Growth” (tentative title) is nearing completion.

Chinese Hydropower Policy

Another Weidenbaum Center small grant provided seed money for research that has contributed to Political Scientist **Andrew Mertha’s** upcoming book, *Water Warriors: Political Pluralization in China’s Hydropower Policy* (Cornell University Press, forthcoming Spring 2008). Scholars and policymakers often focus on the more formal and mechanical trappings of democracy to measure a country’s political pluralization. In the case of China, this leads to a discussion over whether democratization in China is a top-down, elite-driven process or whether it is best explained by the growth in village-level elections over the past decade.



Mertha

Professor Mertha’s research suggests that by focusing on this dichotomy, an extremely important aspect of unfolding political liberalization may be missed. He draws on recent

changes in hydropower policymaking in which there has been a dramatic, substantive shift in the quantitative and qualitative nature of political participation by actors formerly forbidden from shaping the policy process: non-governmental organizations, the media, and disgruntled segments of state and society. He looks at three cases, one of which signals a dramatic victory of hydropower dam opponents (Dujiangyan/Yangliuhu), one of which demonstrates the utter failure of the opposition movement (Pubugou, Hanyuan County), and a third, more typical case in which these two forces are entering their fourth year of struggle over the outcome of the policy (the Nu River Project). These three cases help explain what accounts for variation in outcomes: policy entrepreneurship, media framing, and connecting to a larger audience to expand the sphere of conflict.

At-Large Legislative Districts

Political Scientist **Brian Crisp’s** grant supports his work on at-large legislative districts and has enabled him to collect extensive data in the Netherlands, the Philippines, and Slovakia. Theoretical conceptualizations of representation entail responsiveness to the substantive interests of constituents. Legislators’ constituents typically reside in geo-

graphically defined districts that, taken together, cover the nation as a whole. One of the most perplexing issues surrounding representation is that legislators are almost always



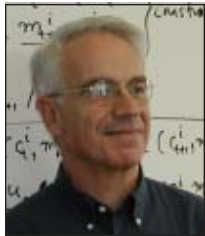
Crisp

electelected by a geographically defined subset of the population to represent its interests. Yet their job as representatives is to govern the nation as a whole.

Political founders and reformers often explicitly seek to engineer legislator behavior — or obtain a certain form of representation — when drawing districts. Professor Crisp’s findings show that countries are adopting nationwide, at-large districts for entire legislative chambers. These countries vary in levels of economic development, experience with democracy, and size. His research addresses three questions: (1) What led founders and reformers to adopt nationwide, at-large districts; (2) How and why does the distribution of votes for legislators elected in those nationwide districts vary geographically; and (3) What balance do those legislators strike between parochial and national behavior?

■ Economics News

● **Professor Costas Azariadis** joined Washington University from the University of California-Los Angeles where he served as a distinguished pro-



Azariadis

fessor of economics. He received his Ph.D. from Carnegie-Mellon.

His academic service includes Brown University, University of Pennsylvania, Princeton, Hebrew University, London School of Economics, and the Center for Planning and Economic Research in Athens.

Professor Azariadis has served as editor/co-editor for a number of top journals and has also been on journal advisory boards and National Science Foundation panels. He has published widely in the leading peer-reviewed professional journals, including the *American Economic Review*, the *Quarterly Journal of Economics*, and the *Review of Economic Studies* — writing over 40 journal articles and 14 book chapters.

His research interests include labor contracts, macroeconomic dynamics, and economic development.

● **Professor Michele Boldrin** joined Washington University's Department of Economics in the fall of 2006. Since receiving his Ph.D. from Rochester, Boldrin has been affiliated with University of Chicago, UCLA, the Santa Fe Institute, Northwestern, Carlos III-Madrid University, and the University of Minnesota. He



Boldrin

has been a visiting professor at the University of Pennsylvania, Autònoma Barcelona, Bocconi Milano, and Wuhan University.

He is an associate editor of *Econometrica* and an editor of the *Review of Economic Dynamics*. He is a Fellow of the Econometric Society and a research associate of the Center for Economic Policy Research. His research interests focus on economic theory, economic growth, and macroeconomics.

■ Political Science News

● **Mona Lena Krook** joined the Department of Political Science and the Women and Gender Studies Program in 2005. Her research interests include women and electoral politics, European politics, comparative politics, women's studies, qualitative research methods, social movements, political parties, and comparative welfare states.



Krook

Recently, Professor Krook was awarded an Honorable Mention for Best Dissertation, "Politicizing Representation: Campaigns for Candidate Gender Quotas Worldwide," on Women and Politics from the Women and Politics Section of the American Political

Science Association. She was also awarded an Honorable Mention for the Sage Paper Award, "Comparing Methods for Studying Women in Politics: Statistical, Case Study, and Qualitative-Comparative Techniques," from the Qualitative Methods Section of the American Political Science Association.

She received her Ph.D. in political science from Columbia University.

● **Robert Walker** joined the Political Science Department and Program in Applied Statistics and Computation as an assistant professor in the fall of 2006. His research interests include political methodology, international relations, and political economy. A peripheral research project examines the

Spotlight on Faculty

political economy of European football (soccer) with a focus on industrial organization and the intertwined national and European regulation of sport. He received his Ph.D. in political science from the University of Rochester.



Walker

Professor Walker currently

holds a Weidenbaum Center grant that provides the resources to support his work on exchange rate regimes and bond ratings.

● **Frank Lovett** is an assistant professor of political science. His primary research concerns the role of freedom and domination in developing theories of justice, equality, and the rule of law. He teaches courses in political theory.



Lovett

He received his Ph.D. in political science from Columbia University. Prior to coming to Washington University, he held a postdoctoral fellowship in the Department of Clinical Bioethics at the National Institutes of Health.

Spotlight on Emeritus Faculty

Robert Salisbury has a rich career of teaching and research at Washington University. He joined the department of political science in 1955. He served as department chair from 1966-1973 and from 1986-1992. His



Salisbury

most recent work has involved various aspects of American pluralism. While most of his writing has dealt with interest groups, he has a keen interest in political parties and how interest groups and parties are linked to each other. While believing that politics is profoundly shaped by the deeper culture, he has focused much of his research and writing on matters such

as the local community, religious institutions, the arts, and sports as they operate in American society, both past and present.

James Davis has also had a rich career of teaching, research, and administration at Washington University since 1968. His interests have focused on the American presidency, public policy, defense and national security, and bureaucratic politics.



Davis

Professor Davis has served the University in a number of capacities. He was the founding director of the University's Richard A. Gephardt Institute for Public Service until June 2006. For several years he served as the Director of the

Washington University Teaching Center. Davis has also served as a Vice Chancellor, Acting Dean of the School of Art, and on many university committees including the Committee to Prepare for the 21st Century, the Advisory Committee on Tenure, Promotion and Personnel in Arts and Sciences, the Chancellor Search Committee, and the Undergraduate Council.

Professor Davis continued to teach his course on the American presidency in the 2006 fall semester.

Anyone wishing to provide information on emeritus faculty or alumni news for our newsletter should email the Weidenbaum Center at newsletter@wc.wustl.edu.

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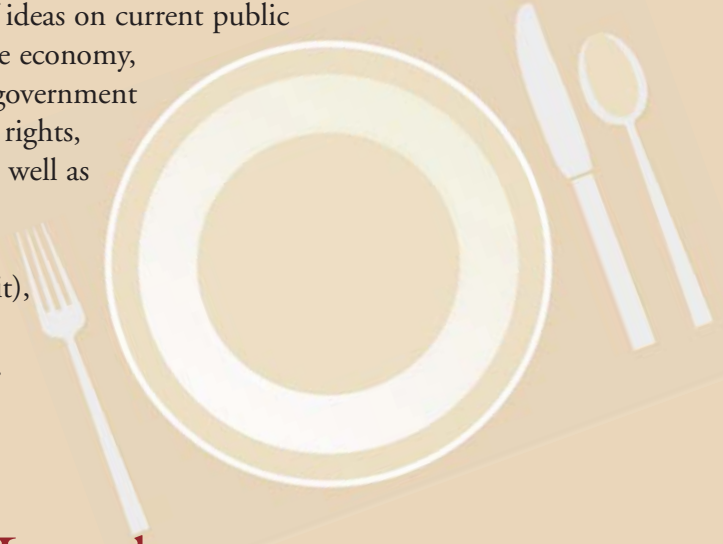
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The Center's Eliot Society Public Policy Luncheon Series resumed on January 29. This series brings together major Weidenbaum Center donors with faculty experts in an open exchange of ideas on current public policy topics. Topics such as the economy, government regulation, taxes, government spending, intellectual property rights, and health care are discussed as well as global issues such as international trade, outsourcing, international peace (or lack of it), intellectual property rights and copyright issues, and terrorism.



Eliot Society Public Policy Luncheons

 Washington University in St. Louis

MURRAY WEIDENBAUM CENTER ON THE ECONOMY,
GOVERNMENT, AND PUBLIC POLICY

Campus Box 1027 | St. Louis, MO 63130-4899
phone (314) 935-5630 | *fax* (314) 935-5688
newsletter@wc.wustl.edu | <http://wc.wustl.edu>

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