

SIEPR | STANFORD INSTITUTE
FOR ECONOMIC POLICY RESEARCH

SOUND POLICY ANALYSIS. OBJECTIVE POLICY DECISIONS.



ANNUAL REPORT 2009-10



SIEPR'S MISSION

The Stanford Institute for Economic Policy Research (SIEPR) is a non-partisan economic policy research organization.

SIEPR scholars conduct studies on important economic policy issues in the United States and other countries. SIEPR's goal is to inform and advise policymakers and the public and to guide their decisions with sound policy analysis. In the course of their research, SIEPR faculty train, educate, and support PhD students as future economic policy analysts.

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John A. and Cynthia Fry Gunn Building

LETTER FROM THE DIRECTOR

Friends and Visitors:

On behalf of all of those affiliated with the Stanford Institute for Economic Policy Research (SIEPR), I would like to invite you to find out more about our organization. Our goal is to improve economic policy through research, education, and influence.

Over the past 30 years, SIEPR scholars have made remarkable contributions to improve economic policies. They have served at the Council of Economic Advisers, World Bank, Treasury Department, Food and Drug Administration, Justice Department, International Monetary Fund, Medicare Commission, Securities and Exchange Commission, and the Federal Communications Commission. They have offered solutions to improve the tax laws, to sustain and reform Social Security and Medicare, and to implement sensible energy and environmental policies. We are actively participating in the dynamic economies of China, India, Latin America, and Africa. We are involved in the important economic debates of the day, such as health reform, the valuation of the Chinese currency, education reform, and the proper role of the Federal Reserve in controlling inflation and helping bring about full employment.

SIEPR is a dynamic organization that has increased its activities in the past few years. In 2009–10 we have been able to grow and expand with the gift of our new John A. and Cynthia Fry Gunn Building. This gift was made possible by our generous donors: Crawford and Jess Cooley, Dixon and Carol Doll, John and Jill Freidenrich, John A. and Cynthia Fry Gunn, Bob Hellman, Cathie and Pitch Johnson, Ralph and Claire Landau,

Don Lucas and the Richard M. Lucas Foundation, George and Karen McCown, Buzz and Barbara McCoy, Burt and Deedee McMurtry, Tony and Linda Meier, Tad and Dianne Taube and the Koret Foundation. We now have more researchers, support a greater number of students, and have more impact in improving economic policies here at home and around the world. The donor support for the new building is recognition that we are accomplishing our core mission.

We introduced our first Economic Summit in 2004 and immediately assembled the best economic talent in the world. Keynote speakers have included Alan Greenspan, Paul Volcker, Martin Feldstein, Ben Bernanke, Jamie Dimon, Henry Paulson, and Larry Summers, and the presenters have included Tom Friedman, Anne Krueger, Steve Levitt, John Lipsky, Anne Mulcalhy, Mario Monti, Bill Perry, Jim Poterba, Eric Schmidt, Peter Orszag, George Shultz, John Snow, John Taylor, Richard Kovacevich, Jean-Claude Trichet, and Janet Yellen. SIEPR's Economic Summit has quickly become one of the premier economic events in the country and has been oversubscribed each year.

We have a conference series, Policy Forums, for Stanford undergraduates on important economic issues. We host two daylong conferences a year, dealing with topics such as U.S. energy policy, the economics of education, poverty and economics, and a host of other topics. Engaging young people in the economic issues that will be confronting them for the rest of their lives is one of our primary objectives.

Our teaching role has also increased over the past few years. We always have trained graduate students in



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policy research — it is part of our core mission. But, now we are administratively responsible for the Public Policy Program, giving undergraduates and master's degree students a chance to become policy analysts and to participate in SIEPR's activities. We feel that the Stanford Public Policy Program is one of the best of its kind in the country.

In addition, SIEPR has a postdoc program that attracts top new economic PhD students and gives them a two-year jump start on their research so they will be more productive and have a competitive advantage in securing the positions of their choice. We are beginning a first sabbatical program that will invite and engage junior faculty from around the globe to come to SIEPR and work on policy issues that affect everyone. Added to the mix are outstanding distinguished visitors.

We even are involved with the economics training of high school students in California and run a weeklong workshop for high school teachers of economics every summer. The program is free to the approximately 60 teachers that participate.

With all of these initiatives, SIEPR has significantly improved its established activities. We encourage better economic policies through research and conferences. We support graduate students and young faculty in the field of economic policy research. Our monthly associates meetings feature outstanding speakers. Our outreach through working papers, policy briefs, opinion columns, and the SIEPR website is more vigorous and effective than ever.

I thank all of you who support SIEPR. For those of you new to the organization, I hope you will investigate further by looking through this report. Most of our events are exclusively for our donors as well as policymakers and the academic community. We would like to add you to the SIEPR family so that we can get to know you and you can get to know our students, supporters, and scholars.

Sincerely,

A handwritten signature in black ink that reads "John B. Shoven". The signature is fluid and cursive, with a long horizontal line extending to the right.

John B. Shoven
Wallace R. Hawley Director SIEPR
Charles R. Schwab Professor of Economics

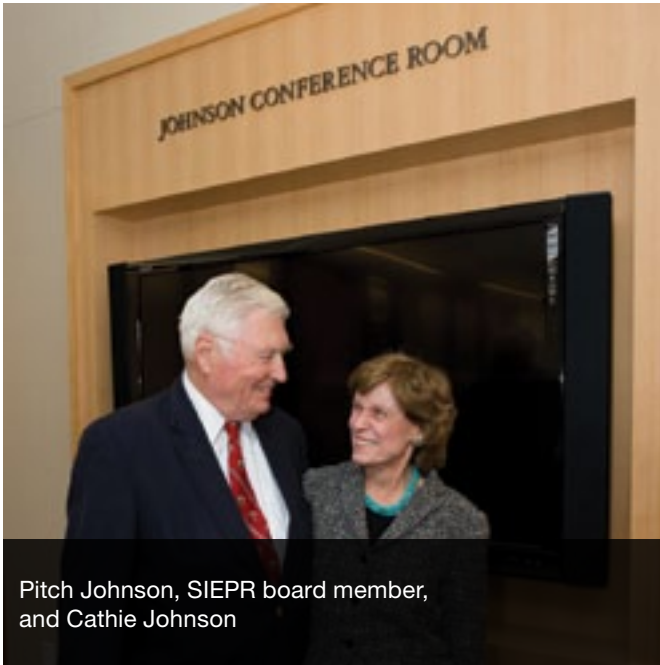


John and Cynthia Gunn along with John Shoven at SIEPR building dedication — cutting the ribbon



Jeff Farber, Koret Foundation director, and Tad Taube, president of the Koret Foundation and SIEPR board member





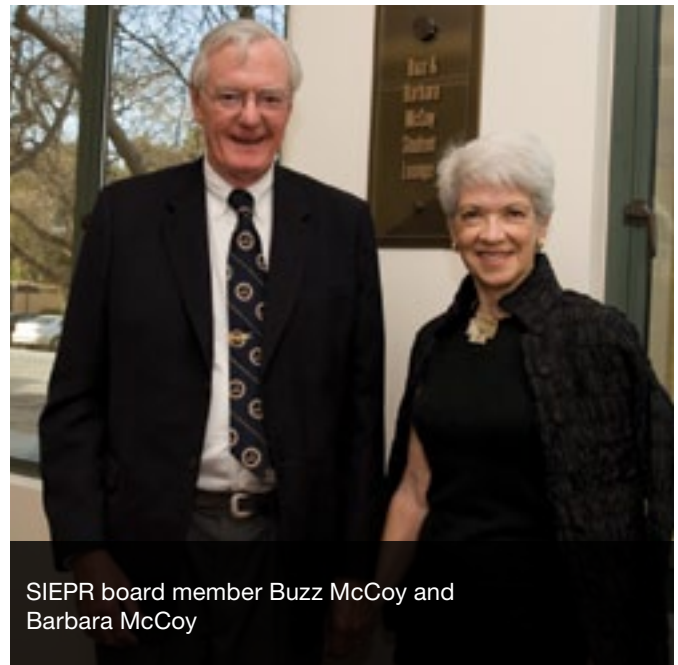
Pitch Johnson, SIEPR board member,
and Cathie Johnson



Deedee McMurry and SIEPR board member
Burt McMurry



Carol and Dixon Doll, SIEPR board member,
at building dedication



SIEPR board member Buzz McCoy and
Barbara McCoy

ABOUT SIEPR

The Stanford Institute for Economic Policy Research (SIEPR) is a non-partisan economic policy research organization. SIEPR scholars conduct studies on important economic policy issues in the United States and other countries. SIEPR's goal is to inform and advise policymakers and the public and to guide their decisions with sound policy analysis. In the course of their research, SIEPR faculty train, educate, and support PhD students as future economic policy analysts.

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Founded in 1982, SIEPR unites remarkable economic talent from all parts of Stanford University. George Shultz and Michael Boskin played important roles in forming the institute. They realized there was no center on the Stanford University campus for economic scholars to gather and discuss their research. Since economists are spread throughout the university in the economics, history, and political science departments; the business, engineering, law, and medical schools; and the Hoover Institution, creation of a central clearinghouse seemed desirable. Thus, SIEPR was born to bring these economists together with leaders in business, technology, and government to analyze, discuss, and debate economic topics.

SIEPR faculty address fundamental economic issues and look for long-term solutions that will influence policy and improve the general welfare of society. SIEPR research is communicated to government officials and the general public via publications (working papers, policy briefs, website, op-ed pieces, and books), conferences, and congressional testimony. This research leads directly to improvements in tax laws, regulatory and trade policy, budgetary decisions, and many other

governmental policies, laws, and decisions.

A difference between SIEPR and other institutes or centers is the emphasis placed on training undergraduate and graduate students. SIEPR plays an important role in training students for careers in economic policy analysis.



John A. Gunn, SIEPR advisory board chairman, and previous chair and board member Donald Lucas

SIEPR 2009–10

SIEPR has achieved incredible success over the last year. With the completion, dedication, and move-in to the John A. and Cynthia Fry Gunn Building, March 2010 proved to be a time of celebration.

SIEPR has been able to expand on all levels. We now are able to house more top-quality visiting scholars. In the past, we have been space constrained and forced to turn away well-qualified visitors. That will no longer be the case. Our goal is to have a full complement of policy scholars: top senior economists from around the world, as well as the most promising young scholars who will become influential policy economists in the future. We also expect, to host distinguished former policymakers, whose presence will help to shape colleagues' research.



The ongoing success of SIEPR lies in many realms, first and foremost in research. SIEPR research faculty and visitors have direct impact on economic policy and policymakers. Through sponsored research, private and public foundations, fellowships, and a generous donor base, SIEPR research continues to drive home the importance of sound economic decisions uncluttered by politics and partisanship.

SIEPR's dedication and commitment to students and young faculty have never wavered and continue to be strong. Our teaching role has also increased over the past couple of years. We always have trained economic graduate students in policy research, as a part of our core mission; and now, with the Public Policy Program, we can do even more. We also have the public policy master's degree for existing Stanford graduate students (education students, law students, medical students, MBA students, etc.). Public policy and SIEPR are on the forefront of interdisciplinary education at Stanford.

SIEPR's postdoc program attracts top new economic PhDs and gives them a two-year jump start on their research so they will be more productive and have a competitive advantage in securing the positions of their choice. The reach of our postdocs, upon completion of their time at SIEPR, will be both influential and significant. Gopi Shah Goda, who completed her PhD at Stanford, returned this past year as both a research scholar and as the coordinator of postdoctoral fellows at SIEPR.

We are beginning a "first sabbatical" program that will bring the very top junior faculty from around the globe to SIEPR to work on policy issues. Ultimately,

the work at SIEPR will help policy-oriented economists gain tenure at the best institutions in the world. Through all of these programs, SIEPR is becoming the hub for young economists working on economic policy-oriented issues.

The result of more visitors and being a hub for young faculty is more research. SIEPR's mission of conducting studies on important policy issues, informing and advising policymakers and the public, and guiding their decisions with sound policy analysis is enhanced and heightened by more research dollars. With over \$16 million in sponsored research and 47 separate projects, SIEPR's research has more than doubled.

Our sponsored research projects cover the areas of auctions, market design, microfinance, gender and its influence on economic choice, and macroeconomics and microeconomics. A growing trend toward synergistic research has led to funding for projects in neuroeconomics and the areas of energy efficiency/resource allocation and its economic impact. In recognition of the “global village” reality of today's world, our faculty has received funding for research on how socio-political factors affect global economics. SIEPR also has a strong commitment to the important fields of health economics and education economics.

The majority of our sponsored projects are funded by federal agencies such as the National Science Foundation (NSF) and the National Institutes of Health (NIH). The past couple of years have seen an increasing number of projects being funded internally at Stanford by departments and institutes such as the Freeman Spogli Institute for International Studies and the Precourt Institute for Energy Efficiency. Our sponsors also include foundations such as the William and Flora Hewlett Foundation, the Alfred P. Sloan Foundation, the Ewing Marion Kauffman Foundation, and the Koret Foundation.

At SIEPR, we believe that effective economic policy

research requires interaction with policymakers and researchers. Successful projects assemble researchers with different backgrounds, test theory against experience, and produce new and relevant insights.

SIEPR's research has directly influenced a number of issues both in this country and abroad. Through SIEPR and SCID (Stanford Center for International Development) there have been numerous meetings of academics, business leaders, and policymakers from China, India, and Latin America to debate the effectiveness of different economic policies. These policies include the stabilization of the macroeconomy, influencing international trade and capital movements, establishing a framework for exchange rate management, working to develop domestic financial systems, installing regulatory regimes for telecommunications and other infrastructure, helping to promote the development of agriculture and the rural economy, improving the performance of schools and colleges, poverty reduction, and much more.

SIEPR's programs have expanded and have kept SIEPR at the forefront of research and policymaking.



Damon Jones, Searle Freedom Trust postdoc

FRESH-Thinking led by John Shoven and Victor Fuchs, the Health Economics Program led by Alan Garber, the Law and Economics Program led by Mitch Polinsky, and the new Stanford Environmental and Energy Policy Analysis Center (SEEPAC) run by Larry Goulder focus on some of the most important current topics in the economic policy community. FRESH-Thinking, funded by the Robert Wood Johnson Foundation and the Blue Shield of California Foundation, has allowed and encouraged conferences and publications that examine alternative health care mechanisms and how they might mitigate our health care dilemmas.

The SIEPR Prize selection committee comprising five outstanding leaders in economic policy, George Shultz, Jim Poterba (president of the National Bureau of Economic Research), Kenneth Arrow and Gary Becker, both Nobel Prize winners in economics, and SIEPR Director John Shoven, determined that Paul A. Volcker exemplified the type of person deserving to be the first SIEPR Prize recipient. SIEPR has set a goal of raising \$1.5 million to endow the prize and we

currently have funds or pledges in excess of half of that amount. The recipient receives an award of \$100,000. The SIEPR Prize will be awarded every other year to honor an economist who has made outstanding lifetime contributions to improve the design and conduct of economic policy either in the United States or abroad. With Paul Volcker as the first honoree, the prize has a high standard to uphold.

A policy brief and press conference in April that addressed current funding of pension systems in California created quite a flurry of excitement. Five graduate public policy students issued a report analyzing the financial situation of CalPERS, CalSTRS, and UCRS, which administer the pensions of approximately 2.6 million Californians. Their research shows that the financial situation of those organizations is much bleaker than previously thought. The ability of these three funds to meet their future obligations has significant implications for the fiscal health of the state and public employers, the effective underwriters of many public pensions. Questions asked in the policy brief include what is the current funding shortfall of CalPERS, CalSTRS, and UCRS and what policies would prevent a similar shortfall in the future. The data presented in the report came from publicly available sources, primarily the quarterly and annually published financial reports of each fund. Op-eds on a state and national level were written citing the report, the students were asked to testify in Sacramento, and the impact of the report has caused state and local organizations to rethink their pension policies.

SIEPR's two academic programs, six research programs, and four centers produce a rich and interesting environment at SIEPR. Their contributions and goals make SIEPR an exceptional economic policy institute.



George Shultz presents Paul Volcker with the first SIEPR Prize award

EVENTS 2009–10

Associates Meetings

September 23, 2009

Ben Bernanke vs. the Great Panic

David Wessel, Economics Editor, *Wall Street Journal*

October 20, 2009

Monetary Policy in a Tough Environment

John Taylor, Professor of Economics, Stanford University

Charles Plosser, President, Federal Reserve Bank of Philadelphia

William Poole, Senior Advisor to Merk Investments

Moderator: Tom Keene, Bloomberg Radio

November 5, 2009

How California Can Get Its Groove Back: Reflections on the California Tax Reform Commission

Michael Boskin, Tully Friedman Professor of Economics and Senior Fellow at the Hoover Institution and, by courtesy, at the Stanford Institute for Economic Policy Research

John Cogan, Hoover Senior Fellow, Stanford University

November 12, 2009

Unsolicited Advice for the Obama Administration

Robert Frank, Professor of Economics, Cornell University

January 14, 2010

Challenges in Management Education: The Stanford GSB Perspective

Garth Saloner, Dean, Graduate School of Business, Stanford University

February 1, 2010

The Cyclical and Secular Market Outlook

Mohamed A. El-Erian, CEO and Co-CIO, PIMCO

March 12, 2010

SIEPR Economic Summit

Lawrence Summers, Director, National Economic Council

Jamie Dimon, Chairman and CEO, JP Morgan

April 15, 2010

The Problem with Transparency — An Alternative Perspective on the Financial Crisis

Bengt Holmstrom, Paul A. Samuelson Professor of Economics, Massachusetts Institute of Technology, and Mark and Sheila Wolfson Distinguished Visiting Scholar, SIEPR

May 18, 2010

SIEPR Inaugural Prize

Paul A. Volcker, Chairman of the Economic Recovery Advisory Board

June 14, 2010

The United States Securities and Exchange Commission v. Goldman, Sachs & Co. & Fabrice Tourre: An Analysis of the Commission's Complaint

Joseph Grundfest, The William A. Franke Professor of Law and Business, Co-Director, Rock Center on Corporate Governance, Stanford University and SIEPR Senior Fellow

Darrell Duffie, Dean Witter Distinguished Professor in Finance and SIEPR Senior Fellow, Stanford University

June 23, 2010

Economic & Financial Market Outlook

James Paulsen, Chief Investment Strategist, Wells Capital Management

Breakfasts

October 23, 2009

Economic and Other Policy Perspectives from Portugal

Thomas Stevenson, General Partner, Sequoia Capital, and SIEPR Board Member

February 23, 2010

FREEFALL: America, Free Markets, and the Sinking of the World Economy

Joseph Stiglitz, Professor of Economics, Columbia University

June 2, 2010

How Collusion Keeps Generic Drugs Off the Market

Scott Hemphill, Associate Professor of Law and Milton Handler Fellow, Columbia Law School



John Shoven, Joseph Stiglitz, and board member Mark Wolfson at a SIEPR breakfast



Jamie Dimon opens the 2010 SIEPR Economic Summit



Ana J. Matosantos, director of the California Department of Finance; Fred Grauer, SIEPR board member and panel moderator; and Joe Nation, SIEPR Public Policy Program, present their views at the 2010 SIEPR Economic Summit



Chris Anderson, editor of *Wired* magazine

Conferences

September 23-25, 2009

Toulouse Network Conference

Jon Levin, Professor of Economics and, by courtesy, at the Graduate School of Business, Stanford University, and SIEPR Senior Fellow

October 30, 2009

Using Economics to Limit Climate Change — SIEPR Policy Forum

Matt Rogers, Senior Adviser to the Secretary, U.S. Department of Energy

Ward Hanson, SIEPR Policy Forum Director, Stanford University

November 12-13, 2009

Conference on Inequality in a Time of Contraction

SIEPR, Glasshouse Forum (Sweden) and the Stanford Center for the Study of Poverty and Inequality

Eva Milgrom, Senior Research Scholar, SIEPR

December 7, 2009

Abramovitz Lectures

Joel Mokyr, Department of Economics, Northwestern University

Gavin Wright, William Robertson Coe Professor in American Economic History, Department of Economics, Stanford University, and SIEPR Senior Fellow

January 14, 2010

Horizontal Merger Guidelines

U.S. Department of Justice Federal Trade Commission

Greg Rosston, Senior Research Scholar and Deputy Director, SIEPR

April 13, 2010

The Antitrust & IP Forum — Europe and the United States, Policy and Practice — Howrey, LLP

Mitch Polinsky, Josephine Scott Crocker Professor of Law and Economics, Professor, by courtesy, Department of Economics; Director, John M. Olin Program in Law and Economics, Stanford University

Greg Rosston, Senior Research Scholar and Deputy Director, SIEPR

April 30, 2010

The Future of the Internet — SIEPR Policy Forum

Julius Genachowski, Chairman, Federal Communications Commission

Hal Varian, Chief Economist, Google

Ward Hanson, SIEPR Policy Forum Director

June 9, 2010

The National Broadband Plan: Economics, Politics and Policy

Greg Rosston, Senior Research Scholar and Deputy Director, SIEPR

July 14-16, 2010

Crisis and Recovery: Uncertainty in the West, Implications for the East — Pacific Pension Institute

John Shoven, Wallace R. Hawley Director, SIEPR, and Charles R. Schwab Professor of Economics, Stanford University

Nick Hope, Director, Stanford Center for International Development (SCID)

August 3-7, 2010

Twenty-Third Annual Summer Economic Institute for Teachers — Behavioral Economics

John Shoven, Wallace R. Hawley Director, SIEPR, and Charles R. Schwab Professor of Economics, Stanford University

Gavin Wright, William Robertson Coe Professor in American Economic History, Department of Economics, Stanford University, and SIEPR Senior Fellow

Tim Taylor, Managing Editor, *Journal of Economic Perspectives*, Macalester University

ACADEMIC PROGRAMS

Public Policy

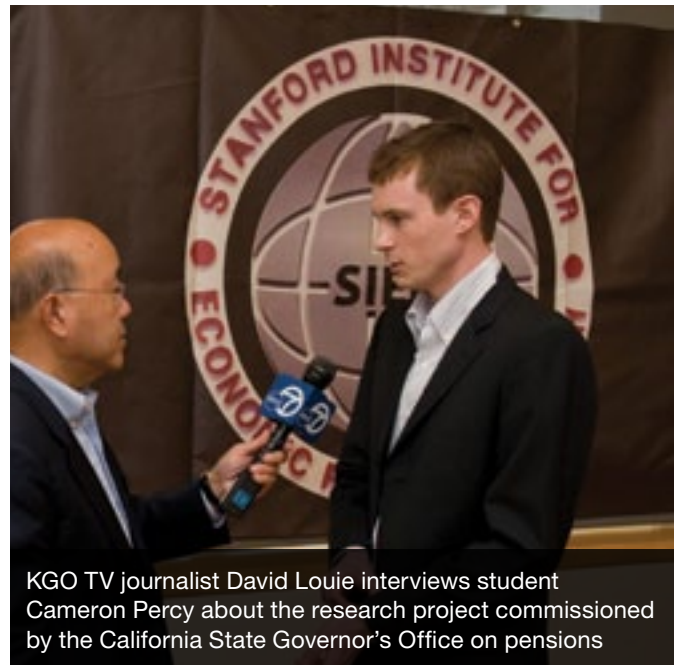
The Public Policy Program is administered by SIEPR on behalf of the School of Humanities and Sciences. In 2009-2010, the provost authorized two non-tenure line promotions within the program: Mary Sprague was promoted to senior lecturer and Joe Nation became a professor of the practice of public policy, the first professor of the practice at Stanford. The program awards undergraduate degrees, coterminal master's degrees and master's degrees available to Stanford graduate students from other departments.

The program is placing increased emphasis on policy research projects involving California state and local issues. Undergraduate practicum projects (10 weeks long) have analyzed work on teacher certification in Silicon Valley and the future of high-speed rail in Palo Alto among other projects. Graduate practicum projects have looked at many issues including the funding of California's pension systems and prosecutorial discretion in California.

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Bruce Owen, director of the Public Policy Program, presides over graduation



KGO TV journalist David Louie interviews student Cameron Percy about the research project commissioned by the California State Governor's Office on pensions

Policy Forum

SIEPR Policy Forum conferences bring together Stanford students, top researchers, policymakers, and executives for daylong conferences on important economic issues. The past two conferences looked at climate change and the future of the Internet. The Policy Forum on climate change investigated the challenges and possible tools for the United States and the world. Speakers looked at California's leading role in promoting solutions and Matt Rogers, senior advisor to the U.S. energy secretary, talked about how the federal government was undertaking efforts to promote a low-carbon, high-growth economy.

The spring Policy Forum, The Future of the Internet, began with an address by Julius Genachowski, the chairman of the Federal Communications Commission. The day focused on how the Internet could continue to be an engine of economic growth and innovation. Speakers included entrepreneurs, regulators, and academics. A "demo hour" at lunchtime showcased Stanford student startup ventures in a wide range of areas.



CENTERS

Stanford Environmental and Energy Policy Analysis Center (SEEPAC)

Lawrence Goulder, Director

Researchers at the recently created SEEPAC perform analysis to identify practical solutions to pressing environmental and energy solutions and communicate those solutions to policymakers and the public at large.

Over the past decade, Stanford has made great strides to improve our understanding of environmental and energy issues, but most of the emphasis has been in the natural sciences and engineering. The creation of SEEPAC signifies a heightened attention to policy analysis. SEEPAC aims to become an internationally recognized center for the identification of practical solutions to contemporary environmental and energy problems.

SEEPAC's special contribution is to promote interactions between its policy analysis and natural scientists and engineers at Stanford and elsewhere, thereby helping assure that the policy analysis builds on the best scientific information and addresses relevant questions. In addition, SEEPAC is developing networks with analysts and decision makers in government agencies throughout the nation and internationally and will organize workshops involving these individuals.

SEEPAC researchers are working on coordinating federal and state climate policy efforts; identifying cost-effective policies to improve residential building energy efficiency; integrating renewable power into the electricity grid; looking at recyclable electronic products; identifying cost-effective and politically feasible gasoline reduction policies; and many other projects with the overall theme to identify and communicate practical solutions to serious environmental issues.

Stanford Center for International Development (SCID)

Nicholas Hope, Director

SCID supports research and hosts policy conferences and other events dealing with issues in economic development and international economics. The center's main mission is to create and disseminate significant new results about the design, implementation, and evaluation of policies to promote economic growth in developing countries and those moving from command to market systems. The center carries out this mission by supporting research by the Stanford faculty (especially junior faculty members) and graduate students, by bringing eminent visitors to campus for stays of from a few days to a year, and by convening conferences involving not only researchers from Stanford and elsewhere but also relevant business and government leaders who can provide practical guidance and feedback on the center's policy work.

SCID sponsored several conferences in 2009-2010, including its 10th and 11th annual India conferences (fall and early summer). Other conferences focused on economic development in China and other areas of the world. In addition to these geographically focused conferences, SCID sponsors research on particular issues that cut across the developing world — such as education reform, aid programs, energy, and world trade.

SCID also welcomed a strong lineup of visitors from a variety of academic institutions in China as well as two officials from the Chinese Ministry of Finance who conducted research on policy reform.



SCID Director Nicholas Hope



Scholars share thoughts at the 2009 SCID China Conference



Hong Kong

INDIA CENTER FOCUS: SUMMER PROGRAM IN FIELD RESEARCH

Anjini Kochar, a senior research scholar and director of the India Program at SCID, has been at Stanford for almost 20 years, teaching economics and public policy in addition to doing research on education and development. During the summer months she coordinates a group of undergraduate students who do research and field study in India. This program was funded by Martin and Sue Koffel.

The last study was on the feasibility and desirability of developing loan products for the microfinance bank affiliated with IFMR trust Kshetriya Gramin Financial Services (KGFS) in the interests of higher education in Thanjavur, in the state of Tamil Nadu. Recommendations were compiled based on fieldwork carried out in Thanjavur district (including interviews with college and secondary school administrators, government officials, students, and households) and on secondary research.

Stanford interns explored existing finance options for higher education in India, including a newly introduced government scheme that mandates banks to provide uncollateralized education loans to all deserving students. Scholarship schemes, informal financing, and self-financing options are also addressed. The study concluded that even with these numerous options, significant holes in the market for higher education loans remain. Certain non-financial barriers to higher education and aspects of the school systems in India also create a need for innovatively designed loan products. The researchers believe that KGFS can have

an impact on the higher education loan market in Thanjavur, especially in light of its unique position as an integral part of the village community, which has a significant competitive advantage.

The interns presented a menu of four loan products for consideration by KGFS, which are tailor-made to address the existing holes in the market and to respond to students' needs. The first is the bridge loan, designed to smooth the transition between the granting and the disbursal of government loans or other sources of external financing. The second is the supplemental loan, designed to help students finance the costs associated with pursuing a higher education that extend beyond tuition fees. The third is the comprehensive loan, intended for students who are unable to obtain education financing from any outside sources. Finally, an MMMF-based education savings product will encourage early education planning and raise awareness among villages as to education options and finances in general. Several useful and synergistic relationships between these products exist and can be exploited through combination, depending on the needs of the customer.

Certain challenges exist in the development and implementation of these loan products, the most serious of which is ensuring repayment. Ensuring repayment is a difficult task because student customers may disperse geographically after graduation, a fact exemplified by commercial banks' low repayment rates for higher education loans. A special thanks to the Koffels for their support of this program.



Center for Public and Private Finance (CPPF)

Michael Boskin, Co-Director

John Shoven, Co-Director

SIEPR's Center for Public and Private Finance covers issues of federal taxation, budget policy, macroeconomics, and finance. As such, it encompasses the tax and budget policy program, the finance program, and the macroeconomics program. In addition to the research produced in these programs, many of the SIEPR associates events deal with federal tax and spending programs, particularly the entitlement programs. John Shoven also served as the faculty advisor to the MPP students in Joe Nation's public policy practicum that analyzed the California pension system. The SIEPR policy brief, "Going for Broke: Reforming California's Public Employee Pension System," released in April 2010 received coverage in the *Wall Street Journal*, *New York Times*, and news outlets across the country and has brought the issue of California's daunting pension obligation to public attention.

A big theme for CPPF is health policy and health policy reform. CPPF had two FRESH-Thinking workshops: The first was on two aspects of Medicare and examined how it can deliver quality care more effectively; the second offered "lessons for the new governor" and provided input into how the state can improve the efficiency and quality of health care delivery. In addition, two SIEPR policy briefs examined health policy issues.

The Center on Employment and Economic Growth (CEEG)

Timothy Bresnahan, Director

SIEPR's Center on Employment and Economic Growth (CEEG) sponsors research on growth, innovation, and competition in the economy. CEEG researchers investigate topics such as energy markets, innovation's role in economic growth, Internet and telecommunications impact and policy, social institutions impacts on growth, and venture capital.

CEEG continues to focus on policies relating to competition policy and regulation, with particular emphasis on broadband access, Internet development, electricity and antitrust. CEEG hosted a workshop for the Department of Justice and Federal Trade Commission on revisions to the Federal Merger Guidelines and provided several scholars who spoke at the conference.

In addition, CEEG scholars researched the economic consequences of the Gulf Oil spill and how to set up incentives to prevent future disasters, the economics of the proposed high-speed rail system in California, and the government's role in spectrum policy.

RESEARCH PROGRAMS

General Research Program

John Shoven, Director

The General Research Program, led by the SIEPR director, is funded largely with unrestricted money and is broad in scope. It is the one program that is not necessarily topic-oriented. The program houses SIEPR research initiatives. Three important goals of the General Research Program are funding for junior faculty, support of graduate students, and the postdoctoral scholar program. Through SIEPR's support, junior faculty can pursue their research endeavors. Graduate student support and fellowships are also a significant part of the program.

Junior Faculty Seed Grant Program

One of the most important components of SIEPR's research support is its Junior Faculty Seed Grant Program. These grants are instrumental in allowing young faculty members to successfully pursue important economic policy research in the early years of their academic careers. The fund's main purpose is to allow the junior faculty to hire graduate student research assistants. They may also purchase computer hardware and software, add journals and other publications to their personal research libraries.

SIEPR Fellowships and Award Recipients

We thank the donors who made the fellowships possible as well as the students for participating in the fellowship program through SIEPR and contributing their research.

B.F. Haley and E.S. Shaw Fellowship Support for Economics

The Bradley Research Fellowship Program

The Hawley-Shoven Fellowship

Kapnick Fellowship Program

Kohlhagen Fellowship Fund

The Leonard W. Ely and Shirley R. Ely Graduate Student Fund

The Stanford Institute for Economic Policy Research (SIEPR) Fellowship Program

The Sonja and William Davidow Fellowship

George P. Shultz Research Support Fund Fellowship

Postdocs

The postdoctoral program where new PhDs come to SIEPR before beginning their tenure-track careers has already proved to be successful and popular. Gopi Shah Goda, a Stanford PhD and former Robert Wood Johnson Scholar, has come back to SIEPR to coordinate the program.

Demand for the program is extremely high with more than 400 applicants for four positions this coming year. The postdoc position is highly coveted in part because of a rich set of resources, including distinguished SIEPR visitors.

We have two current postdoctoral scholars in residence:

Maria Fitzpatrick, PhD from University of Virginia. Areas of interest: Public Finance, Labor Economics, Economics of Education, Early Childhood Education. Currently conducting research on public employee pension programs and teacher labor supply.

Damon Jones, PhD from University of California-Berkeley. Areas of interest: Public Finance, Household Finance, Behavioral Economics. Currently Assistant Professor, University of Chicago, Harris School of Public Policy Studies.

Stanford University • September 2010

SIEPR

policy brief

Stanford Institute for Economic Policy Research | on the web: <http://siepr.stanford.edu>

Student Assessment and Teacher Effectiveness: Telling the Whole Story

By Maria D. Fitzpatrick

Recently, the *Los Angeles Times* published an explosive article reporting the results of its assessment of more than 6,000 teachers in the Los Angeles Unified School District (Felch et al. 2010). The *Times*' analysis uses a version of a conventional technique for measuring teacher effectiveness, value-added modeling (VAM). VAM evaluates teachers by comparing the performance of students in their classes on standardized tests given before and after the year spent with the teacher. The article has drawn fire for many reasons—from the quality of the study's design to its singling out of individual teachers. Indeed, one of the most striking features of the article is that the newspaper has promised to provide a value-added score, or measure of teacher effectiveness, for each teacher by name on its website.


Economists generally believe that information is a good thing. Its provision leads to enhanced market functioning. Information asymmetries between interacting parties, like parents and teachers, can lead to market failure. While the *Times*' analysis likely has some flaws, the publication has jump-started a long-needed public discussion about teacher assessment and accountability.

A body of evidence has amassed showing that teachers can have a profound impact on student test score performance from year to year (Rivkin et al. 2005; Rockoff 2004). By providing parents and taxpayers with information about teacher effectiveness they otherwise would not have, the *Times*' analysis has the potential to improve children's education. Those of us involved in education, however, know that doing so will not be easy. There is still a great deal of uncertainty about the correct way to measure and report teacher effectiveness. By using this brief to set forth some of the issues involved, I

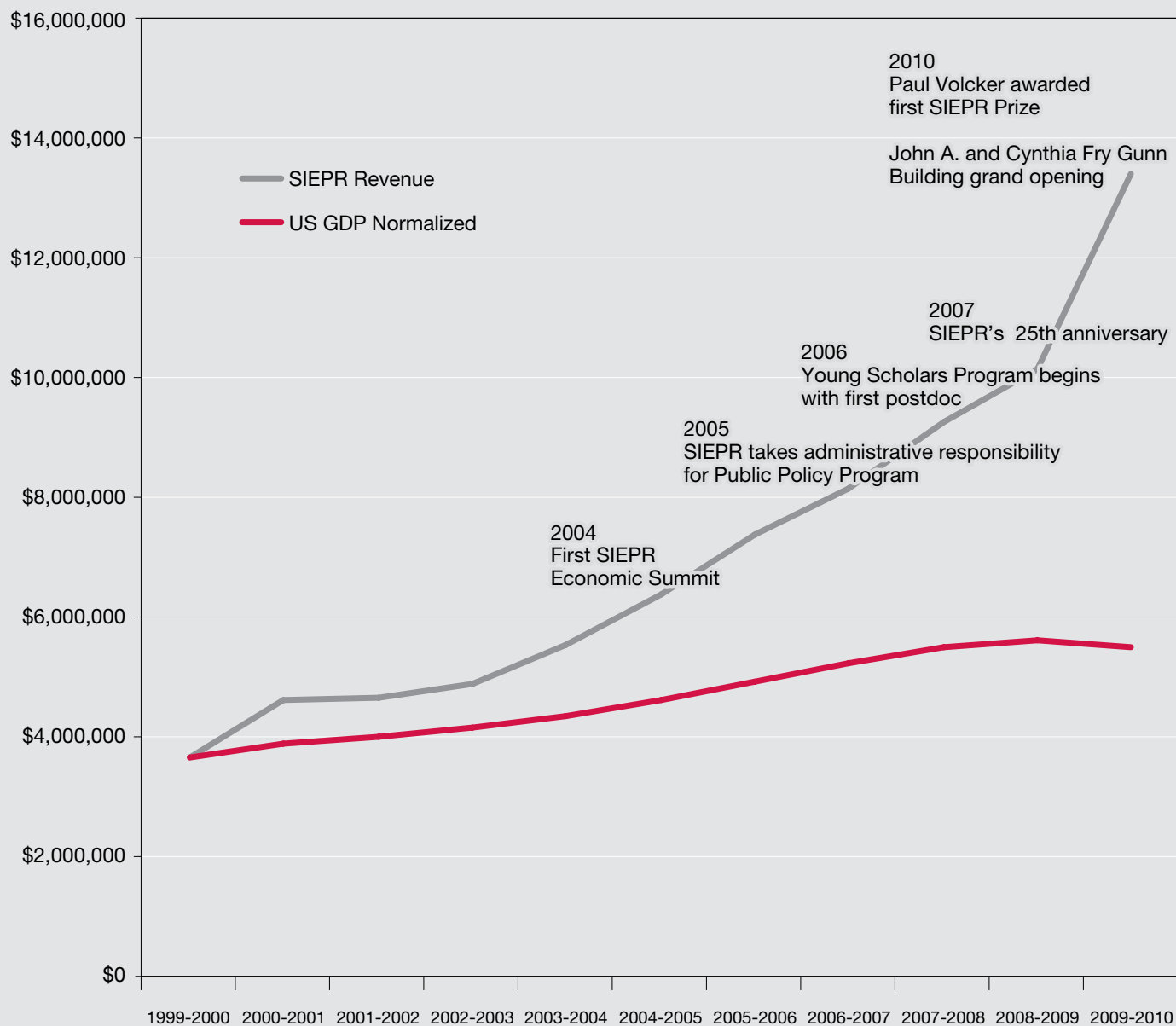
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About The Author

Maria Donovan Fitzpatrick is a Searle Freedom Trust Postdoctoral Scholar at the Stanford Institute for Economic Policy Research. She received her BA in economics from University of North Carolina Chapel Hill and her MA and PhD degrees from the University of Virginia. Her research interests center on the economics of education, particularly early childhood education. Her latest publication, *Starting School at Four: The Effects of University Pre-Kindergarten on Children's Academic Achievement*, was published in the *B.E. Press Journal of Economic Policy and Analysis* in 2008.



SIEPR AND THE ECONOMY 2000–2010



The Energy, Natural Resources, and the Environment Program (ENREP)

James Sweeney, Co-Director

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The Energy, Natural Resources, and the Environment Program (ENREP), directed by James Sweeney, professor of management science and engineering, and Lawrence Goulder, Shuzo Nishihara Professor in Environmental and Resource Economics, conducts research in three areas of energy and the environment: environmental consequences of economic activity associated with energy production and use; the restructuring or deregulation of energy markets, particularly electricity markets; and the use of economic instruments to control environmental harms. ENREP researchers have been actively involved in cap-and-trade evaluations, resource costs, CAFE standards, and electricity deregulation.

Health Economics Program

Alan Garber, Director

Faculty at SIEPR's Health Economics Program work on understanding how to improve the efficiency of the U.S. health care system and how to use the tools of economic analysis to improve health care outcomes across the globe. Led by Stanford Health Policy (CHP/PCOR) director Alan Garber, SIEPR's Health Economics Program includes Stanford's leading health economists: Victor Fuchs, Alain Enthoven, Jay Bhattacharya, Laurence Baker, Kate Bundorf, Gopi Shah Goda, and a handful of postdoctoral scholars. The program aims to draw on the mission of Stanford

Health Policy — doing meaningful, interdisciplinary work to encourage better domestic and international health policy and health care. Started at SIEPR in 2010, the Health Economics Program is intended to provide a home for health economists, funding for conferences,

and a supply of new young health policy scholars. As part of this program, FRESH-Thinking, funded by the Robert Wood Johnson Foundation and the Blue Shield of California Foundation, has allowed and encouraged conferences and writings that look at alternatives to our current health care dilemmas. A booklet of 12 articles, *Health Care Reform*, written by Victor Fuchs, was recently published and sent to more than 800 policymakers throughout the country to try to influence good decision making.



Knowledge Networks and Institutions for Innovation Program (KNIIP)

Paul David, Director

KNIIP's topical scope spans the array of interrelated public and private policy issues arising from changes in the conditions affecting the production and distribution of scientific and technological knowledge. These include the following seven specific topics: new approaches to public policy design in the interrelated areas of scientific and technological research, innovation, and economic growth; interrelationship between innovation and diffusion policies; integration of science and technology R&D with policy responses addressing global warming and

climate change; implications of advanced information and communication technologies for collaborative research; peer-to-peer organization of scientific computing and delivery of information goods; university-industry research collaborations and the trade-offs between their role as technology licensors and their effectiveness in generating and transmitting new knowledge to private enterprises; and the adaptation of intellectual property law to the digital information environment.

24 KNIIP's specific projects to implement vision include a project on the interactions and co-evolution of information technologies and intellectual property institutions. In addition, KNIIP has two grants for projects relating to copyright and investigating the long-lived nature of the impacts from copyright extension and its effect on the spread of knowledge.

Law and Economics Program

Mitchell Polinsky, Director

The Law and Economics Program (of intellectual property and antitrust) was initiated in 2009 with support from Microsoft.

During the past year the program has supported students and faculty; facilitated a course on cyberlaw taught by visiting professor Jonathan Zittrain; sponsored a major conference on antitrust law and intellectual property; contributed to SIEPR's Policy Forum on the future of the Internet; co-sponsored a conference on the future of broadband; sponsored a visiting scholar through Columbia Law School; and funded guest speakers on antitrust policy and intellectual property policy at the law and economics seminar.



Antitrust forum



Mitchell Polinsky speaks at the antitrust forum

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The Program on Market Design, led by economics professors Paul Milgrom and Muriel Niederle, promotes research and intellectual exchange among scholars doing empirical, theoretical, and experimental research into the ways that the rules of an auction, exchange, or other markets affect performance. The program draws on Stanford faculty members' experience as advisors in setting rules for electricity, radio spectrum, and timber auctions, as well as their participation in recent attempts to establish new kinds of electronic markets. The program sponsors periodic conferences and provides research support for faculty and students.

In addition to their involvement with the program's research and conference work, Paul Milgrom and Greg Rosston coordinated a group of 71 economists who submitted comments to the National Telecommunications and Information Agency and Rural Utilities Service in connection with their broadband stimulus funding. In the submission, they recommended using reverse auctions and ranking projects based on the cost per new household connected. While their proposed framework was not adopted in the first stage, the submission was cited in FCC proposed rulemakings and has formed part of the basis for proposed FCC universal service auctions.

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DEVELOPMENT

This past academic year indicates we may be heading into a healthier economy. Our annual fundraising dollars increased 14 percent to \$3.68 M while our membership grew to more than 270 members.

The 2010 SIEPR Economic Summit brought in \$662,500 in sponsorships, table purchases, and ticket revenue. Special thanks to CISCO, Dodge & Cox, Heidrick and Struggles, Koret Foundation, David Rubenstein, and URS for sponsoring the summit. We sold five tables to Accenture, C.M. Capital Corporation, Ernst and Young LLP, JP Morgan, and Silicon Valley Bank. Taube Philanthropies underwrote the Critical Issues Session portion of the 2010 SIEPR Economic Summit.

Funding for the operating budget and special programs included the following:

- The Hewlett Foundation's role in the development of SIEPR through its long-term unrestricted support has made a huge difference. The Hewlett Foundation support allowed SIEPR to use these funds where the need is the greatest.
- Microsoft supported the Law and Economics Program, an interdisciplinary approach to intellectual property and antitrust with Stanford Law School.
- The Koret Foundation and the Searle Freedom Trust helped fund our postdoc program.
- John and Cynthia Gunn, Don Lucas, and Fred and Linda Grauer led the way with their contributions toward the endowment of the SIEPR Prize in 2010.
- Sue and Martin Koffel funded a research trip to India this past summer. Their support allowed a group of undergraduates to explore the feasibility and desirability of development micro-finance loan products for higher education.

We are very appreciative to our donors for the continued support of the SIEPR Young Scholars Program through fellowships. We have nine different named funds to support graduate student research, the majority of which go to fifth- and sixth-year graduate students who are completing their dissertations. We wish to acknowledge our donors supporting fellowships.

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- The Lynde and Harry Bradley Foundation
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- The Kapnick Family Foundation
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- George P. Shultz Dissertation Fund

The Searle Freedom Trust has been invaluable in helping SIEPR initiate and drive the postdoc program. Its funding allowed top graduate students to come to Stanford for two years, work with our world-class faculty, and move up the academic ladder. The postdocs leave here more prepared to do research on important economic policy issues. This past year, the Koret Foundation generously supported the postdoc coordinator, Gopi Shah Goda. Gopi, a leading budget and health economic scholar herself, ensures that the postdocs have a great place to do research and that SIEPR provides the mentoring necessary to help them be successful in starting their careers.

The generosity of past supporters and current donors enables the Stanford Institute for Economic Policy Research to address the economic challenges through scholarly research and discussions with policymakers and the business community.

We wish to acknowledge the honor roll of contributors for the academic year 2009-2010:

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Corporations (Project Support)	\$806,954
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Foundations (Project Support).....	\$2,555,889
Foundations (General Support)	\$772,667
Government	\$2,504,354
Endowment	\$2,254,122
University.....	\$1,708,310
Miscellaneous.....	\$787,108

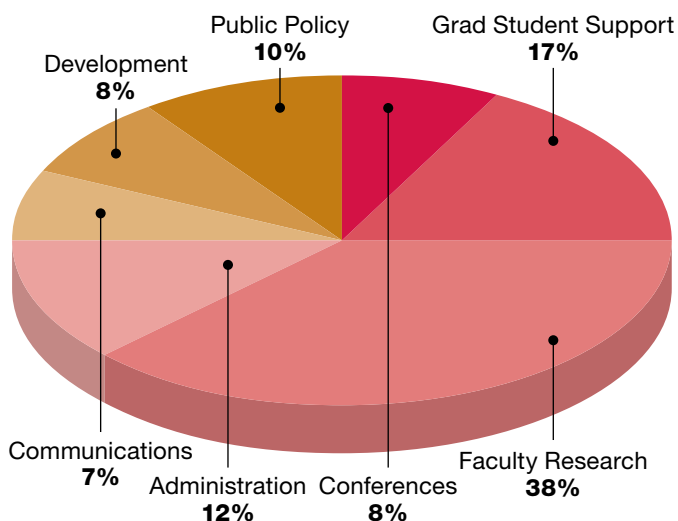
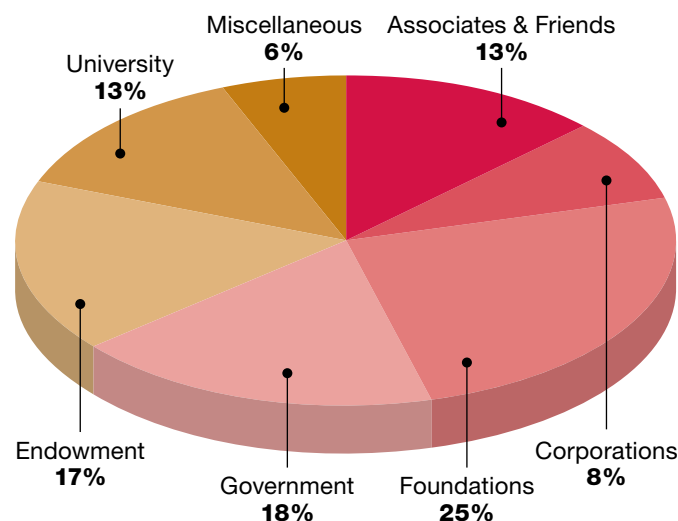
Total.....\$ 13,485,597

SIEPR Expenditures

2009–2010

Conferences.....	\$849,233
Grad Student Support.....	\$1,917,852
Faculty Research	\$4,268,574
Administration.....	\$1,339,228
Communications.....	\$798,537
Development	\$856,982
Public Policy.....	\$1,071,056

Total.....\$ 11,101,462



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SIEPR is governed by three distinct groups: the advisory board, the steering committee, and the senior fellows. All groups help SIEPR focus on its mission in different ways.

SIEPR advisory board members act as the board of directors for the institute. This board helps to guide and support SIEPR. Advisory board members make both an intellectual and financial commitment that is a key component in SIEPR's ability to achieve its mission. They are also active in helping to facilitate and disseminate research. Their affiliations are both corporate and academic.

The SIEPR advisory board has two subcommittees that work with staff and the director to accomplish the mission and goals of the organization. The executive committee reviews the goals and long-range plans of the institute; the communications committee works on the messaging and public relations functions of the institute.

SIEPR was granted authority to appoint senior fellows in 1997. Senior fellows actively participate in SIEPR research and participate in its governance. Senior fellows are members of Stanford's academic council and, at SIEPR, have the responsibility of bringing new academic members on board. In addition, senior fellows help to bring academic excellence and scholarly insight here to SIEPR.

The steering committee is composed of faculty from throughout Stanford University. The diverse opinions and perspectives of the committee members help in advising the director and guiding the institute on matters pertaining to research and academics.

Steering committee members are scholars who are often called upon for advice and service. Many of these economists have chaired the Council of Economic Advisers in the Bush (senior and junior) and Clinton administrations. They also have served at high-level positions in the Department of Justice, Securities and Exchange Commission, Department of Labor, World Bank, Federal Communications Commission, and Federal Trade Commission.

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