



Minnesota Applied Economist

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Department of
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IN THIS ISSUE

Applied Economics at the University of Minnesota

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FROM THE DEPARTMENT HEAD

As summer begins, I have a chance to look back on the whirlwind year I've had since Brian Buhr took on the role of Interim Dean of CFANS and I was asked to step in as Interim Department Head of the Department of Applied Economics. This department has been my professional home since I earned my Ph.D. in 1993, and I hadn't given much thought to assuming a leadership role until Dean Levine asked me to—but I thought I could keep the department humming along for the year.

And there's been a lot of humming! The main office is a busy place, and I'm grateful for a top-notch staff for making sure I know what's on the horizon. We end the year in good shape, and there have been many highlights in the past semester.

One of these was the presentation of the Outstanding Alumni Award to Mike Jewison, the youngest ever recipient of this award. Mike graduated from the AFBM program in 2005. He started with Target as cashier while a student, accepted a position as assistant manager upon graduation, was promoted to managing his own store, and then to overseeing a district of a dozen stores. He now is Senior Director of Merchandising at Corporate Headquarters in Minneapolis. This is probably the first time we celebrated this award with the recipient's grandmother in attendance!

In April, we hosted President Kaler in the newly-renovated and cozy Waite Library. We had the opportunity to talk with him about the variety of work that goes on here, ranging from Jay Coggins' work on income inequality to Laura Kalambokidis' new post as Minnesota State Economist.

This summer, we'll welcome the Agricultural and Applied Economics Association to Minnesota for their annual meeting. It's fitting that Rob King will be named an AAEA Fellow at these meetings, in recognition of his exemplary career in research, teaching, extension, and administration. We are also thrilled that Marc Bellemare will be awarded the AAEA's prestigious Quality of Research Discovery Award in 2014. With Metin Cakir receiving the same award last year, our new faculty are on a roll!

Looking forward, I'm excited about our participation in the University's Writing Enriched Curriculum (WEC) project. This is year "0" of the project, which involves information gathering and establishing a baseline for student writing performance. Staff at the Center for Writing Studies will facilitate guided discussions with our faculty to work through our objectives for student writing in our two undergraduate majors. Instead of looking at individual classes in isolation, the WEC program encourages an examination of the entire curriculum to help students build toward competency by the time they graduate. This is fundamental to what we hope to achieve as educators, and I anticipate that this will strengthen both majors. Tade Okediji has graciously agreed to serve as faculty liaison for the WEC project.

Brian has now been named dean of our college. Though he won't return as Department Head, he will continue to provide leadership at the college level. By the Fall newsletter, we should know who will be assuming the head-ship of the department. In the meantime, thank you for your continued support – and stay in touch.

Frances Homans

Department of Applied Economics

Economic Inequality

When the President of the United States stands before the American people and calls one particular issue that "defining challenge of our time," people tend to pay attention. President Obama did just that back in December. And what was that issue? The "dangerous and growing inequality and lack of upward mobility that has jeopardized middle-class America's basic bargain -- that if you work hard, you have a chance to get ahead." [1] But is the President right on this one? It depends on how one measures inequality.

Poverty is one way to capture inequality. In 2012, the Federal government judged a family of two adults and two children to be in poverty if their income that year was below $23,283. About 46 million Americans, 15% of the nation's population, found themselves in that position. That number is high, but the rate was the precisely what we saw back in 1993.

The Gini coefficient measures inequality for all of us, not just the least well off. It can be zero (if income is distributed equally), it can be 100 (if one family captures the entire national income), or anything in between. A higher Gini means more inequality. Lately it's been rising, from just over 45 in 1993 to just under 48 in 2012. The U.S. Gini is higher than that found in almost all of the rich developed countries. But it is not increasing dramatically.

Another way to measure inequality is to look at the share of income going to the very richest among us. On this count, inequality has indeed risen to historic heights over the past generation or so. The share of all income going to the richest 1 percent, at 22.5% in 2012, is higher than it's been since the Roaring Twenties. [2]

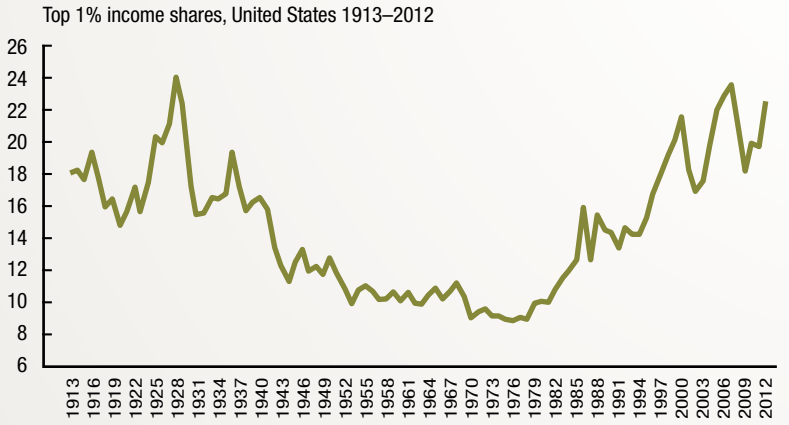
Figure 1 shows how the 1% share has evolved over the past century. Where income inequality is concerned, the action is almost all at the top.

In the last five years, as the U.S. economy has gradually pulled itself out of the recession, national income has been growing. But who has benefited? According to Emmanuel Saez of UC-Berkeley, 95% of the growth in national income from 2009 to 2012 went to the richest 1% of households. [3]

Wealth inequality is much higher still. The richest 1% of households now own 40% of the nation's wealth. The richest 0.1%, with a net worth above $20 million own 22%, up from about 8% in 1978. Meanwhile, the net worth of the bottom 90% of households is exactly the same: 22%. In other words, the richest 130,000 households in America own assets—homes, financial portfolios, and the like—worth as much as the poorest 117 million households. [4]

Should we worry about this growing concentration of income and wealth? Maybe not, so long as it's possible

Figure 1. Top 1% income shares, United States, 1913-2013

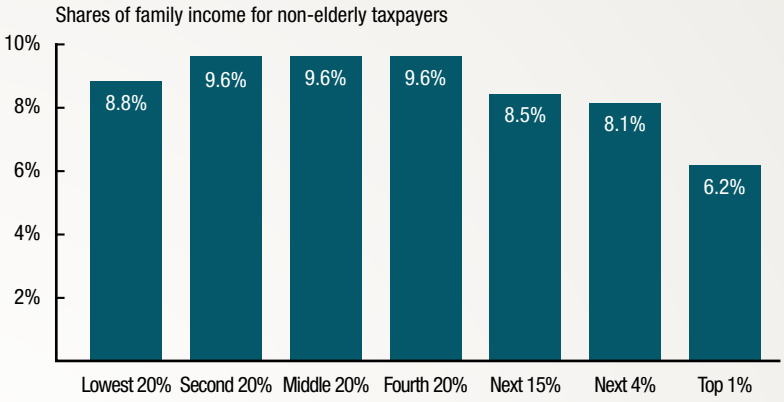


Source: World Top Incomes Database

in America

BY JAY COGGINS

Figure 2. Minnesota state and local taxes, effective tax rates, by quintile and top shares



Source: Institute on Taxation and Economic Policy, 2013.

for those who find themselves toward the bottom of the income distribution to pull themselves up the economic ladder. Economic mobility is the term economists use to capture this shuffling of people up and down. If mobility is high, it captures one version of the American dream.

The only problem is that mobility is not high in the U.S. Again comparing ourselves to other countries most like us, in Europe and other rich countries, we have among the lowest levels of mobility. [5] Economist Miles Corak of the University of Ottowa coined the term "The Great Gatsby Curve," to refer to the relationship between inequality and mobility. Countries with high inequality tend to have low mobility. Unfortunately, the U.S. draws the short straw on both measures. We top the list on inequality and we have less mobility than all of Corak's countries except Italy and U.K. Those of us who start at the bottom of the ladder seldom rise very much, and those who start at the top tend to stay there.

One might expect, though, that taxes alleviate inequality, taking more from the rich than from the poor, as a percentage of income, and using the tax revenue to provide benefits that flow mostly to those toward the bottom. The Federal income tax does indeed work in this way. It's progressive. State and local taxes, though, drive things in the other direction. According to a 2013 study by the Institute on Taxation and Economic Policy, the richest 1% of Minnesotans pay a lower effective tax rate than any other slice of the income distribution (Figure 2). [6] That means all taxes paid divided by all sources of income. Property taxes, sales taxes, and the state income tax all combined place a heavier burden on the poorest Minnesotans than on the richest.

Is economic inequality really the defining challenge of our time? Perhaps. Reasonable people can certainly disagree over how much we should worry about these powerful trends toward greater concentration of income and wealth. But the fact of increasing inequality, as measured by the share going to the richest, is not in dispute.

Endnotes

[1] www.whitehouse.gov/the-press-office/2013/12/04/remarks-president-economic-mobility

[2] topincomes.g-mond.parisschoolofeconomics.eu/

[3] Saez, Emmanuel, "Striking it Richer: The Evolution of Top Incomes in the United States," Working paper, UC-Berkeley, September 3, 2013.

[4] Saez, Emmanuel and Gabriel Zucman, "The Distribution of US Wealth, Capital Income and Returns since 1913," UC-Berkeley, lecture notes, March 2014.

[5] Corak, Miles, 2013, milescorak.com/tag/great-gatsby-curve/

[6] Institute on Taxation and Economic Policy, "Who Pays? A Distributional Analysis of the Tax Systems in All 50 States, Fourth Edition," Washington, DC, January 2013.

MINNESOTA COUNCIL ON ECONOMIC EDUCATION

The Minnesota Council on Economic Education (MCEE) provides Minnesotans with the economic and financial understanding they need to function effectively in the global economy by becoming informed decision-makers, knowledgeable consumers, productive workers, and strong community leaders. We accomplish our mission primarily by providing educational programs to K–12 teachers, students, and community agencies.

This summer, MCEE hosts over 600 teachers in courses and workshops covering economics and personal finance. Among those courses is a new course, Entrepreneurship Economics. MCEE will also expand teacher offerings through technology with our very first Online: High School Microeconomics course. MCEE hosts a statewide professional development conference, the Conference on Teaching Economics and Personal Finance, on campus on August 5 and 6, 2014.

Teachers who have benefited from MCEE programs also coach their students in competitions in economics and personal finance held statewide each spring. An impressive number of Minnesota teams have gone on to win at the national level. MCEE also introduces Twin Cities Metro high school students to the U and other post-secondary options through the Personal Finance Summer Institute for College Readiness. At this week-long camp, students explore college and career options to help prepare them to persist and graduate without excessive debt.

MCEE partners with the U of M Extension and community agencies to provide capacity building and outreach to low income and new immigrant communities. Each year, over 200 individuals and their families benefit from these financial literacy programs.

Interested in learning more about MCEE? Visit us online at www.mcee.umn.edu or on Facebook at www.facebook.com/MNCouncilonEconEd. We also blog at mceeblogs.wordpress.com.

INSTEPP'S 2014 RUTTAN LECTURE ON SCIENCE AND DEVELOPMENT POLICY

The President of Embrapa (The Brazilian Agricultural Research Corporation), Dr Maurico Lopes, delivered the 2014 Ruttan Lecture on Science and Development Policy to a packed audience in the Cargill Building, St Paul campus on Tuesday May 6th. The presentation, titled "The Development of a Science-based Advanced Tropical Agriculture in Brazil," described the ground breaking, forty year history of Embrapa research, which was pivotal in helping transform Brazil from a food importing country to one of the world's largest producers of food, feed, fibers and renewable fuels. The talk gave an overview of the technological achievements and market developments that took place in Brazilian agriculture and described the evolution of Embrapa's research program towards a focus on conservation agriculture, sustainable intensification, and, notably, science in support of integrated crop-livestock-forest systems. Mauricio also described new initiatives at Embrapa, including the recent establishment of Agropensa, a strategic intelligence unit that provides on-going, forward-looking assessments of the market and technological landscapes that help shape the strategic directions for Embrapa research and agricultural policy making in Brazil.

Maurico has degrees in agronomy, plant genetics and molecular biology respectively from the Federal University of Viçosa (1983), Purdue University (1989), and the University of Arizona (1993). He has been a researcher at Embrapa (Brazilian Agricultural Research Corporation) since 1989. He is the former Deputy Head for R&D at Embrapa Maize and Sorghum and at Embrapa Genetic Resources and Biotechnology and the former Head of Embrapa's R&D Department. More recently, he was a member of the Scientific Council of the Agropolis Foundation (Montpellier, France), the Coordinator of Embrapa's Labex in South Korea, and Embrapa's Executive Director for R&D. Mauricio began serving as President of Embrapa in October 2012.

The Brazilian Agricultural Research Corporation (Embrapa) was established in 1973. Embrapa is the "research arm" of the Brazilian Ministry of Agriculture, Livestock and Food Supply, with a nation-wide mandate. Today, Embrapa has nearly 10,000 employees distributed across forty-seven Research Centers and Service Units. (http://www.embrapa.br/english).

While visiting Minnesota, Maurico and Interim Dean Brian Buhr signed a Memorandum of Understanding to facilitate joint research, training and other intiatives between Embrapa and the University of Minesota's College of Food, Agricultural and Natural Resource Sciences. A program of joint work betweem Agropensa and InSTePP forms part of this agreement.

KELLY MCINNIS

UNDERGRADUATE STUDENT SPOTLIGHT

Kelly is a senior majoring in Applied Economics with minors in Business and Communications. Originally from Plymouth, MN, she was a figure skater and attended Wayzata High School and even had a chance to skate professionally for a year in an ice show on the Royal Caribbean cruise ship Voyager of the Seas! Following graduation, Kelly chose to attend the University of Minnesota to obtain a degree in Economics, but eventually decided Applied Economics was a better fit for her. "The curriculum included a much more diverse set of courses, ranging from business to communications to agribusiness finance. I have had a great college experience in CFANS and am very proud to be an Applied Economics major," Kelly expressed.

During her time at the U, Kelly interned with the Hartford Insurance Company and Target Corporation. She has been working with Professor Elton Mykerezi on her Honors Thesis Project, her greatest accomplishment thus far, which focuses on US public school calendars and their impact on childhood food insecurity. "This project pushed me academically because it taught me to apply a wide variety of economic principles and statistics to a complex research project….[it] required a year and a half of work and has truly become the capstone of my college education."

Besides working on her project, Kelly succeeded in securing internships and other opportunities to help determine what she wanted to do as a career. This past summer, as a Business Analyst intern at Target Corporation, she loved her job and was thrilled when they offered her a position as Merchandise Buyer following graduation. Although she will be working full time, Kelly still plans to pursue her MBA after getting settled in the workforce.

As Kelly reflects on her time spent as a student at the University, she has several fond memories that have made a lasting impact. "I like that even though the U of M is so large, I have still been able to make connections and be part of the smaller community within the ApEc major….For me this has been the best of both worlds." Kelly emphasized how much she truly valued her education here at the University stating, "I have had the opportunity to work with professors on research projects….and these experiences have really enhanced my education."

BROOKE KRAUSE

GRADUATE STUDENT SPOTLIGHT

Brooke Krause is a Ph.D. Candidate studying international development and education. Her dissertation research project studies literacy, risk attitudes and health information among poor rural Guatemalan women, which brought Brooke the IFPRI's Women's Empowerment in Agriculture Index (WEAI) Dissertation Fellowship and allowed her to conduct household surveys and experiments in merely 10 days. As a graduate assistant, she works on the Colleges in the Schools program with Donald Liu and on a MasterCard-funded grant evaluating youth entrepreneurship training programs in East Africa in the Department of Comparative and International Development Education (CIDE).

Prior to graduate school, Brooke led service-learning immersion programs for high school students in Costa Rica and the Dominican Republic. She also spent time living in Guatemala, where she volunteered her time working on development projects, and conducting research in D.C. with the United Nations Economic Commission for Latin America and the Caribbean (ECLAC).

When asked to describe the University of Minnesota, one of the things Brooke compliments is the abundance of opportunities for cross-disciplinary research, which have allowed her to collaborate with scholars from a number of departments and deepened her understanding for international development and poverty. She credits her passion for this research and drive to receive a Ph.D. to a freshman trip to Guatemala, which she states is "[The] deeply-ingrained motivation…the driving force in the design of my ambitious dissertation research, including primary data collection, and guides my career aspirations. My hope is that the research I conduct provides solutions to critical issues faced by those living in poverty in the developing world."

In addition to her research, Brooke's long-term professional goal is to work in an academic environment, where she can pursue research in the area of development economics, focusing on maternal and child health and education (which is fitting since she and her husband welcomed their first baby this Spring!) "I'd like to build on the excellent training I am receiving to advance economic development research in understanding, evaluating and alleviating poverty in developing countries from a microeconomic perspective," Brooke further explains.

Although it's evident Brooke's accomplishments continue to grow, she believes receiving the dissertation fellowship from IFPRI would be considered her proudest moment thus far. Besides that, Brooke quietly admits, "I'm relieved that I completed all the Ph.D. coursework and preliminary exams successfully. It's easy to underestimate the strain and pressure those put on our lives as Ph.D. students, especially while balancing our work requirements and personal lives."

True to her nature, Brooke credits her extremely supportive colleagues and cohort as one of the driving forces to her success. "I think it's indicative of the community we have established within Applied Economics…This is certainly something I will take with me as I continue to collaborate with my friends in the department and with economists across the world in the future."

HAVE YOU HEARD ABOUT OUR MASTER'S PROGRAM?

While the Department of Applied Economics Ph.D program is often spotlighted and without question, quite remarkable, how about what Dr. Rob King calls the department's "hidden gem"? The Master's Program in the Department of Applied Economics offers students opportunities to develop highly marketable skills while working with faculty on applied economic research. The breadth of the Applied Economics graduate program, which includes faculty from four colleges, means that students can focus on issues ranging from food and agriculture, to health, to work and organization, and to public policy analysis. Core courses in micro and macro theory and econometrics provide a strong foundation for research and more specialized coursework, as well as solid preparation for students who want to continue in a Ph.D. program.

The M.S. program in Applied Economics offers considerable flexibility in the choice of elective courses and in the scope of research experiences. While many M.S. programs require two full academic years of study, students in the Applied Economics program can, with careful planning, complete their degree in just three semesters. In addition, the Master's program is designed with the understanding that students come from a variety of backgrounds and situations and, keeping in line with its exceptional flexibility, tries to offer the majority of courses at the beginning or end of the day, opening up time for students to continue a career while they complete their degree.

The research and dedication of professors in the department to the Master's Program is incomparable, which is illustrated by a growing number of prior students who are now working in state agencies, private sector firms and government agencies. Faculty are committed to helping students succeed and enthusiastic to sit down with students, discuss their research, opportunities and how best to succeed in the field. When asked what the best way to approach a faculty member to get advice Dr. Rob King suggests, "Just come knock on the door! We're very open and love to discuss what we're doing."

If you would like more information on the master's program in the Department of Applied Economics contact apecdgs@umn.edu.

DONOR SPOTLIGHT: MIKE AND SANDY YOST

Mike and Sandy Yost have a long history at the University of Minnesota, which includes not only Mike's attendance, in which he received his B.D. in Agriculture Business Administration, but both of their two sons and daughter-in-law as well. In addition, Sandy worked for the University for several years, so when choosing how to give back, Mike claims that the University was the obvious choice. Mike and Sandy emphasize that it wasn't just their personal connection to the Applied Economics Department but also that the University of Minnesota has established itself as one of the leading land grant universities in the U.S. and played a major role in developing policy for food and agriculture in the country.

Continuing on, Mike and Sandy both feel the University is an outstanding place for a student to obtain, "quality, diverse education that will prepare them both professionally and personally to face the challenge of the world."

For Mike and Sandy, the University of Minnesota has opened up countless opportunities for their family throughout their lives, which is what moves Mike to voice, "…all of us have gained so much by attending the University…it's important for us to give back to the school so that young people have the opportunity to follow in our footsteps."

Mike and Sandra manage Yost Farm Inc., a farming family operation near Murdock, Minnesota and Mike has served as Administrator of USDA's Foreign Agricultural Service (FAS) and as Associate Administrator for USDA's Farm Service Agency (FSA) in the past. In addition to his farming and government experience, Mike has also served as Chairman and President of the American Soybean Association and has been a member of various advisory boards including: USDA's Biotech Advisory Board, USDA/Department of Energy's Biomass Advisory Board, the National Biodiesel Board, DowAgroScience Advisory Committee and the Rabo AgriFinance Advisory Board. Mike received a B.S. in Agriculture Business Administration from the University of Minnesota. He and Sandra have two sons, Michael and David, a daughter-in-law, Kimberlee and granddaughter, Ava.

Mike and Sandy Yost graciously agreed to share why they choose to give to the University of Minnesota. If you would like to be featured in one of our upcoming reports, please contact Sadie Brendalen at will1945@umn.edu.

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1994 Buford Avenue
Ruttan Hall Room 231
Saint Paul, MN 55108

PRESIDENT KALER VISITS DEPARTMENT OF APPLIED ECONOMICS

President Kaler visited the Department of Applied Economics in mid-April as part of his plan to get to know all the departments at the University. We visited with him about the many ways students and faculty are engaged with the wider community—from family planning research in Tanzania to financial literacy education in Northeast Minneapolis. The department decided to take this opportunity to invite everyone to pose for a photo with President Kaler on the Ruttan Hall patio.