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Recent Developments

MIT faculty are on the leading edge of economic research, and continue to garner widespread accolades and prestigious recognitions for their work. The highlight of the 2019-20 academic year was Abhijit Banerjee’s and Esther Duflo’s 2019 Nobel Prize in Economic Sciences, shared with former MIT Economics faculty member Michael Kremer of Harvard University. Professors Banerjee and Duflo have been innovators in the area of development economics, using field experiments to bring new precision to research on global poverty and the development of new antipoverty programs. Duflo is the first MIT alumna to receive a Nobel Prize, the youngest person to receive an Economics Nobel Prize, and only the second woman to receive that honor. This brings the number of MIT Economics faculty to receive the Nobel Prize in the last decade to four—five, when we include Jean Tirole (PhD 1981), who has had a visiting faculty appointment with the department since he moved from MIT to the Toulouse School of Economics.

A selection of the many other honors and awards of the past year include: David Autor received a special award marking the 25th anniversary of the Heinz Awards; Abhijit Banerjee was elected to the National Academy of Sciences; Victor Chernozhukov was inducted as a fellow of the Institute of Mathematical Statistics; Dave Donaldson was elected to the American Academy of Arts and Sciences; Esther Duflo was awarded an Honorary Doctorate from the Erasmus School of Economics in Rotterdam; Amy Finkelstein was elected to the British Academy and named a 2019 Distinguished Center of Economic Studies Fellow; Jonathan Gruber was awarded a Guggenheim Fellowship; Whitney Newey was named a Distinguished Fellow of the American Economic Association and a Fellow of the International Association of Applied Economics; Parag Pathak was named by Science News to their SN 10: Scientists to Watch list; Nancy Rose received the Carolyn Shaw Bell Award from the AEA Committee on the Status of Women in the Economics Profession; and Muhamet Yildiz was named a fellow of the Econometric Society. Two of our faculty, Daron Acemoglu and Anna Mikusheva, were also among 12 honored by MIT’s “Committed to Caring” program in recognition of their mentorship and devotion to students’ well-being.

MIT faculty extend their professional impact through leadership at top economics journals and national and international professional societies. Esther Duflo serves as editor of the American Economic Review; Amy Finkelstein is a founding editor of the AEA journal American Economic Review: Insights; and this year, Ben Olken became an editor of the American Economic Journal: Applied Economics after serving for four years as co-editor. Robert Gibbons is the president-elect of the Society for Institutional and Organizational Economics. Stephen Morris is president of the Econometric Society, where Daron Acemoglu, Amy Finkelstein, and Whitney Newey also serve on the executive committee. MIT Economics continues to be well-represented in the leadership of the National Bureau of Economic Research (NBER), which is led by Mitsui Professor of Economics and NBER President James Poterba. David Autor is co-director of the NBER Labor Studies Program, Amy Finkelstein became co-director of the Health Care Program in 2020 (a role held by Jonathan Gruber through 2019), Ben Olken co-directs the Development Economics Program, Robert Gibbons directs the Organizational Economics Working Group, and Parag Pathak co-directs the Market Design working group.

In addition to pursuing their individual research agendas, many department faculty lead collaborative research initiatives that span a wide range of researchers and research sponsors. These include Abdul Latif Jameel Poverty Action Labs, J-PAL Global and J-PAL North America, the School Effectiveness and Inequality Initiative (SEII), and a number of new initiatives that focus on the dramatic changes ongoing in labor markets. Daron Acemoglu and David Autor co-direct a department initiative on The Future of Work, and David Autor co-directs both a J-PAL North America Work of the Future Initiative and an MIT-wide Task Force on the Work of the Future, which released its final report, “Building Better Jobs in an Age of Intelligent Machines,” in November 2020.

The generosity of alumni and friends helps the department thrive and continue delivering cutting-edge economics research and education. For example, this year, our alumnus and long-time supporter C.C. Chen (‘63, Sloan ’65,
Economics PhD ’67) established a new professorship in honor of Institute Professor emeritus and Nobel laureate Peter A. Diamond (PhD ’63). Stephen Morris was named the inaugural Peter A. Diamond (PhD ’63) Professor of Economics. The department is also grateful for a number of full and partial graduate fellowships that support students during their course-taking as well as dissertation-writing years. This year, we welcomed the creation of the Altman Family Fellowship Fund, endowed in honor of Economics Visiting Committee Chair Roger Altman, to support graduate students in the department. For a second year, thanks to the continuing generosity of professor emeritus Jerry Hausman, a cohort of seven students also received support from Hausman Dissertation Fellowships, a competitive fellowship for doctoral students in applied microeconomics and econometrics. For more information on supporting MIT Economics, please contact Anne Marie Michel, the Assistant Dean for Development in the MIT School of Humanities, Arts, and Social Sciences, at ammichel@mit.edu.

The department, largely through its faculty and staff affiliated with J-PAL, has developed its first Masters’ degree program, in Data, Economics, and Development Policy (DEDP). This program invites the top students earning the online MITx MicroMasters credential in DEDP to apply to the residential DEDP Master’s program, which adds a semester of in-person instruction and mentored internship to their MicroMasters foundation. A diverse group of 22 exceptional students was accepted for the inaugural class, and arrived on campus in January of 2020. Though their MIT residential semester was cut short by campus closures in mid-March due to the COVID-19 pandemic, students successfully completed their spring coursework and summer practicums, and were awarded the first MIT Master’s degrees in DEDP in September 2020.

In spring 2020, as the COVID-19 pandemic led to the closure of schools, workplaces, and most in-person activities, MIT Economics faculty embraced a diverse set of approaches to online instruction, and quickly joined other scholars in pivoting their research to target COVID-19-relevant work. The department launched a new website for COVID-19 related research, with more than a dozen working papers posted by the end of June, http://economics.mit.edu/covid19.

The antiracism and Black Lives Matter protests that captured national attention in late May and early June sparked difficult but much-needed conversations and action at MIT, and the Economics Department has committed time and resources to developing a more robust response to inclusion and equity issues. A new graduate seminar, Symposium in Diversity, has been added for course credit in fall 2020 and features lectures from guest scholars and MIT faculty on topics of discrimination and diversity; the department has appointed a new Diversity Officer, a role previously held by the department head; a faculty committee has been established to focus on antiracism education, self-examination, and outreach; and both the GEA and UEA are turning to work on these important issues.
For over a century, the Department of Economics at MIT has played a leading role in economics education, research, and public service. Francis Amasa Walker, MIT’s third president, introduced undergraduate studies in economics at MIT. Walker, who rose to the rank of Brigadier General in the Civil War and directed the 1870 US Census, was a leading economist of his day. He was a founder and president of the American Economic Association. In the early part of the twentieth century, Davis R. Dewey, the editor of the American Economic Review for twenty years and a longtime chair of the MIT Economics Department, played a major role in preserving and expanding economics at MIT. In 1937, the department added graduate courses leading to a master’s degree. Four years later, in 1941, it introduced its world-renowned PhD program. MIT’s approach to graduate training in economics has been widely emulated at other leading institutions.

MIT established its School of Humanities, Arts, and Social Sciences (SHASS) in 1950, with the Economics Department playing a central role within the School. The Economics Department expanded significantly in the years following World War II with entrepreneurial leadership from Rupert MacLaurin and a supportive university administration. By the 1950s, it had established itself as one of the world’s leading centers for economic research. Graduates of the MIT Economics Department’s doctoral program are now well-represented on the faculties of virtually all leading economics departments.

The MIT Economics Department today is a vibrant collection of faculty and students. The department’s faculty have received numerous awards, including the Nobel Prize. Many are Fellows of the National Academy of Sciences, the American Academy of Arts and Sciences, and the Econometric Society. Numerous faculty members have served in various elected offices of the American Economic Association and the Econometric Society.

The department offers one of the most rigorous undergraduate economics programs of any US college or university, and its classes attract a large undergraduate student enrollment. During the 2019-2020 academic year, a total of 2,019 undergraduates enrolled in economics courses. This includes 151 economics majors, with 34 studying economics (14-1), 21 studying mathematical economics (14-2), and 96 studying computer science, economics, and data science (6-14). This also includes 44 students minoring in economics, and another 272 who
took economics as a concentration. Many undergraduate majors, as well as students from other departments at MIT, participated in research projects supervised by economics faculty, including a number funded by the Institute’s Undergraduate Research Opportunities Program (UROP) and departmental UROP funds donated by generous alumni.

The department is consistently ranked as a top graduate training institution. Each year the MIT PhD program enrolls twenty to twenty-four candidates, selected from approximately seven hundred applicants. During the 2019-2020 academic year, there were 124 graduate students enrolled in the department’s PhD program. Student dissertation topics span a wide range of issues in microeconomics and macroeconomics and advance the frontiers of economic theory, data analysis, and econometric methodology. There is continued and growing international demand for graduate economics training; today, approximately half of our admitted graduate students have undergraduate degrees from American universities, while the rest have degrees from elsewhere in the world.

Doctoral candidates typically spend six years in residence at MIT, taking graduate courses and doing research. The first two years of the PhD program are devoted primarily to course work, while the remainder of the program focuses on writing a doctoral dissertation. Graduates of MIT’s PhD program pursue diverse careers. While a majority enter academia, MIT economics PhDs are also sought after by governments, domestic and international research and policy organizations, and private sector firms. In recent years, major Internet firms have hired top economics talent to oversee their market strategies and undertake research.

In 2018, Economics partnered with MIT’s Institute for Data, Systems, and Society (IDSS) to create a joint PhD degree in economics and statistics. The degree enables students to deepen their exposure to the foundational statistics, theory, and empirical methods at the cutting edge of data science, and prepares them to advance the theoretical and empirical research frontiers in the use of “big data” in economic analyses. The department has graduated two students—one each in 2019 and 2020—with this joint PhD degree.

The department has also built on its investments in transforming undergraduate economics education. Successful collaboration with Electrical Engineering and Computer Science (Course 6) led to the introduction in 2017 of a new undergraduate economics major, 6-14, Computer Science, Economics, and Data Science. Motivation for this was similar to that for the Economics and Statistics PhD program. Student interest in this new offering has been strong, with more than 100 declared majors, 42 of whom are in the class of 2022.

The undergraduate development economics course 14.73x: “The Challenges of Global Poverty,” made its debut as a full online course through MITx in the spring of 2013. Since then, online undergraduate economics offerings have expanded to include 14.740x “Foundations of Development Policy: Advanced Development Economics” (fall 2015), 14.100x “Principles of Microeconomics” (fall 2016), and 14.310x “Data Analysis for Social Scientists” (fall 2016). Our newest online course, 14.750x “Political Economy & Economic Development” ran for the first time in September 2019. The Abdul Latif Jameel Poverty Action Lab (J-PAL) also launched J-PAL 101x “Evaluating Social Programs” (spring 2014), J-PAL 350x “Measuring Health Outcomes in Field Surveys” (fall 2016), and J-PAL 102x “Designing and Running Randomized Evaluations” (spring 2017).

MIT faculty also strive to improve the access and quality of economics education available to learners well beyond the MIT campus. Faculty members have recognized that exposure to economics may begin at the high school level for many students, and in courses that are not as substantively current or technically well-grounded as would best serve them. Department faculty have invested in a set of MITx courses that make MIT-level instruction available online to current high school enrollees and high school graduates. The majority of classes offered by the Economics Department—seventy-one at last count—have also made their materials freely available online through MITx’s heralded Open Course-Ware (OCW) initiative (ocw.mit.edu).
The department’s commitment to advancing path-breaking research is paired with a focus on providing economics education of the highest quality, at both the undergraduate and graduate levels. Throughout its history, many faculty members have made notable pedagogical contributions: for example, Paul Samuelson’s legendary textbook, *Economics*, was written in the 1940s to enhance the quality of undergraduate economics education at MIT. The department continues that tradition today, from the textbooks current faculty have written to the development and delivery of courses that communicate the cutting edge of economic knowledge and draw new generations of students to the study of economics.

Several current faculty members have been recognized for their important contributions as teachers. Josh Angrist, David Autor, and Nancy Rose are Margaret MacVicar Faculty Fellows, a program that annually recognizes three to five of MIT’s best undergraduate teachers and mentors with a ten-year fellowship. These fellowships honor Margaret MacVicar’s life and her devotion to teaching excellence. MacVicar served as MIT’s first Dean for Undergraduate Education and was also the founder of MIT’s enormously successful Undergraduate Research Opportunities Program (UROP).

Within the department, students select three faculty members each year for particular recognition, including the Undergraduate Economics Association’s (UEA’s) outstanding teacher of the year, and the Graduate Economics Association’s (GEA’s) outstanding teacher and outstanding advisor. Teaching excellence is not confined to the faculty. MIT graduate students hone their teaching and communication skills through teaching assistantships (TAs), and some of the very best are also celebrated each spring. The Robert M. Solow Prize for Graduate Student Excellence in Teaching and Research was established by alumni and faculty to celebrate graduate students who reflect Bob Solow’s embodiment of a core MIT Economics value: the interdependence of excellence in research and teaching. The 2020 Solow Prize was awarded to two co-recipients: Chen Lian and Mert Demirer, for their research contributions to the respective fields of behavioral macroeconomics and industrial organization and econometrics.

**The Newest Nobel Laureates from MIT Economics: Abhijit Banerjee and Esther Duflo**

Professors Abhijit Banerjee and Esther Duflo were awarded the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel for 2019, along with Michael Kremer of Harvard University. Duflo, Banerjee, and Kremer were lauded by the prize committee for their “new approach to obtaining reliable answers about the best ways to fight global poverty.”

Along with their many collaborators, Banerjee and Duflo have transformed the field of development economics by using randomized controlled trials (RCTs) to study people in their everyday environments, making it possible to more effectively evaluate policies and improve our understanding of the underlying economic forces that make them work well or poorly. Initially realized through small-scale projects at MIT, where Banerjee and Kremer arrived as faculty members in 1993 and Duflo as a graduate student in 1995, this approach has ushered in a flourishing new era of global poverty research, thanks in part to the ambitious founding of MIT’s Abdul Latif Jameel Poverty Action Lab (J-PAL) in 2003.

Last December, Banerjee, Duflo, and Kremer accepted their award at the ceremony held annually at the Stockholm Concert Hall on the anniversary of Alfred Nobel’s death. Addressing the ceremony’s attendees on behalf of Banerjee, Kremer, herself and “a movement that is much broader than any one of us,” Duflo summarized their ambitious agenda as twofold: “contribute to improving the lives of the poor, here and now [and]...build a better understanding of how they live their lives, from the ground up.”

Duflo and Banerjee are the sixth and seventh faculty members to have won the Economics Nobel Prize while at MIT. Duflo is just the second woman, and the youngest person ever, to win the Nobel Prize in Economic Sciences, and is the first MIT alumna to receive a Nobel Prize in any field.

**UEA Speaker Series**

Each year, the Undergraduate Economics Association (UEA) invites prominent economists to share their expertise with the MIT community. In September 2019, Dr. Stanley Fischer (PhD ’69), the former Governor of the Bank of Israel and Vice-Chair of the Federal Reserve Board, delivered the fall lecture on “Central Bank Independence.” Fischer, who is today a Senior Adviser at BlackRock investment firm, offered lessons on the role of economic analysis in policy design based on his distinguished career in public service. He discussed in particular the challenges when political pressures are brought to bear on central banks. The lecture was co-sponsored by the Sloan School Finance and Policy Club.
Undergraduate Research

Undergraduate students take advantage of numerous opportunities to hone their research skills. One such opportunity is MIT’s Undergraduate Research Opportunities Program (UROP), which fosters close ties between undergraduates and faculty members. UROP students work with faculty members and graduate students to bring the technical skills of modern economics to bear on questions of economic importance. UROP supplements coursework, and its projects allow undergraduates to participate in ongoing research in the department and meet with faculty members outside of class. They perform tasks such as collecting and analyzing economic data, writing computer programs, checking mathematical calculations, and gathering research materials.

MIT students Amy Kim ('21) and Stephanie Li ('20) worked with Professor Jonathan Gruber on a project evaluating how changes in the nature of the labor market impact the quality of care delivered to seniors who are in long-term care. A wide variety of labor market regulations apply to this sector, from partial application of the minimum wage for home care workers to minimum staffing regulations at nursing homes that vary by state and year. The project also studied the impact of immigration on care for our nation’s elders, given that immigrants make up a large share of our long-term care workforce. The project used public microdata to create a comprehensive measure of immigration flows by city and year, and Amy and Stephanie put together a detailed database of regulations on long-term care workers—no easy feat, given that these regulations are not documented in a systematic way across states. They also used the American Community Survey to create area- and time-specific measures of immigrant flows, overall and for workers in the long-term care sector. The results of this work suggest that restrictions on immigration would significantly reduce the long-term care work force.

Kiara Wahnschafft ('21), who is studying Economics and Mechanical Engineering, worked with Professor David Atkin to research the impact of a digital skills training initiative in Nairobi, Kenya. The program equips workers in underserved communities with transferable training in basic computer and digital literacy skills, and provides digital work opportunities with large technology companies. Kiara, who previously received a PKG fellowship to pursue public service in Nairobi over IAP, worked with Professor Atkin to run a randomized controlled trial designed to evaluate the training program and its impacts on participants’ life outcomes. Kiara was integral in compiling and analyzing data from the trial, and ultimately presented its findings to the NGO that facilitates the program.

Undergraduate Economics

The Economics Department at MIT has a long tradition of outstanding undergraduate training. The unique analytical skills of the MIT undergraduate student body allow the faculty to offer a rigorous and comprehensive program unlike that of any other US college or university. Senior professors teach introductory undergraduate courses, and faculty at all levels incorporate the latest economic methods and findings into their electives. The department’s success in attracting exceptional undergraduates and preparing them for advanced study demonstrates the soundness of this philosophy and the excellence of the program.

Many faculty members have written undergraduate and graduate textbooks that are used in colleges and universities around the world. Paul Samuelson first developed his pioneering economics text in an introductory economics course for MIT undergraduates. Rudiger Dornbusch and Stanley Fischer’s intermediate macroeconomics textbook, *Macroeconomics*, introduced modern macroeconomic analysis to undergraduates. Currently, students are taught from Olivier Blanchard’s textbook, *Macroeconomics*, Jonathan Gruber’s text, *Public Finance and Public Policy*, and Michael Whinston’s *Microeconomic Theory* at both the undergraduate and graduate levels. Daron Acemoglu’s textbook, *Introduction to Modern Economic Growth*, takes graduate students on a journey through the theory of economic growth from its neoclassical paradigms to the most recent models of endogenous growth. Joshua Angrist’s *Mostly Harmless*
Econometrics: An Empiricist’s Companion has been widely praised for its integration of theory and practice. Abhijit Banerjee and Esther Duflo’s Poor Economics grew out of their popular economic development courses and is the primary text assigned for their MITx open online course.

The traditional economics major begins with a two-semester introductory sequence that explores theoretical and applied topics in microeconomics and macroeconomics. Additional training in microeconomics, macroeconomics, statistics, and econometrics follows. Majors have a choice of advanced courses spanning economic development, economic theory, health economics, industrial organization, international economics, labor economics, monetary economics, public economics, and others. The level of mathematics mastery among undergraduates allows economics courses to be taught at a high level.

The department also offers two other majors. Mathematical Economics is designed to prepare students interested in pursuing graduate study in economics. Like traditional economics majors, mathematical economics majors start with a two-semester introductory sequence that explores theoretical and applied topics in microeconomics and macroeconomics. Following these introductory classes, the major focuses intensively on technical and mathematical subjects, including a class on mathematical economic modeling. Alongside the most rigorous undergraduate training our department has to offer, students pursuing the mathematical economics degree will take at least four of their twelve required major classes in the mathematics department (Course 18).

The third undergraduate major, Computer Science, Economics and Data Science, is offered in collaboration with the department of Electrical Engineering and Computer Science (Course 6). This offering provides extensive training in data science, including both econometric and machine learning methods, producing students with a combination of big data skills that is unusual and highly sought after by both new- and old-economy firms. Students also get a firm foundation in economic theory, providing them with tools to understand the complex interactions and equilibrium forces that shape many new businesses, and preparing them for graduate study in a range of disciplines.

Our faculty is committed to innovation in the undergraduate curriculum. New courses are constantly being developed to bring insights from new research into the undergraduate program. Recent innovations include courses in networks, psychology and economics, financial markets and the macroeconomy, market design, and the effects of globalization and trade on developing countries. As part of an MIT-wide initiative on communication skills, 14.73, The Challenge of World Poverty, was recently redesigned as a communications-intensive subject in the Humanities, Arts, and Social Sciences (CI-H). The course, co-taught by David Atkin, Esther Duflo, and Frank Schilbach, allows freshmen and sophomores to immediately engage in studying specialized topics in economics. The department has also introduced a course designed to expose freshmen to economics through exploratory lectures from a variety of MIT economics faculty. 14.009, Economics and Society’s Toughest Problems, was developed by Ben Olken and was taught for the first time in fall 2019. Another communications-intensive course, 14.33, is a capstone experience in each of our majors. Students in this class carry out a series of increasingly independent research projects, exploiting the knowledge and tools they have gained throughout the program and honing their writing and presentation skills.

The Undergraduate Economics Association (UEA) provides an informal forum for students to meet and explore various topics with faculty. Sponsored by the faculty, the UEA is run by and for economics majors to address such issues as career planning and current topics in economic policy. Students and faculty also enjoy the informal interactions that the UEA provides.

Undergraduate economics majors go on to graduate work and distinguished careers in academia, global business, government, finance, consulting, and law. About 20 percent of MIT economics undergraduate majors enter a graduate program in economics or finance, one of the highest yields of PhD candidates for any undergraduate economics program. Approximately half of the department’s graduates choose to gain experience in business, government, consulting, and non-profit organizations before seeking out business and public policy schools for post-graduate study. The number of post-graduates choosing to study law remains fairly constant. Growing use of formal economics in law has strengthened this connection.

Whatever their destinations, undergraduate economics majors acquire essential skills for a wide variety of jobs, an excellent foundation in economics, and an opportunity to meet faculty and fellow students in a challenging intellectual environment.
Graduate Economics

The department’s highly regarded doctoral program enrolls twenty to twenty-four students each year. Doctoral students take required courses in microeconomic theory, macroeconomics, and econometrics. Students are also expected to complete four fields in economics (two major and two minor). The field options include advanced economic theory, econometrics, economic development, financial economics, industrial organization, international economics, labor economics, monetary economics, organizational economics, political economy, and public finance.

Graduates of the PhD program teach in leading economics departments, business schools, and schools of public policy. They work on congressional staffs and government advisory councils, and with organizations such as the World Bank, the International Monetary Fund, the National Economic Council, the Council of Economic Advisers, the Federal Reserve, and the Treasury Department. They are also found among the most influential positions in the market economy, ranging from corporate executives and portfolio managers to economic consultants, to chief economists at e-commerce and social media companies.

Graduate Research

Graduate students work in intense collaboration with faculty to learn the craft of research. This occurs both in theoretical projects and in empirical fields, where learning-by-doing transfers information about data sets, research strategy, and econometric tools. Examples of recent projects include those by graduates Chen Lian (PhD ’20) and Madeline McKelway (PhD ’20).

Chen Lian’s research focuses on the intersection between macroeconomics and behavioral economics, broadly defined to nest both informational frictions and various departures from full rationality. His portfolio spans a wide range of topics. Specifically, Chen has studied the ways in which decision-makers have difficulty forming expectations about each other’s behavior, and how such difficulty leads to frictional aggregate responses to macro shocks. He has also examined how common behavioral biases can help understand decision-makers’ responses to macro shocks and policies. In other work, Chen uses conventional economic tools to synthesize common behavioral biases related to narrow bracketing and mental accounting. Finally, Chen has investigated how a rarely studied behavioral bias, imperfect perception of wealth, can provide a complement to liquidity constraints as an explanation of the empirical violations of the permanent income hypothesis. In addition to receiving the Department’s 2020 Robert M. Solow Prize, Chen was awarded the inaugural Alfred P. Sloan Foundation / NBER fellowship in behavioral macroeconomics in 2019. In July 2020, Chen joined the University of California, Berkeley as an assistant professor in the Economics Department.

The inaugural class of students enrolled in MIT’s MicroMasters Program in Data, Economics, and Development Policy. The program was created jointly by the Department of Economics and the Abdul Latif Jameel Poverty Action Lab (J-PAL). Photo: J-PAL.
Madeline McKelway studies the empowerment and employment of women in India, where the female labor force participation rate is among the lowest in the world. Research suggests that while opposition from their husbands often prevents women who want to work from doing so, husbands can also be persuaded that their wives should work. If women want to work and their husbands can be persuaded, why do women not persuade them? One answer suggested by Madeline’s research is that women lack self-confidence. She randomized whether women in rural India were offered a psychosocial intervention to raise self-confidence prior to seeing a video promoting a new job for women, and cross-randomized whether women’s family members also saw the promotion. The promotion treatment alone increased women’s employment in the short-run; this suggests that families can be persuaded, but that simply arming women with persuasive messages does not mean the messages will be fully transmitted to families. The psychosocial intervention alone also raised short-run employment, and data suggest a key channel was giving women confidence to persuade their families. Short-run employment under both interventions was no higher, and in some comparisons lower, than under either alone, suggesting intervening in the household is a delicate endeavor. Madeline finds no effects on long-run employment; it may be harder to persuade families that women should stay in the workplace than enter it. Madeline started a postdoctoral fellowship at the Stanford King Center on Global Development in July 2020. In July 2021, she will become an assistant professor in the Economics Department at Dartmouth College.

Workshops & Seminars

Graduate study at MIT consists of much more than taking courses. Regularly scheduled department workshops and seminars offer a forum for students to learn about the latest research in their fields from invited speakers. In contrast to the more formal nature of seminars, a key component of the dissertation advising system at MIT is a set of informal weekly “field lunches” at which students who have transitioned to thesis-writing test new research ideas. The presentations can range from very early stage research, hardly more than a literature review and a few ideas for future work, to nearly-complete dissertation projects. The informality of these meetings makes it possible for students to explore research topics and gain peer feedback without the expectation of presenting finished work. Faculty members view attendance at these lunches as both a privilege and a sacred departmental responsibility.

Many past graduates of MIT’s PhD program report that field lunches were invaluable in providing them with a sounding board for new research topics. Since most thesis writers volunteer to present a talk each semester, the field lunches also have the important benefit of setting near-term, but manageable, deadlines for dissertation progress. All students who have completed their coursework are required to attend at least one workshop each week and to make a presentation in at least one field lunch during the course of the year.

Many students present their research in multiple workshops and thereby obtain a range of faculty and student inputs. First and second year students who are carrying out research are also welcome to participate in these workshops. Second year students also take a year-long course that discusses the research process, fosters support and collaboration within the graduate student community, and culminates in students writing and presenting original research papers.

During the transition to remote learning in spring 2020, most field lunches pivoted to a virtual format for continuation of these critical gatherings. All field seminars and lunches are taking place online for the fall 2020 semester.
Economic research, whether abstract or applied, and economic policy advice, is rooted in economic theory. Substantial advances in economic science are usually based on new ways of thinking about and modeling economic phenomena. MIT’s strong commitment to economic theory is facilitated by a close collaboration between faculty members and students developing new theoretical insights, those performing empirical research, and those who are interested in framing public policy. Most MIT faculty members who work in economic theory also have serious research and teaching interests in one or more applied fields.

Many faculty members teach courses in economic theory, either as part of the core curriculum for graduate students, as graduate electives, or at the undergraduate level. This group includes Glenn Ellison, Drew Fudenberg, Stephen Morris, Parag Pathak, Drazen Prelec, Robert Townsend, Michael Whinston, Alex Wolitzky, and Muhamet Yildiz. Other MIT theorists include Daron Acemoglu, George-Marios Angeletos, Abhijit Banerjee, Ricardo Caballero, Arnaud Costinot, Robert Gibbons, and Iván Werning. In addition, many MIT Sloan faculty members, including Alessandro Bonatti and Gonzalo Cisternas, have significant interests in economic theory.

MIT theorists carry out research that bears on both microeconomics and macroeconomics. The range of current research projects is extraordinary. Glenn Ellison is known for his work both on learning in games and in theoretical industrial organization. Drew Fudenberg has helped shape the field of game theory and is interested in a broad range of theory topics, with recent work on repeated games, learning and evolution, behavioral economics, experimental economics, and decision theory. Robert Gibbons focuses on the economics of organizations and works most closely on organized activities, especially relational contracts. Stephen Morris’s work spans a broad range of pure and applied theory topics including work on global games, robust mechanism design, and work in macroeconomics and political economy. Parag Pathak studies the economics of matching in a wide variety of contexts, most notably medical markets and public school choice. Drazen Prelec specializes in research and teaching on psychology and economics. Robert Townsend has made fundamental contributions to contract theory and currently works in both mechanism design and general equilibrium modeling. Michael Whinston is a leader in contract theory and antitrust economics. Alex Wolitzky does work on repeated games, bargaining, and applications to political economy, among other topics. Muhamet Yildiz is an expert on games of incomplete information and is known for his work on delays and breakdowns in bargaining. The department will be joined in fall 2021 by Ian Ball, a recent PhD who works on information design and the role of information in markets.

The MIT Economics Department is fortunate to have an ongoing visiting faculty arrangement with Nobel Prize winner Jean Tirole, an internationally acclaimed scholar who has
worked in game theory, industrial organization, and regulation. Tirole regularly teaches a summer course on specialized topics in economic theory that is very popular with graduate students in all stages of the PhD program.

Economic theory is part of the basic undergraduate microeconomics sequence at MIT. Because MIT undergraduates have a good command of mathematical methods and because economic theory relies on formalism and mathematical analysis, MIT’s undergraduate economic theory offerings are exceptionally rigorous. MIT’s introductory course “Principles of Microeconomics” is taught at the level of the intermediate microeconomics course at most other schools. This enables undergraduates to enroll in follow-up courses in advanced theory. Among the popular undergraduate theory offerings are courses on game theory and behavioral economics that develop theory and discuss applications in a wide range of economic settings. More advanced courses offer sophisticated undergraduate treatments of subjects—including incentives, advanced game theory, market design, and the economics of networks—that even top universities offer only at the graduate level. Many former MIT undergraduates who have gone on to graduate studies in economics report that their undergraduate theory courses provided a firm foundation for their graduate work.

The first-year graduate program includes four half-semester core courses in microeconomic theory. The first of these courses emphasizes price theory, the theory of consumers and producers, and general equilibrium analysis. The second focuses on game theory and provides the key equilibrium notions that are needed to analyze interactions between firms in an industry and between agents in many economic environments. The third course examines decision theory and behavioral models of consumer behavior. Finally, the fourth course focuses on information economics and contract theory. It touches on questions of contract design, asymmetric information, moral hazard, and the working of insurance markets. Together, these four courses provide a comprehensive introduction to modern microeconomic theory.

Graduate students who plan to specialize in economic theory, and who expect to write dissertations in this field, select a minimum of two advanced courses on game theory, contract theory, and market design. Other courses cover recent advances within some specialized topics such as bargaining theory, learning, networks, or decision theory. The faculty teaching the advanced theory courses vary from year to year, and the content of these courses often varies with the instructors.

Informal discussions take place at weekly theory lunches where graduate students may discuss current topics or present preliminary research ideas. These meetings provide support for students writing their dissertations in economic theory. Current research developments are presented at weekly MIT-Harvard theory seminars. These seminars, which host outside speakers and have moved online for the fall 2020 semester, provide excellent opportunities for graduate students to learn frontier methods (and excellent presentation skills) from leading scholars.
Macroeconomics studies the forces that shape economic activity and welfare at the aggregate level, with topics that include economic growth, business cycles, financial crises, and related policy questions, such as fiscal and monetary policy.

Macroeconomics is a diverse field that overlaps intellectually with other core fields in both questions and methods. Empirical research in macroeconomics draws not only from econometrics but also from empirical work in labor economics and public finance, and from microeconomic theory, game theory, and contract theory. Students who plan to carry out research in macroeconomics and international economics often find that course work in economic theory is invaluable in identifying research topics and in providing analytical tools for potential dissertation research. Conversely, students interested in theoretical work are often motivated by the type of questions that are at the center of macroeconomics. There are important synergies between macroeconomics and other fields, especially international economics, both in international trade and international finance, which are emphasized by our program and represented by our faculty.

The department offers three undergraduate macroeconomics courses, as well as a year-long graduate macro core and two graduate macro field courses. The undergraduate courses range from the introductory level to advanced seminars in which students assess and participate in current research. The advanced undergraduate macroeconomics course is comparable to the graduate offerings at many economics departments.

All PhD students complete the graduate macroeconomics core, while advanced field courses cover leading edge research and prepare students to write dissertations in macroeconomics.

Many faculty members participate actively in macroeconomic research, teaching, advising, student research workshops and seminars. Daron Acemoglu carries out theoretical and empirical research on the determinants of economic growth, the development of political institutions, and the workings of labor markets. Marios Angeletos studies the formation of expectations and the potential of coordination failures within the context of business cycles and financial crises. Martin Beraja works on business cycles, with a focus on empirical identification and estimation using regional data. Ricardo Caballero explores issues at the intersection of macroeconomics and finance, recently focusing on asset market crises and global capital flows. Alp Simsek analyzes financial markets, heterogeneous beliefs, and other topics at the intersection of finance and macroeconomics. Robert Townsend works on the design of financial contracts, institutions and markets and monetary economics. Iván Werning’s work spans a range of policy issues in macro as well as public finance, including monetary, fiscal, and macroprudential stabilization policies, as

Alexander Shing (SB ’00) is the Chief Executive Officer of Cottonwood Group, a private equity real estate firm headquartered in Los Angeles with offices in Boston and New York. He is also the Vice Chairman of TISCO Financial Group Public Company Limited, a banking group listed on the Stock Exchange of Thailand, and an independent director of Shin Kong Textile Company Limited, a public company on the Taiwan Stock Exchange.

Since founding Cottonwood in 2012, Alex has expanded his firm’s footprint nationally with assets under management approaching US$3 billion. From financing of the Treasure Island re-development in the San Francisco Bay, to the construction funding of Downtown Los Angeles’s Greenland Metropolis third tower, Cottonwood is known for financing and investing in some of the largest and most complex real estate transactions in primary US markets. He also pioneered the Echelon Life™ curated “live, work and play” concept for Cottonwood’s mixed use and residential developments. In MIT’s backyard, Cottonwood is completing EchelonSeaport™, one of New England’s largest real estate developments, in Boston’s Seaport District. This innovative space will also be the new home to the Design Salons at Echelon, a jointly curated program with MIT designX.

Alex began his career as an entrepreneur while studying at MIT. In 1999 he took the unconventional path of leaving his summer associate position at Citigroup New York to co-found his first startup, which was acquired at the end of 2000. He returned to MIT soon after to finish his undergraduate economics thesis under the supervision of Lester Thurow, the late Dean of Sloan School of Management and the Jerome and Dorothy Lemelson Professor of Management and Economics, and completed his Bachelor of Science in Economics. Currently, Alex is a member of the MIT Corporation’s Economics Visiting Committee.
Economics students: Where are they now?

Sally Hudson (PhD ’16) is a scholar, educator, and state legislator who represents Charlottesville in the Virginia House of Delegates. As an assistant professor at the University of Virginia, Hudson teaches econometrics and studies some of the most pressing domestic economic challenges of the day, from workforce development to student debt. She advises public and non-profit agencies across Virginia and the country and consults for leading philanthropic groups like the Susan Thompson Buffett Foundation.

Hudson’s PhD thesis analyzed attempts to replicate experimental findings in labor economics with quasi-experimental methods. She works on projects through MIT’s School Effectiveness and Inequality Initiative, conducting randomized evaluations in collaboration with MIT faculty members Josh Angrist and David Autor and Harvard faculty member Amanda Pallais (PhD ’11). She has also worked extensively with J-PAL to promote the use of experiments in evaluating and improving public services.

Hudson was only in her third year as a UVA faculty member when she heard the call to service in the state legislature. “For a long time, I thought that research was going to be really fulfilling work, and I love teaching,” Hudson said. “But I got to a point where I felt like, in our current political climate where there is so little patience or appetite for rigorous evidence, it was time to shift gears and use a different part of my toolkit to be a more effective advocate for public policy. So much of what economists do is study how different states tackle the same problem and then learn from the results. States are the laboratories of democracy, so they’re also the laboratories of an economist.”

One of Hudson’s first projects as a freshman state legislator was carrying legislation to create a ranked-choice voting pilot program in Virginia. Though, as famously demonstrated by economist Kenneth Arrow’s Impossibility Theorem, all voting systems make tradeoffs among desirable properties, a ranked-choice voting system is less likely to dilute the votes of citizens who hold similar preferences but have different rankings of closely competing candidates.

Hudson was born in Iowa and grew up in Arizona and Nebraska. She studied economics and math at Stanford University and earned her PhD in economics at MIT, where she was also a Castle Krob Fellow.

well as unemployment insurance and capital taxation. The department will be joined in 2021 by Christian Wolf, who works on new econometric methods to recover the general equilibrium effects of a variety of macroeconomic shocks, otherwise missed in standard econometric procedures that rely on microeconomic data.

In addition to this core group, a number of other faculty members in the department and the MIT Sloan school participate in the broader macro community. Arnaud Costinot is a trade economist studying the welfare gains from trade and optimal trade policy. Stephen Morris is a theorist working on how coordination, uncertainty and policy communication influence the macroeconomy. Jonathan Parker has an empirical focus on household behavior. Kristin Forbes and Roberto Rigobon work on international macro. Many members of the Finance group at Sloan routinely attend macro events and interact with students, including Maryam Farboodi, Daniel Greenwald, Leonid Kogan, Eben Lazarus, Andrew Lo, Deborah Lucas, Lawrence Schmidt, and Antoinette Schoar.
Faculty Research

Four times a year the Fed releases its “dots” curve, reflecting the FOMC members’ predictions for future policy rates. The median Fed prediction often exhibits large differences from the financial market’s prediction (measured either from the futures market or from surveys of major market participants). Moreover, these gaps cannot be attributed to the Fed’s superior information, as the market expects a different interest rate after the Fed announces the rates it plans to set. Rather, the market and the Fed are opinionated and often think the other is making a “mistake.”

In recent work, “Monetary Policy with Opinionated Markets,” Ricardo Caballero and Alp Simsek propose a model in which the market and the Fed have different opinions about future aggregate demand and learn from data, but not from each other. In this context, they show that disagreements about demand, together with learning, translate into disagreements about future interest rates. Moreover, these disagreements shape the optimal monetary policy.

Consider, for example, an optimistic Fed that wants to hike the interest rate to stabilize current output. Since the market does not share the Fed’s optimism, it will perceive the interest rate hike as a mistake. The perception of “too high” interest rates will exert downward pressure on asset prices and aggregate demand. Knowing this, the Fed is forced to set a relatively low interest rate in order to stabilize current output. Even though the Fed is optimistic, it sets an interest rate that is somewhere between the levels implied by its own (more optimistic) belief and the market’s (more pessimistic) belief.

These disagreements naturally explain the differences between the Fed’s and the market’s predictions for future interest rates. Since agents learn from the same data, they expect disagreements to decline over time. In particular, for sufficiently distant horizons, each agent expects future interest rates to largely reflect their current belief. The market thinks the Fed will learn from data and come to the market’s belief. Conversely, the Fed thinks the market will learn from data and come to the Fed’s belief. Thus, the Fed believes it will be less constrained in the future and will be able to set interest rates reflecting its current belief.

Economics students: Where are they now?

Rebecca Blank (PhD ’83) is Chancellor of the University of Wisconsin—Madison. She is the chief executive of the 44,000-student flagship campus, leading its three-part mission of education, research and outreach.

Blank’s role at Wisconsin is the latest chapter of a remarkable career. She began as an academic economist at Princeton, Northwestern, and the University of Michigan, where she was highly regarded for her work on the economics of poverty and welfare programs. Blank also has a distinguished career in public service. She was a Senior Staff Economist in the Council of Economic Advisers during the George H.W. Bush Administration and returned to the CEA as a Member in the Clinton Administration. She later served as Under Secretary for Economic Affairs, Deputy Secretary of Commerce, and Acting Secretary of Commerce in the Department of Commerce in the Obama Administration.

Blank has been a leader in academic administration. As Dean of the Gerald R. Ford School of Public Policy at the University of Michigan her innovations included interdisciplinary graduate programs and an undergraduate public policy major. She has also provided the University of Wisconsin—Madison with a steady hand in challenging times by focusing on expanding and improving educational opportunities to prepare students for a changing economy, maintaining the university’s position as a global leader in innovation and research, and nurturing entrepreneurship and driving economic development.

Blank has received numerous forms of recognition, including multiple honorary doctoral degrees, election to a number of honorary societies including the American Academy of Arts and Sciences, and numerous awards. She arrived at MIT after completing her BS at the University of Minnesota, and earned her PhD under the direction of Hank Farber.

Junior faculty meet with Institute Professor emeritus Bob Solow in fall 2019.
Faculty Research

Statistical significance, a notion of scientific discovery proposed in the 1920s by R.A. Fisher, greatly impacts government policies, managerial choices, and many other forms of decision-making. It has a large influence, for example, on whether COVID-19 vaccines and other medical treatments are approved or rejected by the FDA; it is routinely used in litigation as a form of scientific proof; it partially determines what appears on our web browsers; and it ultimately affects many aspects of our daily lives.

Because of the perceived importance of statistical significance, non-significant results are notoriously hard to publish in academic journals, and they are routinely disregarded by governmental and corporate decision makers. This state of affairs is in part maintained by the widespread perception that non-significant results are non-informative. After all, lack of statistical significance derives from the absence of extreme or surprising outcomes under a null hypothesis chosen to represent a benchmark scenario where the policy or treatment of interest is completely ineffective. Statistical parlance reflects and helps perpetuate the bias against non-significance by equating it with a failure to reject the null.

In a recent publication, “Statistical Non-Significance in Empirical Economics” (American Economic Review: Insights), Alberto Abadie argues that this view of statistical inference is greatly misguided. Abadie shows that significance often carries very little information, while non-significance may be highly informative. This is particularly true in empirical contexts that are common in economics, where datasets are large, and there are rarely reasons to have much or any confidence in the factual validity of the null hypothesis. In these settings, the probability of obtaining a non-significant result is small, which makes non-significant results surprising and, therefore, highly informative. In contrast, in the same settings, statistical significance becomes uninformative.

Based on these results, Abadie argues against the use of statistical significance as a marker of scientific discovery and the primary assessment of statistical evidence. Other factors, such as the magnitude and precision of the estimates, the plausibility and novelty of the results, and the quality of the data and research design, should be carefully evaluated alongside discussions of statistical significance.

International Economics

International economics studies the flows of goods, capital and people between locations and the implications these flows have for economic activity and policy. It has a long and distinguished tradition at MIT, from the foundational work of Paul Samuelson in international trade to Rudi Dornbusch’s influential research in international macroeconomics and Paul Krugman’s path-breaking work in economic geography.

Today, international economics is a vibrant field that overlaps with many other areas, such as development, labor, and macroeconomics. David Atkin works on core empirical questions at the intersection of international trade and development. His recent research analyzes the effects of trade liberalization on nutrition, human capital investment, and firm productivity. Arnaud Costinot focuses on theoretical issues in international trade and international macroeconomics, including the central determinants of trade patterns between nations, the welfare gains from trade, and optimal capital controls. Dave Donaldson’s research spans the fields of international trade, economic history, and development. He has made fundamental contributions to the empirical analysis of within-country market integration and comparative advantage.

In addition to this core group, many faculty members in the department share an interest in international economics. In recent work, Daron Acemoglu and David Autor analyze the impact of China’s rise as a manufacturing exporter on employment in US labor markets; Clare Balboni studies the consequences of climate change for trade, migration, and infrastructure investments; Abhijit Banerjee is exploring the relationship between trade liberalization and financial frictions; Martin Beraja investigates the implications of regional heterogeneity for the macro economy; Ricardo Caballero and Alp Simsek focus on capital flows and global liquidity; Rob Townsend investigates the determinants of trade and capital flows between Thai villages; and Iván Werning studies fiscal and currency unions, sovereign debt, and trade policy.

A number of Sloan faculty, including Kristin Forbes, Roberto Rigobon, and Claudia Steinwender, interact with department students and faculty in International Economics.

The department offers one undergraduate and two graduate courses in international economics. The undergraduate course emphasizes the use of formal economic modeling to understand past and current events in the world economy. The two graduate courses cover traditional and modern theories of international trade and finance, incorporating both theory and empirical work. The department also regularly hosts joint seminars with Harvard as well as informal international “tea” gatherings where students can present or discuss preliminary research in international trade, international macroeconomics, or economic geography and urban economics.
Underdevelopment is one of the most profound problems in economics, and it may be the problem with the greatest human impact. At MIT the study of development economics has a long tradition, beginning during Paul Rosenstein-Rodan’s tenure, continuing through the work of Richard Eckaus, and today represented by an impressive development economics group with expertise that spans both microeconomic and macroeconomic perspectives on development. The transformation of development economics using randomized field experiments began at MIT in the late 1990s. This field-changing development was recognized by the 2019 Nobel Prize.

The current development economics faculty is the strongest in the world. Abhijit Banerjee is both an applied theorist and an empirical economist, with a strong commitment to studying problems in development economics. He is currently working on issues involving credit, networks, education and political economy. Esther Duflo is primarily interested in empirical issues that arise in the study of poverty alleviation, ranging widely across all topics in development, including education, livelihood programs, delivery of public goods, microfinance, and health. Benjamin Olken is an expert on public sector operations in developing countries, focusing on the challenges that governance raises for development policy, how to design effective anti-poverty strategies, and how developing countries can raise the tax revenue to pay for them. All three are pioneers in the use of randomized controlled trials in testing and designing policy, and they co-direct MIT’s Abdul Latif Jameel Poverty Action Lab, which helps lead this type of research worldwide. Frank Schilbach works on behavioral economics and development to investigate how behavioral limitations interact with poverty and potentially contribute to its persistence. Robert Townsend is an economic theorist with substantial interests in financial issues and the role they play in driving development, studying these issues using longitudinal data from Thailand he has collected for almost two decades.

Several faculty members work at the intersection of development economics and related fields. Dave Donaldson and David Atkin work at the intersection of trade and economic development. Dave Donaldson, for example, has used the expansion of railroads in India to estimate the gains from greater economic integration, and has used data on soil suitability for different crops to examine Ricardo’s theory of comparative advantage. David Atkin, who works with both structural methods and experiments, has explored questions like whether the poorest locations within poor countries benefit more or less from international trade than others and how trade has affected educational attainment. Clare Balboni works at the intersection of environmental economics, development economics, and trade, seeking to understand, for example, how climate change should affect infrastructure choices and how governments can prevent farmers from using fires to clear land.

Many of the core issues that confront developing economies have close parallels in developed nations, and the set of MIT faculty who have studied economic policy in developing nations includes many members in addition to the group that teaches development economics. Daron Acemoglu works on a broad set of issues involving economic growth and the political economy of institutions and development. Joshua Angrist has studied education policy in a number of developing nations.

The department offers a three-semester course for graduate students in development economics, as well as three popular undergraduate courses on economic development and the online MicroMasters in Data, Economics, and Development Policy, which is administered through MITx. The department also hosts a joint seminar with Harvard that attracts faculty from both institutions interested in development economics.

Many alumni of the department work at international organizations, such as the World Bank and the International Monetary Fund, where they help design and implement economic policies for developing nations.
Economics at MIT

The ideological divide in American politics is contributed to the polarization of US politics. The ideological divide in American politics is at a historic high. In an article published in the American Economic Review in 2020, “Importing Political Polarization? The Electoral Consequences of Rising Trade Exposure,” David Autor and co-authors David Dorn, Gordon Hanson (PhD ’92), and Kaveh Majlesi examine whether the exposure of local labor markets to increased foreign competition from China has contributed to rising political polarization in the US since 2000.

Analyzing multiple measures of political expression and exploiting variation in local trade exposure stemming from China’s rising comparative advantage in labor-intensive manufacturing, they find that trade-exposed electoral districts simultaneously exhibit growing ideological polarization in some areas, and pure rightward shifts in others. Specifically, trade-impacted districts saw an increasing market share for the Fox News channel, stronger ideological polarization in campaign contributions, and a relative rise in the likelihood of electing a Republican to Congress. Trade-exposed counties with a majority white population became more likely to elect a GOP conservative, while trade-exposed countries with a majority-minority population became more likely more likely to elect a liberal Democrat. In both sets of countries, these gains came at the expense of moderate Democrats.

Autor and his co-authors ultimately find strong though not definitive evidence of an overall ideological realignment in trade-exposed local labor markets that, notably, commences prior to the divisive 2016 US presidential election. These results broadly support an emerging political economy literature that connects adverse economic shocks to sharp ideological realignments that cleave along racial and ethnic lines and induce discrete shifts in political preferences and economic policy.

The MIT Abdul Latif Jameel Poverty Action Lab (J-PAL)

The Abdul Latif Jameel Poverty Action Lab (J-PAL) is a global research center based at the Department of Economics working to reduce poverty by ensuring that policy is informed by scientific evidence.

Anchored by a network of more than 200 affiliated professors at universities around the world, J-PAL conducts randomized impact evaluations to answer critical questions in the fight against poverty. J-PAL builds partnerships with governments, NGOs, donors, and others to share this knowledge: scale up effective programs, and advance evidence-informed decision-making.

J-PAL co-founders Abhijit Banerjee and Esther Duflo and longtime affiliate Michael Kremer were awarded the 2019 Nobel Memorial Prize in Economics for this experimental approach to alleviating poverty. Building on the Nobel Prize, J-PAL continues to expand its research, capacity building, and policy engagement work around the world.

Innovative research: Randomized evaluations take a scientific approach to poverty alleviation. This research can answer not only questions like “Was a policy or program effective?” but also “How effective was it?” “Were there unintended side effects?” “Who benefited most?” “Who was harmed?” “Why did it work or not work, and what lessons can be applied to other contexts?”

Investing in this rigorous research is essential to finding solutions to the world’s greatest challenges. J-PAL’s affiliated professors have conducted more than 1,000 randomized impact evaluations across a diverse range of topics, from clean water to microfinance to crime prevention.

Capacity building: With a focus on learning and innovation, J-PAL works to build the capacity of researchers who produce evidence, policymakers and donors who use it, and advocates of evidence-informed policy. J-PAL creates high-quality research resources, university-level open online courses, and in-person training programs around the world that help people become better producers and users of scientific evidence.

Policy engagement: J-PAL’s team of policy experts conduct analysis and outreach to help governments, NGOs, donors, and the private sector apply evidence from randomized evaluations to their work. J-PAL develops cross-cutting policy insights and works with partners to create frameworks for scaling up effective programs. This includes providing funding, technical assistance, and embedded staff to help shape programs and policies that deliver results.

J-PAL is led by MIT professors Abhijit Banerjee, Esther Duflo, and Benjamin Olken. Affiliated professors in the MIT Economics Department include David Atkin, David Autor, Amy Finkelstein, and Frank Schilibach, as well as MIT Sloan professors Joseph Doyle, Namrata Kala, Christopher Knittel, Antoinette Schoar, and Tavneet Suri.

Launched at MIT in 2003, J-PAL has regional centers at partner universities in Africa, Europe, Latin America and the Caribbean, the Middle East and North Africa, North America, South Asia, and Southeast Asia. Over 400 million people have been reached by programs that were scaled up after being evaluated by J-PAL affiliated researchers.

A young girl in Ajmer, India shows off a henna design on her hand during a J-PAL evaluation of the effect of improving mothers’ literacy on their children’s learning.
Econometrics

Econometrics research and teaching at MIT blend the theory and practice of economic data analysis. Econometrics provides fundamental approaches to using data to understand underlying structural and causal relationships and finds application in a wide range of topics in both microeconomics and macroeconomics.

Alberto Abadie’s research interests span econometric methodology and applied econometrics, with special emphasis on causal inference and program evaluation methods. His research has contributed fundamental advances to a variety of topics, including treatment effect models, instrumental variable estimation, matching estimators, design-based inference, and synthetic controls.

Josh Angrist is a leading applied econometrician, with path-breaking econometric contributions in the economics of education and labor economics. His work has formalized and made practically relevant the logical and statistical foundations of causal inference—that is, the science and philosophy of drawing cause and effect relationships from experimental and non-experimental data. Josh’s research philosophy is encapsulated in his widely admired book, Mostly Harmless Econometrics.

Victor Chernozhukov is a leading econometric theorist. His interests include model and variable selection, high dimensional models, shape restrictions, set inference, quasi-Bayesian estimation, endogeneity, and quantile estimation. Emeritus professor Jerry Hausman has contributed many of the cornerstone results of econometrics. He has long-standing interests in specification testing, panel data, estimating the effect of taxes, discrete choice, and demand analysis. His ongoing work includes demand analysis with many prices, quantile regression with measurement error, and panel data with varying coefficients.

Anna Mikusheva is a world authority on time series and weak identification, with recent work concerning conditional inference in GMM and geometric methods with weak identification. She has worked on the problems of statistical inference when time series are nearly nonstationary and weak identification in empirical macroeconomic models.

Whitney Newey has contributed fundamental advances to econometric methods for decades. He has worked on semiparametric estimation, nonparametric instrumental variables, empirical likelihood, nonlinear panel data, and constructing standard errors. His recent interests include heterogeneous choice, shape restrictions, and debiased machine learning.

Faculty Research

Market Failure in Kidney Exchange

A transplant is a life-saving treatment for patients with kidney failure, but unfortunately, a severe shortage of kidneys means that most patients will never receive a transplant. Some patients are lucky enough to receive donations from living friends, relatives, and rare Good Samaritan donors. Even then, many patients cannot receive a transplant because they are not biologically compatible with their living donor. As a result, many patients with a willing donor remain unmatched.

Kidney exchange offers a solution to this problem. If, for example, two donor-patient pairs are incompatible, a two-way swap can sometimes enable both patients to receive a transplant. The same principle can be applied to larger swaps, as well as national kidney exchange platforms that use algorithms to map more complicated arrangements.

In recent work “Market Failure in Kidney Exchange” (American Economic Review, 2019), Nikhil Agarwal and co-authors Itai Ashlagi, Eduardo Azevedo, Clayton R. Featherstone, and Ömer Karaduman found that, despite the growth of these national kidney exchange platforms, the majority of exchanges continued to be performed within hospitals. Many hospitals sign up only a fraction of their patients to national platforms or do not participate in national programs at all.

Their research suggests that this market fragmentation, by limiting participation in national platforms, reduces the total number of transplants performed; improving coordination through large national platforms could increase the total number of kidney exchange transplants by 240-500 per year. The authors find that hospital participation may be limited by current platform rules that incentivize keeping easy-to-match patients and donors in-house rather than registering them for a national system that, while creating better outcomes on the whole, presents a greater chance that easily matched patients will remain un-transplanted. Hospitals participating in national platforms also incur unreimbursed costs that can be a significant barrier to participation, particularly for small hospitals.

Redesigning national platforms to prioritize patients at hospitals that register altruistic donors as well as their easiest-to-match patients and donors could encourage hospitals to register those patients, as well as altruistic donors. The cost barrier calls for reimbursement reform at both the federal and individual insurer level. These innovations, along with other approaches being explored, hold the promise of making kidney exchange a more effective tool that can vastly expand the number of life-saving kidney transplants that may be possible.
Faculty Research

In Harm’s Way? The Persistence of Coastal Cities

Human settlement has long been drawn to coastal regions, reflecting their natural advantages for agriculture and trade, but these areas are increasingly vulnerable to the effects of environmental change as natural disasters intensify and sea levels rise. Despite these trends, coastal areas continue to attract huge infrastructure and spatial policy investments worldwide. In recent work, “In Harm’s Way? Infrastructure Investments and the Persistence of Coastal Cities”, Clare Balboni considers whether such large investments in vulnerable coastal regions are justified given changing coastal fortunes.

The paper examines this using data on road investments in Vietnam. Vietnam, in common with much of developing Asia, is a historically agrarian economy with population and economic activity concentrated in the low elevation fertile flood plains of deltas and coastal harbors. The locus of economic activity has been shifting inland following a series of economic reforms beginning in the late 1980s, and the country’s coastline is highly vulnerable to rising sea levels, yet infrastructure investments continue to favor coastal and low-lying regions. In this context, the paper estimates the effects of road upgrading from 2000 to 2010, a period of major investment in roads that was strikingly concentrated in coastal areas.

The analysis considers whether such significant coastal investment was justified using a detailed model of the evolution of Vietnam’s economy over time. The model captures the dynamic effects of road investments on the distribution of economic activity across space as coastal fortunes change and environmental change proceeds. The estimation combines the model with detailed geo-referenced micro-data on migration, economic activity, transport networks and projected environmental change in Vietnam.

The results suggest that the road investments made in Vietnam from 2000 to 2010 led to large welfare gains, but that these gains are sharply lower once the effects of future environmental change are considered. This reflects the significant share of investments that are lost to inundation or that connect inundated areas. The central finding of the analysis is that much higher gains could have been achieved by alternative allocations of road upgrades of the same total cost but concentrated further inland. The results suggest that the degree of coastal favoritism in road upgrades would have been unwarranted even without the future impacts of sea level rise, but that the gains from more foresighted allocations avoiding the most vulnerable regions are sharply accentuated by climate change. These results make clear that future environmental change fundamentally affects the gains from infrastructure investments made today, and highlights the importance of the placement of these investments reflecting changing economic conditions and climate risks.

MIT DEDP master’s student Fredric Kong worked with Professor David Autor during the summer of 2020 on a project investigating the origins and evolution of new work. In a time when the labor-displacing effects of automation and artificial intelligence seem more prominent and urgent, this project focuses on what has often been overlooked: the flip side. Where do new occupations – a proxy for new work – come from? How has the distribution of these new occupations across the wage continuum of the US changed across the decades? What forces shape the creation of new work? One possible force comes from innovations, which are often recorded in patent records. Fredric web-scraped the universe of patents from Google Patents, classified them into product and process patents using a natural language processing word embeddings technique from machine learning, and manually validated out-of-sample accuracy. He matched these patents to occupations and industries to evaluate their exposure to innovation. Along with the measure of new work, this project promises interesting insights into the interplay between technology and new work. As Fredric continues pursuing the project into the fall semester, he will explore other forces under consideration by the team, including trade shocks and labor supply shocks. Fredric hopes that, ultimately, this ambitious project will further illuminate a little-studied yet vital characteristic of the labor market.
Industrial Organization and Regulation

The field of industrial organization and regulation analyzes the strategic behavior of firms, the effect of government policy, and more generally, the structure, behavior, and performance of product and service markets. MIT Economics regularly offers undergraduate courses in industrial organization, e-commerce, health economics, and energy economics. The main PhD field sequence in industrial organization comprises three semester-long courses that develop theoretical and empirical approaches to the classic questions in industrial organization during the first two semesters, and focuses on hands-on experience with structural econometric methods in the third semester. The methods course is strongly recommended for students writing dissertations in industrial organization and is also very popular among graduate students in related fields. Current research papers by local and outside researchers are presented in the Industrial Organization Workshop, which meets jointly with the Harvard Industrial Organization Workshop several times each year. In addition, there is a weekly lunch at which graduate students present their work-in-progress to faculty and fellow graduate students.

The department has a strong and vibrant research presence in industrial organization. Nikhil Agarwal brings skills in economic theory and econometrics to bear on a variety of problems, particularly those involving market design and two-sided markets. His work has made important practical contributions to the design and implementation of both organ donor and school matching programs. Glenn Ellison’s research spans a broad range of theoretical and empirical analyses across the field of industrial organization. His recent work includes analyses of the implications of consumer deviations from neoclassical optimizing behavior for firms and markets, the design and performance of various online markets, and the efficacy of affirmative action policies. Sara Fisher Ellison’s research is wide-ranging but has focused particularly on the digital economy and the economics of the pharmaceutical industry. She also has an award-winning and popular open online course on data analysis. Nancy Rose is an expert in the economics of regulation who studies the effects of regulation and market competition on performance in a range of energy and transportation markets. Her current research targets questions in competition policy, building on her previous service at the Antitrust Division of the Department of Justice. Tobias Salz studies the role of intermediaries in markets with imperfect information and costly search by consumers. He has applied his ideas to settings as diverse as ride-hailing platforms, waste collection, and auto loans. Michael Whinston has made significant contributions to contract theory, organizational economics, and industrial organization, with current research including work on health insurance markets and incentive provision in health care. He has also authored well-known graduate and undergraduate micro theory texts.

In addition to these core faculty, a number of associated faculty enrich the experience of students working in industrial organization. The MIT Economics Department is fortunate to have a longstanding visiting faculty arrangement with Nobel Prize winner Jean Tirole, who guest lectures in MIT’s graduate industrial organization courses during each semester’s visit. Sloan faculty members Christopher Knittel and Jing Li teach department courses on energy markets and environmental sustainability. They are both frequent and active contributors to the workshop and field lunch. We are also fortunate to have several active emeritus professors in industrial organization and related fields, including emeritus professor Paul Joskow, who returned to the department after a decade as President of the Alfred P. Sloan Foundation, Sloan faculty member Robert Pindyck, and Sloan Applied Economics emeritus faculty members Richard Schmalensee and Ernst Berndt.
Labor in the Boardroom

Many countries in Continental Europe, but not the United States, grant workers formal authority in firms’ decision-making. Such shared governance institutions include worker-elected directors on company boards. The consequences of granting workers such authority and voice remain highly debated, and policy proposals that emulate these arrangements are currently under consideration in the US. According to the influential “hold-up” hypothesis, granting workers control rights will discourage capital formation, as investors anticipate that labor will grab a larger share of the fruits from investments.

However, in “Labor in the Boardroom”, Simon Jäger and co-authors Benjamin Schoefer and Jörg Heining show that, in fact, granting workers board seats actually increases capital formation. They study a 1994 reform in Germany that locked in shared governance in some firms and abolished it in others, allowing for a quasi-experimental analysis of outcomes of the two groups of firms. The authors find that shared-governance firms shifted their production process towards higher capital intensity and that these firms produce a higher share of revenue in-house. In addition, the authors document a moderate compositional shift towards skilled labor and find no effects on wages. They argue that shared governance may crowd in investment by facilitating cooperation, for example by institutionalizing communication and repeated interactions between labor and capital.

Does such shared governance only “work” when unions are moderate as in the German context? The authors entertain that it may be the institution of shared governance and minority participation of workers in corporate boards that may facilitate cooperative labor relations in the first place. In particular, radical labor representatives with demands perceived as excessive could always be outvoted by shareholders, since the capital side generally holds a majority of board seats in most countries with shared governance. Thus, in order to exert influence, labor representatives may have to be moderates in order to successfully build coalitions with the shareholder representatives. As a consequence, shared governance may be one root cause of cooperative labor relations.
Labor Economists study the economic forces that determine wages and employment. The undergraduate labor course provides an overview of supply and demand in the labor market, human capital, and the distribution of income and wages. This course emphasizes the power of microeconomic reasoning and robust econometric tools to answer central economic questions. Graduate students may take a two-semester course on modern empirical and theoretical labor economics, as well as more advanced courses on labor topics and on the econometric methods that are of special interest to labor economists.

A distinguished group of MIT faculty specializes in labor economics. Daron Acemoglu has addressed core theoretical questions in labor economics, including: the effects of training, the design of optimal unemployment insurance, and the links between skill, technology, and the wage structure. Joshua Angrist, a leader of the credibility revolution that has reshaped empirical practice over the last two decades, focuses his current research on econometric methods for program and policy evaluation and the effects of school reform on human capital and earnings. David Autor’s research has focused on the labor market consequences of rising import competition from China, the impact of technological change on income distribution and the demand for skills, and the role of the Social Security Disability Insurance program in masking chronically high unemployment among less-educated workers. Simon Jäger works across domains, fielding large-scale randomized experiments, crafting quasi-experiments, and contributing to applied econometrics. Thematically, he focuses on understanding the role of firms, institutional arrangements, and labor market frictions in shaping wages and employment. Parag Pathak, who was awarded the John Bates Clark Medal in 2018, uses economic theory to design school choice mechanisms, developing sophisticated econometric strategies that leverage the quasi-experimental variation embedded in modern school assignment schemes for policy evaluation.

Many other colleagues are interested in labor topics and interact regularly with the core labor team. Public finance economists Amy Finkelstein and Jonathan Gruber study the impact of health insurance, disability programs, and other government policies on labor markets, while development economists Abhijit Banerjee, Esther Duflo, and Frank Schilbach study labor markets in developing countries. Econometricians Alberto Abadie, Victor Chernozhukov, Anna Mikusheva, and Whitney Newey teach and advise labor students, keeping them on the econometric frontier.

Democracy Does Cause Growth

Democracy has had many powerful critics over the ages. Plato equated democracy with anarchy, instability or even mob rule, and called it the second worst form of government after tyranny. Aristotle wrote: “it is not safe to trust them [the people] with the first offices in the state”. Today, many commentators blame democracy for the economic and social problems in the West and look favorably upon the “Chinese model” for spearheading economic growth.

In recent work, “Democracy Does Cause Growth” (Journal of Political Economy, February 2019), Daron Acemoglu and co-authors Suresh Naidu, Pascual Restrepo (PhD ’15) and James Robinson show that, critics notwithstanding, democracy appears to be quite good for economic growth. Countries that democratize—switch from a nondemocratic regime such as a military dictatorship, monarchy or autocracy to a democratic regime—grow more rapidly in the next 20 years or so, and end up with 20% higher income (gross domestic product) per capita.

South Korea illustrates this phenomenon. The country’s growth miracle is often credited to authoritarian leaders in the 1960s, such as General Park Chung-hee, who directed South Korean state-based industrialization. But growth had slowed down by 1980 when the country had reached an income per capita of only about one third of Japan’s. Large student, trade union and pro-democracy protests during the decade finally brought down the military government in June 1987, and the economy achieved a 5% annual growth in the next two decades, almost catching up with Japan’s per capita income.

If democracy is so good for growth, why hasn’t the past literature identified this? One reason is that many previous studies focus on cross-country variation, making it difficult or impossible to tease out the effects of democracy on subsequent growth. Moreover, because democratization often happens when autocratic regimes face economic hardship, exploiting within-country variation requires careful modeling of the dynamics of income per capita. Finally, countries that democratize may have other differences from those that remain in autocracy, a problem Acemoglu and co-authors overcome by exploiting regional waves of democratization.

Though the evidence suggests that democracy is good for economic growth, this doesn’t imply that sustaining democracy is easy. The authors’ sample includes many democracies that failed and were overthrown, even if this is costly for economic growth.
Environmental Economics Program

Environmental economics investigates the interaction between economic forces and the environment. This includes the ways that economic incentives and policies affect the environment, as well as the impact of environmental degradation and climate change on health, well-being, and productivity. The department regularly offers both undergraduate and graduate courses in environmental economics.

Clare Balboni's primary research interest is environmental economics. Her innovative work on global warming has brought a broad perspective to the topic. This includes adapting empirical techniques from the field of international trade to provide insight into the potential effects of sea level rise on infrastructure investments in Vietnam, and exploring the political economy of Indonesian deforestation. The field of environmental economics overlaps with several others. Ben Olken's work in development economics includes work on deforestation and the impact of climate shocks on developing economies. Paul Joskow's vast body of work on electricity generation includes work on conservation, nuclear, and renewable energy as well as studies of environmental regulations. Joskow organized MIT's 2019-2020 series of climate symposia.

The Economics Department also benefits from a broad MIT environmental community. The Sloan School faculty with interests in environmental economics include Namrata Kala, Chris Knittel, Jing Li, Jacquelyn Pless, and emeritus professors Jake Jacoby and Richard Schmalensee. The Center for Energy and Environmental Policy Research supports research in energy and environmental economics. Affiliates in our department include Paul Joskow, Nancy Rose, and Jim Poterba. The MIT Energy Initiative brings together social scientists and engineers.

Environmental
Economics Program

Strengthening Schools and Building Skills through Research

The School Effectiveness and Inequality Initiative (SEII) focuses on the economics of education and the connections between human capital and American income distribution. Under the direction of MIT Economics Professors Joshua Angrist, David Autor, and Parag Pathak, SEII works to shift the education policy debate from guesswork and ideology to scientific insight.

Partnerships

SEII works with education policy-makers at the state and district level. Partners include the Massachusetts Department of Elementary and Secondary Education, Boston Public Schools, the New York, Chicago, and Denver Public School Districts, and the Louisiana and Indiana Departments of Education. SEII also works with leaders and teachers at dozens of charter schools. The team’s higher education partners include Nebraska’s state and community colleges and universities and the Susan Thompson Buffett Foundation. SEII’s work is supported by government grants from the National Science Foundation and the Institute for Education Sciences, as well as many foundation partners, including the Arnold Foundation, the Sloan Foundation, and the Spencer Foundation.

Research and Impact

The debate over the effects of school choice and school reform is one of the most vigorous and exciting in the human capital policy arena. The discussion in this context often compares alternative school models, such as charter schools and voucher-funded private schools, with traditional public schools. The SEII team provided the first rigorous lottery-based (randomized) impact evaluation of the iconic KIPP charter school network. The SEII team also produced the first randomized evaluation of Boston’s charter and pilot schools. Many school districts rely on formal game-theoretic matching schemes to give their students a choice of schools. SEII researchers helped to design and implement these matching mechanisms in Boston, Chicago, Denver, New York, and New Orleans. SEII researchers use these mechanisms, which typically include an element of random assignment, to provide credible measures of school quality and to assess the broader effects of school choice. SEII’s current research, funded by the MIT Integrated Learning Initiative, explores the educational and social impacts of NYC and Boston public school programs aimed at diversifying schools.

Over the last decade, research on the labor market consequences of workplace automation and rising international trade has shaped the national debate on the causes of US and international income inequality. SEII’s publications and reports have illuminated the role of computerization in catalyzing employment “polarization”—the simultaneous growth of high-education, high-wage and low-education, low-wage jobs—by substituting information technology for workers performing routine job tasks. Overturning conventional wisdom, SEII’s recent work on trade has documented the profoundly disruptive impact of international competition on US manufacturing workers. Most recently, SEII researchers have explored the central role of education and skills in determining the lifetime earnings of workers at all levels of the income distribution.

In addition to cutting edge research, the SEII mission includes education and training. SEII hosts post-docs; provides data access, mentoring, and financial support for many graduate students; and offers research assistantships to talented undergraduates interested in empirical economics.
**Public Economics**

Public economics explores the economic effects of government tax and expenditure policies, as well as the optimal design of these policies. The field studies questions such as the impact of income taxation on the behavior of individuals and firms, the rationale for and impact of social insurance programs such as Social Security, Medicare, Medicaid, unemployment insurance, and food stamps, as well as the effects of direct government spending programs in areas such as education, defense, infrastructure, and healthcare.

Undergraduate offerings include an introductory course in public economics as well as a course in environmental economics. Graduate students enroll in a two-semester public economics sequence that covers core material on taxation and social insurance programs.

Six faculty members have substantial research programs in public economics. Amy Finkelstein works on market failures in insurance markets and government intervention in health care markets. Jonathan Gruber studies a range of government-provided social insurance programs, also with a focus on health issues. Simon Jäger analyzes the labor market consequences of social insurance programs. James Poterba specializes in the economics of tax policy, with a focus on policies that affect retirement security. Benjamin Olken studies taxation and welfare systems in developing countries. Iván Werning works on optimal tax and social insurance design, including the taxation of high-income households, capital and estate taxation, and unemployment insurance. Emeritus professor Peter Diamond continues an active research program on public pensions.

**Undergraduate Majors in Economics**

Adedoyin Olateru-Olagbegi graduated from MIT in June 2020 with a major in computer science, economics, and data science.

Olateru-Olagbegi enjoyed exploring a wide range of courses within the Economics Department. Two of her most memorable courses were Political Economy and Economic Development (14.75) and Research and Communication in Economics (14.33). In 14.75, Olateru-Olagbegi learned about numerous international economic issues through an empirical lens. In 14.33, Olateru-Olagbegi conducted a project to examine the relationship between age at marriage and domestic violence prevalence in several developing countries. In both classes, she appreciated the opportunity to learn from both faculty and fellow students about how to tackle important and complex economic questions.

Beyond classes, Olateru-Olagbegi sat on several Institute Committees, and she will build on this work as a member of the MIT Corporation. She served for two years as Director of Camp Kesem at MIT, a free sleepaway summer camp for 250 children who have been affected by a parent’s cancer. She was also an EMT on the MIT Ambulance, an executive board member of the Black Students’ Union, and an officer within the Sigma Kappa Sorority. Olateru-Olagbegi’s MIT experience was enriched by multiple international learning experiences, studying race and migration in Brazil, co-designing technologies with coffee farmers in Colombia, and taking a class on the HIV/AIDS epidemic in South Africa.

In the 2020-2021 academic year, Olateru-Olagbegi will complete a master’s degree in global affairs at Beijing’s Tsinghua University as a Schwarzman Scholar. Afterwards, she plans to focus on using digital health tools to improve healthcare quality and access globally.

![Amy Finkelstein](image1.png)  ![Jonathan Gruber](image2.png)  ![James Poterba](image3.png)
**Political Economy**

Political economy is the subfield of economics that studies the interplay of political factors, political institutions, and economic incentives. It focuses both on the determination of a broad range of policies and the implications of political factors on economic outcomes. Daron Acemoglu studies the theoretical and empirical links between institutions and economic growth and development, as well as the dynamics of political institutions, the interplay between conflict and cooperation, and the role of state capacity. Abhijit Banerjee works on issues at the intersection of political economy and economic development. Benjamin Olken studies the role of political leaders in affecting policy outcomes and economic growth and the implications of corruption in developing economies. Daron Acemoglu, Abhijit Banerjee, and Benjamin Olken offer a graduate course on the political economy of institutions and development. The department also offers a second graduate course on theoretical and empirical approaches to political economy. Other faculty working on political economy issues include Esther Duflo, who has worked on the effect of village-level political institutions on women’s representation, Alex Wolitzky, who has examined conflict, repression, coercion and foundations of societal cooperation, and Stephen Morris, who has written on the theory of policy-making and political inefficiencies. Simon Johnson, a member of the MIT Sloan faculty, works on the links between political institutions and economic development. Graduate students interested in political economy can also enroll in a number of other courses that are offered by the Political Science Department.

**Health Economics**

Healthcare is a rapidly growing sector of the economy, and health economics is a rapidly growing area of research interest. The continued growth in health care costs, and the availability of high-quality data, have prompted a large number of students to carry out research in health economics. This work takes on special interest in the era of COVID-19. Their work is supported by a large faculty group with strong interests in health economics. Nikhil Agarwal works on matching in medical markets both for medical students and human organs. Abhijit Banerjee, Esther Duflo, and Frank Schilbach conduct field experiments to understand the impact of health interventions in developing nations. Amy Finkelstein studies the economics of healthcare delivery, the effects of health insurance on health, the willingness of individuals to pay for health insurance, and the efficacy of interventions to contain expenditure by healthcare “super-utilizers”, among other topics. Jonathan Gruber studies public policy towards health insurance in a variety of contexts, such as tax subsidies to employer sponsored insurance, expansions of Medicaid, and the use of choice-based exchanges to promote insurance coverage. Parag Pathak is developing models of matching resources to needs during the COVID epidemic. The Economics Department offers an undergraduate course in health economics.

**J-PAL North America**

Developing successful public policies to combat poverty, improve learning outcomes, promote health, and address other social issues is a difficult and complex task. Policymakers often lack credible evidence on the efficacy of social programs. J-PAL North America was launched at MIT in 2013 to advance J-PAL’s goal of reducing poverty by ensuring that policy is informed by scientific evidence. Drawing on J-PAL’s established credibility in conducting randomized evaluations internationally, J-PAL North America brings J-PAL’s proven model of generating rigorous evidence to the region. J-PAL affiliated researchers have conducted over 240 ongoing and completed randomized evaluations in North America.

J-PAL North America runs five major initiatives to catalyze policy-relevant research and promote evidence-informed policymaking:

- The US Health Care Delivery Initiative generates rigorous evidence on strategies that make health care delivery in the US more efficient, effective, and equitable.
- The State and Local Innovation Initiative provides government leaders with funding, technical support, and opportunities to collaborate with preeminent researchers to answer high-priority policy questions.
- The Work of the Future Initiative identifies effective, evidence-based strategies to increase opportunities for workers and reduce the economic barriers and social challenges associated with the changing nature of work. This initiative is co-led by David Autor (MIT) and Matthew Notowidigdo (‘03, MA ’04, PhD ’10) (Northwestern).
- The Social Policy Research Initiative supports randomized evaluations across a broad range of sectors, including education, crime and violence prevention, environment, homelessness, consumer finance, and government efficiency among others.

J-PAL North America staff build the capacity of researchers and policymakers to be better producers and consumers of evidence through in-person trainings, research management support, and research design feedback sessions. Policy staff also translate research into policy lessons, help partners apply research insights to local contexts, and support the replication and expansion of successful evaluated programs.

J-PAL North America is led by two Co-Scientific Directors. Amy Finkelstein (PhD ’01) (MIT) is a leading health economist and one of the principal investigators of the Oregon Health Insurance Experiment. Lawrence Katz (PhD ’86) (Harvard) served as Chief Economist for the US Department of Labor during the Clinton Administration and is the principal investigator of the long-term evaluation of the Moving to Opportunity housing mobility program.
Faculty Research

Studying the economic impacts of COVID-19

MIT Economics faculty have been active contributors to the burgeoning literature on COVID-19-related research. A selection of this work includes: Daron Acemoglu, Victor Chernozhukov, Iván Werning, and Michael Whinston have studied the intersection of health and economy and the trade-offs associated with partial versus complete lock-downs; David Autor has examined the impact of the Payroll Protection Program on employment during the pandemic; Abhijit Banerjee and Esther Duflo studied the efficacy of public messaging on mask-wearing behavior in India; Ricardo Caballero and Alp Simsek have studied the effectiveness of Large Scale Asset Purchases in addressing demand contractions from a large non-financial shock such as COVID-19; Glenn and Sarah Ellison have investigated the dynamic behavior of standard models of the spread of infectious diseases, highlighting their sensitivities to various features of model specification; Glenn Ellison has studied the ways in which using the classic Susceptible-Infectious-Recovered model for analyses of COVID-19 can potentially yield misleading views; Amy Finkelstein investigated the rise in non-COVID mortality in areas that saw high COVID-19 caseloads; Jonathan Gruber studied the impact of the pandemic in developing nations, focusing on India; and Parag Pathak has investigated the design of allocation systems for ventilators, personal protective equipment, and most recently, vaccines.

These and a number of other works have been collected at https://economics.mit.edu/covid19.

Economics Department Visiting Committee

Every department at MIT has a Visiting Committee, consisting of distinguished scholars, department graduates, and members of the MIT Corporation. These committees meet every two years to hear reports from Department Heads, faculty, and current students on the department’s health and future direction. Committees then prepare reports for the President, Provost, and Chancellor, providing an important external evaluation for each department.

The Economics Visiting Committee is chaired by Roger Altman, Founder and Senior Chairman of Evercore, one of the most active independent investment banks in the United States. He served two stints in the U.S. Treasury Department, initially serving President Carter as Assistant Secretary for Domestic Finance and later serving President Clinton as Deputy Secretary.

Mr. Altman is a Trustee of New York-Presbyterian Hospital, serving on its Finance Committee and is a member of the MIT Corporation. He is also a Director on the Board of New Visions for Public Schools and a member of the Council on Foreign Relations. Altman received an A.B. from Georgetown University and an M.B.A. from the University of Chicago.
Organizational economics (OE) studies the design and performance of organizations, as one would anticipate. Three further aspects of the field are perhaps more surprising: (1) the organizations studied by this field include not just firms but also schools, hospitals, government agencies, and more; (2) a great deal of economic activity occurs not in market transactions but instead within these private- and public-sector organizations; and perhaps most surprising (3) there is substantial heterogeneity in the productivity of these organizations even when they operate in apparently similar environments.

This heterogeneity is evident from large-scale datasets in all countries and industries. As a result, there may be opportunities to improve economic welfare and growth by understanding the drivers of performance in organizations. For example, the intense recent interest in the performance of the healthcare sector focuses on (a) how healthcare organizations should be organized and (b) how low performers can improve. Other fields of economics—including development, education, industrial organization, labor, macro, political economy, and trade—have also begun to explore organizational issues, including the sources and consequences of this performance heterogeneity.

Many of these topics are not the exclusive preserve of OE. To the contrary, within-firm topics are also studied in labor economics (employment) and corporate finance (resource allocation, transfer pricing), and between-firm topics are also studied in industrial organization (vertical integration) and law and economics (contracts between firms). Similarly, many of these topics are studied by other social sciences (such as social psychology, economic sociology, and political economy) and by some management fields (such as corporate strategy, human resource management, marketing, and operations).

In recent years, the doctoral courses in OE (14.282-4) have been taught by Robert Gibbons, Michael Whinston, and others, including Charles Angelucci who has newly arrived at MIT Sloan.

Many other Economics Department faculty have interests that intersect with OE theory, evidence, or application including: Daron Acemoglu, David Atkin, David Autor, Abhijit Banerjee, Arnaud Costinot, Dave Donaldson, Esther Duflo, Glenn Ellison, Amy Finkelstein, Drew Fudenberg, Jon Gruber, Simon Jäger, Stephen Morris, Ben Olken, Parag Pathak, Drazen Prelec, Nancy Rose, Rob Townsend, and Alex Wolitzky.
Financial Economics

Financial economics is an active and impactful field of applied economics research. A close collaboration between the finance group in the Sloan School of Management and the Economics Department provides students with an outstanding opportunity to learn about current insights and state-of-the-art methods in both asset pricing and corporate finance.

The finance group in the Sloan School is widely regarded as one of the premier departments in the world. Undergraduate economics majors can enroll in MIT Sloan’s introductory finance course for master's students. There are five doctoral courses in financial economics, all jointly offered between the Economics Department and Sloan.

The financial economics sequence begins with Asset Pricing (taught by Leonid Kogan and Lawrence Schmidt) in the fall, which covers the basic principles of portfolio choice, asset pricing, options, the economics of uncertainty, and information and efficient markets. The sequence goes on with Corporate Finance (taught by Maryam Farboodi, David Thesmar, and Antoinette Schoar) in the spring. The course exposes students to the basic theoretical and empirical contributions and the key methodological tools in modern corporate finance.

Students can also choose to enroll in one or more of three advanced courses. Advanced Asset Pricing, (taught by Daniel Greenwald, Eben Lazarus and Adrien Verdelhan), focuses on the solution, evaluation, and estimation of theories of asset prices and financial markets and the macro- and micro-economic foundations; Advanced Corporate Finance, (taught by Maryam Farboodi, Antoinette Schoar, and David Thesmar), builds on the first corporate finance course; and Current Topics in Finance covers advanced research in a variety of areas within finance.

In the Economics Department, Ricardo Caballero and Alp Simsek research the interaction between macroeconomy policy and financial markets. Ricardo’s graduate course, Economic Crises, teaches the canonical macroeconomic models of financial frictions and crises. The department’s undergraduate course, Financial Markets and the Macroeconomy, analyzes the macroeconomic effects of financial markets, with emphasis on understanding financial crises.

Economics Computing at MIT

The Economics Department supplements Mit’s computing resources with its own cutting-edge systems designed to support learning and research. The virtual computing lab grants students access to powerful Windows-based virtual machines, which run a full suite of econometric and statistical software packages. The lab systems can be accessed from on-campus terminals or remotely, allowing students to connect using their personal computers from anywhere in the world. Additionally, the department provides multiple Linux-based research computing servers, including a 300 processor high-performance computing cluster. These systems allow students to work with massive data sets and easily manage long-running jobs. This computing infrastructure is backed by a robust and secure fiber-optic data storage system which provides user-accessible backups of datasets and documents.

Full-time professionals Andrew Dorner, Meng Chau, and Carl Anderson support the department's extensive IT operation.

Other important computing resources for MIT economists include MIT’s Geographic Information Systems Laboratory, housed at Rotch Library, and the virtual Harvard-MIT Data Center. The Economics Department has an agreement with the Census Bureau's Research Data Center (RDC), located at the nearby National Bureau of Economic Research (NBER), that allows students and faculty to access confidential government microdata sources for approved projects.
The Economics Department has a close relationship with a number of other departments, particularly MIT Sloan. Several faculty members hold joint appointments in Economics and Sloan. Business schools and private-sector investment banks and asset management firms often hire MIT graduates with doctorates in economics who have taken advantage of Sloan’s finance courses and research opportunities.

While the interaction between Economics and Sloan is strongest in the applied economics and finance fields, it is substantially broader. MIT Sloan has assembled a leading group of economics researchers in organizational design, business strategy, marketing, and technological competition. Formal joint seminars in applied microeconomics strengthen these ties among faculty and students. MIT Sloan courses and seminars serve as a window into current economic research by business school faculty at MIT and elsewhere. MIT Sloan doctoral students often find that graduate courses taught in the Economics Department provide a base for their research, while Economics PhD students often discover that the issues studied by faculty and students in MIT Sloan provide ideal applications for their research.

The MIT Center for Energy and Environmental Policy Research (CEEPR) is sponsored by the Economics Department, the Sloan School, and the MIT Energy Initiative. The Director of CEEPR is George P. Shultz Professor of Applied Economics Christopher R. Knittel of MIT Sloan, who teaches a jointly-offered energy economics course. The Center investigates economic, regulatory, and technological issues related to energy and the environment and is supported by corporations, trade associations, environmental organizations, and grants from foundations and government agencies. The Center holds bi-annual meetings and conferences to discuss policy issues with business and academic economists.

CEEPR is a co-sponsor of the Joint Program on the Science and Policy of Global Change, which supports research on global warming and related topics by faculty and students in the Economics Department, MIT Sloan, the School of Science, and the School of Engineering. The program provides opportunities for economics and management faculty to work with specialists on climate change in the School of Science, and with emissions control and remediation experts in the School of Engineering.

The MIT Energy Initiative (MITEI) is another important partner in economics research. MITEI has provided significant funding for faculty research projects, supported graduate students, and funded a post-doctoral visitor to the department. Most critically, it has facilitated the inter-disciplinary interaction that is the hallmark of MIT.

The Economics Department also has ties with MIT’s Political Science Department. Research on political economy straddles the boundary between economics and political science. It emphasizes the use of economic models and economic insights to understand decision making in political settings. Economists in fields such as regulatory economics and public finance have increasingly come to realize that recognizing and analyzing the political factors that underlie current policies can open a rich set of research opportunities. Several recent graduates of the Economics Department’s PhD program are now leading scholars in the field of political economy.

The Economics Department has a long-standing relationship with MIT’s Urban Studies and Planning Department. Emeritus professors William Wheaton, whose work focuses on real estate markets, and Frank Levy, who is an expert on income and wealth distribution in the US and its changes over time, have provided important links between the two departments.

MIT’s excellence in engineering, science, and management has created valuable educational and research opportunities for Economics Department faculty and students. The Department in turn has contributed its experience and expertise to research and education throughout the Institute.
Faculty

Alberto Abadie, PhD, MIT; Professor of Economics.

K. Daron Acemoglu, PhD, London School of Economics; Institute Professor.

Nikhil Agarwal, PhD, Harvard; Associate Professor of Economics.

George-Marios Angeletos, PhD, Harvard; Professor of Economics.

Joshua Angrist, PhD, Princeton; MacVicar Faculty Fellow, Ford Professor of Economics.

David Atkin, PhD, Princeton; Professor of Economics.

David Autor, PhD, Harvard; MacVicar Faculty Fellow, Ford Professor of Economics, Associate Department Head.

Clare Balboni, PhD, London School of Economics; 3M Career Development Assistant Professor of Environmental Economics.

Abhijit Banerjee, PhD, Harvard; Ford International Professor of Economics.

Martin Beraja, PhD, University of Chicago; Pentti Kouri Career Development Assistant Professor of Economics.

Ricardo Caballero, PhD, MIT; Ford International Professor of Economics.

Victor Chernozhukov, PhD, Stanford; Ford International Professor of Economics.

Arnaud Costinot, PhD, Princeton; Professor of Economics.

David Donaldson, PhD, London School of Economics; Professor of Economics.

Esther Duflo, PhD, MIT; Abdul Latif Jameel Professor of Poverty Alleviation and Development Economics.

Glenn Ellison, PhD, MIT; Gregory K. Palm (1970) Professor of Economics, Department Head.

Sara Fisher Ellison, PhD, MIT; Senior Lecturer in Economics.

Amy Finkelstein, PhD, MIT; John & Jennie S. MacDonald Professor of Economics.

Drew Fudenberg, PhD, MIT; Paul A. Samuelson Professor of Economics.

Robert Gibbons, PhD, Stanford; Sloan Distinguished Professor of Management and Economics.

Not pictured: Victor Chernozhukov, Dave Donaldson, Simon Jäger, Drazen Prelec, and Professors Emeriti: Olivier Blanchard, Peter Diamond, Richard Eckaus, Stanley Fischer, Jeff Harris, Bengt Holmström, Mike Piore, Bob Solow, and Bill Wheaton
Jonathan Gruber, PhD, Harvard; Ford Professor of Economics.

Simon Jäger, PhD, Harvard; Silverman (1968) Family Career Development Assistant Professor of Economics.

Anna Mikusheva, PhD, Harvard; Associate Professor of Economics.

Stephen Morris, PhD, Yale; Peter A. Diamond Professor of Economics.

Whitney Newey, PhD, MIT; Ford Professor of Economics.

Benjamin Olken, PhD, Harvard; Jane Berkowitz Carlton and Dennis William Carlton Professor of Economics.

Parag Pathak, PhD, Harvard; Class of 1922 Professor of Economics.

James M. Poterba, D. Phil., Oxford; Mitsui Professor of Economics.

Drazen Prelec, PhD, Harvard; Digital Equipment Corporation Leaders for Global Operations Professor of Management. Professor of Marketing and Management Science, Brain and Cognitive Sciences, and Economics.

Nancy L. Rose, PhD, MIT; MacVicar Faculty Fellow, Charles P. Kindleberger Professor of Applied Economics.

Tobias Salz, PhD, New York University; Castle Krob Career Development Assistant Professor of Economics.

Frank Schilbach, PhD, Harvard; Gary Loveman Career Development Associate Professor of Economics.

Alp Simsek, PhD, MIT; Rudi Dornbusch Career Development Associate Professor of Economics.

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Associated Teaching Faculty

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Hui Chen, PhD, University of Chicago, Graduate School of Business; Associate Professor of Finance, MIT Sloan School of Management.

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Eben Lazarus, PhD, Harvard; Assistant Professor of Finance, MIT Sloan School of Management.

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Jonathan Parker, PhD, MIT; Robert C. Merton (1970) Professor of Finance, MIT Sloan School of Management.

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Devarav Shah, PhD, Stanford; Professor, MIT Department of Electrical Engineering and Computer Science. Director, Statistics and Data Science Center.

David Thesmar, PhD, Paris School of Economics; Franco Modigliani Professor of Financial Economics, MIT Sloan School of Management.
Adrien Verdelhan, PhD, Chicago; 
Associate Professor of Finance, 
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Jiang Wang, PhD, University of 
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