

Department of Economics Annual Report

Calendar Year 2006

PART I – EXECUTIVE SUMMARY

Department Interim Head Summary

The Department of Economics continues to provide important research/scholarship, teaching, and outreach to the profession and the University Community. While we are making strong contributions to all three areas of University life, we are much too small to achieve the level of excellence that we desire and should be expected of us at a major land-grant research university. For example, the number of 4000 level courses that we offered to our undergraduate students in 2006 dropped 44% from the previous year. In addition, several of our first year courses are taught by non-degreed teachers. Our small size has resulted from the lost of key faculty over the past few years without adequate replacements. It is critical that the department work together and with the Dean to restore and develop a healthy Economics Department. The department can regain its national visible and reach the productivity level that will strongly support a comprehensive university such as Virginia Tech. We are encouraged with our recruiting success this year and it is an important step to enable the department to regain its strength. There are three critical priorities for the upcoming year: **new departmental leadership, external departmental review and recruitment of new faculty members**

Research/scholarship. Many of the 2006 scholarly publications are in excellent journals. We have a healthy number of manuscripts submitted for review and a large number of working papers. So despite our small size the faculty are working hard and being professionally productive. It also is encouraging that a couple of our faculty have increased their level of research productivity while almost everyone else has maintained their level of productivity. Dr. Spanos again organized the 2006 Buchanan Colloquium in May, 2006 that included several excellent scientists. Working with Dr. Mayo, Dr. Spanos also hosted a June symposium involving the interaction between Philosophy and Economics. Drs. Gilles and Ball continue to have collaborative research projects within the College of Engineering. Drs. Yang, Gilles and Salehi all have international interest and involvement.

Graduate and Undergraduate Education. The three Ph.D.'s completed this year is below the departmental average. We have eight students in their fourth or fifth year so most of these should be graduating next year. Again because of our small size, we are limited in the number of faculty mentors for our graduate students. Adding new Assistant Professors will not alleviate this problem any time soon. We also need several of our graduate students in our first-year teaching program which reduces their research productivity. The Economics Department currently teaches almost to 90% of the graduate courses of the joint with (AAEC) Ph. D. program.

As expected, the decrease in faculty members also is limiting our undergraduate teaching effort. While our WS only decreased about 200 over the previous year, the number of classes offered at the 4000 level dropped sharply and the student enroll in these courses declined 30% to the lowest

in the past six years. The Economics Department wants to do more, students need what we offer and we urge everyone to help support the growth and strength of the department.

Outreach. We enhanced our collaboration with Sungkyunkwan University (South Korea); this effort which enabled approximately 24 Korean graduate students to come to Blacksburg in January 2005 for a one-month intensive course in Applied Economics taught by Dr Spanos

FACULTY

1. Full-Time Faculty for Calendar Year 2006

Professors:	Richard Ashley, Catherine Eckel (resigned Summer 2006), Rob Gilles, Hans Haller, Amoz Kats, Deborah Mayo (50% Economics/50% Philosophy), Djavad Salehi-Isfahani, Aris Spanos, Nicolaus Tideman
Associate Professors:	Sheryl Ball, Richard Cothren, Nancy Lutz, and Dennis Yang
Assistant Professors:	Suqin Ge (Fall 2006), Marcelo Mello and Jeffrey Yau
Instructors:	<u>Spring 2006:</u> Vivian Chen, Jaideep Chowdhury, Hojjatallah Ghandi, Duane Gibson, Marenglen Marku, Blair Mongado <u>Fall 2006:</u> Prasun Bhattacharjee, Constantinos Charalambous, Syed Islam, Andreas Koutris
Visiting Professors:	Kyung Baik, Xiaodong Zhu (Spring 2006)

2. Full-Time Faculty on Leave in 2006

Marcelo Mello was on leave during the 2006 academic year to honor legal obligations to the Brazilian Government.

Nicolaus Tideman was on leave during Fall 2006.

Jeffrey Yau was on leave during the 2006 academic year. He resigned effective Spring 2007.

PART 2: ACADEMIC ACCOMPLISHMENTS

I. LEARNING

UNDERGRADUATE PROGRAM

This year the major challenge in the undergraduate program was again finding ways to meet the demand for seats in our Principles of Economics (Econ 2005-2006) sequence. We again used an *ad hoc* method to meet the demand, using 5th year doctoral students as instructors along with a

visiting professor (Kyung Baik) and an adjunct (Syed Islam). Professors Djavad Salehi and Richard Cothren continue to be the faculty presence in the sequence; each teaches a very large section.

These efforts are not a permanent solution to the staffing problem. In particular, we would like to rely less on our advanced graduate students. While the students appreciate the greater financial support that comes with a lecturer position, extensive teaching slows their progress to degree. We hope that our recent hire of Dr. Steven Yost as a Visiting Assistant Professor will aid us in meeting these staffing needs.

We are especially proud that Sheryl Ball's outstanding work in teaching and curriculum design was recognized by the Kenneth J. Elzinga award from the Southern Economic Association. This award marks her as one of the leading university teachers of economics. Sheryl won the award for her innovative work in developing new classroom technologies, her accomplishments in the scholarship of teaching, and her years of first-rate classroom performance.

Department faculty made extensive revisions to existing course offerings this year. Djavad Salehi's efforts to integrate a new web-based technology into a very large section of Principles of Economics and the continuing development of the WITS project under Sheryl Ball and Catherine Eckel deserve special mention. Nancy Lutz developed a new course in Antitrust and Regulatory Economics. Ten students were involved in undergraduate research projects.

An itemized list of accomplishments follows, including information on undergraduate program enrollments.

1. Curriculum Development

Suqin Ge

- Dr. Ge developed her own version of Econ 3204, Macroeconomic Theory. We anticipate that Dr. Ge will continue to teach this course for the department over the next few years.

Rob Gilles

- Dr. Gilles spent part of Summer 2006 beginning to develop a new class in relational economics. The goal of the course is to incorporate the most recent research on the development of reciprocity and trust into our undergraduate curriculum. Course development continued into CY 2007.

Nancy Lutz

- Dr. Lutz developed a new course in Antitrust and Regulation, which was taught as Econ 3004 during Spring 2007. This course expands our offerings in Industrial Organization, and also allows students to see how law and public policy are affected by economic analysis. A key part of the course was an in-depth study of U.S. v. Microsoft (the "Microsoft antitrust" case), which culminated in a visit by a guest speaker, one of the U.S. Department of Justice's lead economists on the government trial team.

Djavad Salehi-Isfahani

- Dr. Salehi developed changes in his Econ 2005 course designed to improve student engagement. While the student evaluations remained the same in 2006 as in 2005, and students continued to participate in the online homework assignments at a high rate (90%), class attendance was fairly low. Last fall, to improve student attendance, class participation, and learning he attended an FDI workshop that compared various mechanisms for involving students in classroom participation and decided to adopt (for Spring 2007) a clicker device which enables students to participate during class by answering questions, quizzes or in taking opinion polls.

Dennis Yang

- Dr. Yang incorporated discussions on major current events - such as the visit of Chinese President Hu to the U.S. and China's big oil contracts with African countries – with topics in the standard syllabus of his course on the Economics of China (Econ 4144)

2. Undergraduate Research

Rob Gilles

- Worked with undergraduate honors student Jacob Lackewitz (ECAS/BIO) on the development of evolutionary game theoretic models to describe and analyze the behavior of bison.

Sheryl Ball

- Worked with a group of four ECAS and ECON majors who developed a project in experimental economics, conducted the experiments, and analyzed the resulting data. Also supervised Michael Dalton (ECAS) as her NSF-funded research assistant.

Nic Tideman

- Worked with four ECAS and ECON majors (Brad Shapiro, Philip Dufresne, B.J. Dillon and Patrick Starling) who gathered data and developed sub-programs for a computational general equilibrium model of the impacts of taxation in the United Kingdom.

3. Technology

Djavad Salehi

- Dr. Salehi continued to use a web-based software package for homework assignments and for online experiments that were designed to let students interact with each other in simulated markets. Students were enthusiastic about this technology innovation. Prof. Salehi also employed a tablet PC to add “real time” comments to his Powerpoint slides; this was a significant improvement over his old teaching methods, which relied on standard Powerpoint slides, complemented by hand-drawn transparencies. As noted above, in 2006 he also attended FDI workshops to learn about “clickers”, which he will incorporate into the Spring 2007 class.

Sheryl Ball

- Professors Ball and Eckel continued their work on the WITS project. This year's efforts included further software development for this system, which uses wireless handheld units to allow students to participate in active classroom experiences. The technology is more flexible and powerful than "clicker" systems.

4. Student Enrollment

Tables 1 and 2 present information on class enrollments for the past six years. Table 1 shows weighted student credit hours (WSCH) for academic years for the first two years, and for calendar years 2003 – 2006 which include Spring, Summer, and Fall semesters. Table 2 shows condensed information on student headcounts for academic years for the first two years, and calendar years 2003 - 2006, which include Spring, Summer, and Fall semesters.

Table 1. Weighted Student Credit Hours: AY and CY Totals

	2001-02 ¹	2002-03 ²	2003 ³	2004 ⁴	2005 ⁵	2006 ⁶
Total	26,749	24,165	25,978	23,276	21,586	21,432

Table 2. Academic and Calendar Year Enrollments

	2001-02 ⁷	2002-03 ⁸	2003 ⁹	2004 ¹⁰	2005 ¹¹	2006 ¹²
Principles (# sections)	4365 (21)	4546 (23)	4,617 (29)	4,405 (28)	3,905 (27)	3928 (30)
3000 - level (# sections)	895 (22)	753 (15)	929 (26)	753 (27)	582 (19)	640 (22)
4000 - level (# sections)	653 (21)	884 (23)	825 (23)	474 (20)	521 (27)	364 (15)
Graduate (# sections)	384 (25)	271 (21)	311 (45)	238 (38)	279 (24)	258 (25)

¹Student Credit Hours and Weighted Student Credit Hours by College and Department Receiving Credit, Fall 2001+ Spring 2002, prepared by the Department of Institutional Research and Planning Analysis. Report may be viewed at the following URL: https://secure.hosting.vt.edu/www.irpa.vt.edu/VT_Stats/IR%20Customers%20/Credit%20Hours,%20Class%20Sections%20and%20Grades/Credit%20Hours/Credit_HR_SCH/current/SCH%20and%20WSCH%20by%20DRC%20SCI.htm.

² *Ibid.*, Fall 2002 + Spring 2003.

³ *Ibid.*, Spring 2003 + Summer I and Summer II 2003 + Fall 2003.

⁴ *Ibid.*, Spring 2004 + Summer I and Summer II 2004 + Fall 2004.

⁵ *Ibid.*, Spring 2005 + Summer I and Summer II 2005 + Fall 2005.

⁶ *Ibid.*, Spring 2006 + Summer I and Summer II 2006 + Fall 2006.

⁷ *Ibid.*, Fall 2001 + Spring 2002.

⁸ *Ibid.*, Fall 2002 + Spring 2003.

⁹ *Ibid.*, Spring 2003 + Summer I and Summer II 2003 + Fall 2003.

¹⁰ *Ibid.*, Spring 2004 + Summer I and Summer II 2004 + Fall 2004.

¹¹ *Ibid.*, Spring 2005 + Summer I and Summer II 2005 + Fall 2005.

¹² *Ibid.*, Spring 2006 + Summer I and Summer II 2006 + Fall 2006.

GRADUATE PROGRAM

In the Spring 2006, the department had a total of twenty-six graduate students enrolled in the Ph.D. program, twenty-four with assistantships and two without. The class breakdown was five first-year students, four second-year students, three third-year students, and fourteen in their fourth or later years.

In Fall 2006, the department had a total of twenty-five graduate students enrolled in the Ph.D. program, twenty-one with assistantships and four without. The class breakdown was eight first-year students, five second-year students, four third-year students, and eight students in their fourth or later years.

In addition to these students, who were all enrolled through the Department of Economics, the Department of Agricultural and Applied Economics (AAEC) had approximately nineteen students enrolled in the Ph.D. program.

1. Graduate Enrollment

Recent course enrollments are reported in Section II with the undergraduate data.

2. Graduate Degrees Awarded

The department graduated three Ph.D. students in 2006.

Weijia “Vivian” Chen, “Essays on Rural-Urban Migration China” (Dr. Dennis Yang, Chair)

Andreas Koutris, “Testing for Structural Change: Evaluation of the Current Methodologies, a Misspecification Testing Perspective and Applications” (Dr. Aris Spanos, Chair)

Marenglen Marku, “Empirical Essays in Earnings and Labor Markets in Developing and Transition Economies” (Dr. Djavad Salehi-Isfahani, Chair)

3. Curriculum Changes and Program Development

Richard Ashley

- ECON 5945 Econometric Theory and Practice: Second time teaching the course, made a number of changes which went very plan. Will be preparing the entire course for Spring 2008. In the past, Dr. Ashley prepared the second half of this course (which was co-taught with Dr. Spanos) as an introduction to advanced topics in time series analysis.

Richard Cothren

- ECON 2006 Macroeconomic Principles: Revised notes during the Spring and Summer of 2006, hoping to find a content level consistent with clientele, but without sacrificing too much in the way of the course's quality.
- ECON 5015 Money and Price Level: Revised to reflect developments in the so-called "Neo-Keynesian: monetary policy analysis.

Nancy Lutz

- Revised Econ 6404 to include much more time devoted to recent empirical work in the field. This meant developing about a month's worth of new lecture material.

Marcelo Mello (New Courses)

- Econometrics II: I use Wooldridge's undergraduate text. I covered time series, panel data methods, and IV estimation
- Time Series Econometrics: This was a master level course at the level of W. Enders, Applied Time series text. I also used intensively the econometric software EViews.
- Forecasting: I used Diebold's Elements of Econometrics (practically the whole book). I also used intensively the econometric software EViews.

Aris Spanos

- ECON 5126: Empirical Research Methods in Economics is a course that was redesigned last year to put more emphasis on ensuring that the students acquire practical modeling skills in analyzing real economic data. The department has been slowly establishing a reputation for producing Ph. D. students with excellent empirical modeling skills and would like to enhance that reputation to distinguish our students from the garden variety Ph. D. Special emphasis was also placed on methodological issues pertaining to statistical and substantive adequacy of empirical models. The result of the re-organization is an extensive set of lecture notes to supplement the textbooks. The students received over 410 pages of lecture notes to supplement the textbooks and other reading material.

Dennis Yang

- ECON 5986 (Methods in applied Economics): Was assigned to teach this class about three weeks prior to the start of the fall semester and had to prepare all new materials in a short time. This course explored the framework and applications of analytical methods that are commonly used in applied economic research, drawing examples from labor economics, population studies, development economics, and economic growth. The main objective was to present how analytical tools of economic and econometric analysis can be applied in studying empirically tractable models of individual, household and market behaviors. Theory and empirical research received approximately the same class time.
- ECON 6054 (Development Economics): There were students from many diverse backgrounds in this course that required that the course materials be adjusted.

Extra readings were assigned for students who wanted to further explore certain topics and other students were guided to academic research and references of varying difficulties when doing their term paper. It appeared that these adjustments suited well to the needs of the students, who seemed to have learned much useful knowledge from this course. This assessment was corroborated by the students' comments made in the course evaluation.

4. Graduate Student Job Placement

- **Weijia “Vivian” Chen**, The Conference Board, New York, NY
- **Hojjatallah Ghandi**, Washington and Lee University
- **Andreas Koutris**, Virginia Polytechnic Institute and State University then CAN Corporation in Chicago
- **Nicholas Louisos**, Coffey Communications, LLC, Bethesda, MD
- **Marenglen Marku**, KPMG, LLP, Chicago, IL then Earnest & Young Ltd. In Chicago
- **Blair Mongado**, Wake Forest University

5. Graduate Program Assessment

The Ph.D. program was formally and carefully assessed this year; the report is available in the department if requested. In a nutshell, the program is doing very well – both in terms of recruiting and in terms of graduating/placing students. The main problem area is a staffing shortage: particularly in the area of macroeconomics/international trade and particularly at the senior (beyond new-Ph.D.) level. People with some experience are essential for mentoring/supervising Ph.D.-level students. The hiring at the junior level which took place in 2006 (and so far in 2007) was crucial and excellent, but has not addressed these two concerns.

This was also a year in which our collaboration with the Department of Agricultural and Applied Economics (AAEC) was increasingly close and effective. The joint Graduate Policies Committee met a number of times for frank, cooperative, and effective discussions with regard to policies and curriculum. One result of these discussions is that the first-year students are being given more time to prepare for the Qualifying Exam during Spring Term, allowing for the Exam to be moved from late June to late May. This allows students complete this milestone more promptly and to more effectively either find employment or do research during the summer. From a financial efficiency perspective, this shift saves the Department \$7,000 - \$9,000 in summer support costs. Another result of our close cooperation with the AAEC is that we are making better use of our joint faculty resources to staff the core Ph.D. course curriculum. In particular, Professor Parmeter from AAEC staffed an econometrics core course in Fall 2006 and we expect AAEC to staff two core courses in academic year 2007/8.

II. DISCOVERY

This year department faculty published seventeen articles in peer-reviewed journals. Thirty-eight articles were accepted for future publication in peer-reviewed journals. An additional twenty-three articles appeared or were accepted as book chapters or in other scholarly outlets. One member of the faculty is continuing to work on the manuscript for a book contract that was signed in 2005.

Two members of the faculty won external grants. Faculty gave 56 invited presentations at conferences and as invited seminar talks at other universities. We also sponsored two small conferences here at Virginia Tech.

FACULTY PUBLICATIONS

1. Papers Published in Peer-Reviewed Journals during the 2006 Calendar Year

Ashley, R., and Patterson, D. M., (2006), "Evaluating the Effectiveness of State-Switching Time Series Models for U.S. Real Output," *Journal of Business & Economic Statistics*.

Ashley, R., and Verbrugge, R. J., (2006), Comments on "A critical investigation on detrending procedures for nonlinear processes," *Journal of Macroeconomics* , 28, 192-194.

Baik, K., Dijkstra, B. R., Lee, S. and Lee, S.Y., (2006), "The Equivalence of Rent-Seeking Outcomes for Competitive-Share and Strategic Groups," *European Journal of Political Economy*, 22(2), 337-42.

S. Ball, Eckel, C. and **C. Rojas**. "Technology Improves Learning in Large Principles of Economics Classes: Using Our WITS." *American Economic Review, Papers and Proceedings*, May, 2006.

Cothren, R and Edwards, J.A. (2006), "Long-Run Money Growth and the Liquidity Effect." *Topics in Macroeconomics*, Volume 6, Issue 1, Article 9.

Cothren, R., (2006) "A Model of Optimal Legal Restrictions and Open Market Operations," *Journal of Macroeconomics*, 28, pp 480-492.

Gilles, R. P., Lazarova, E. A., and Ruys, P. H. M., (2006) "On Socio-Economic Roles and Specialization," *Economic Papers: Special Issue in Memory of Xiaokai Yang*, 25, 157-170.

Gilles, R.P., Chakrabarti, S., Sarangi, S., and Badasyan N., (2006), "Critical Agents in Networks", *Mathematical Socail Sciences*, 52, 302-310.

Berninghaus, S., **Haller, H.**, and Outkin, A., (2006), "Neural Networks and Contagion," *Revue d'Economie Industrielle*, 114/115, 205-224.

Spanos, A., (2006), "Revisiting the Omitted Variables Argument: Substantive vs. Statistical Reliability of Inference," *Journal of Economic Methodology*, 13: 179-218.

Spanos, A., (2006), "Where Do Statistical Models Come From? Revisiting the Problem of Specification," *The Second Erich L. Lehmann Symposium*, Lecture Notes-Monograph Series, vol. 49, Institute of Mathematical Statistics, pp 98-119.

Spanos, A., and Mayo, D., (2006), "Severe Testing as a Basic Concept in a Neyman-Pearson Philosophy of Induction," *The British Journal of the Philosophy of Science*, 57: 323-357.

Spanos, A., "The Instrumental Variables Method revisited: On the Nature and Choice of Optimal Instruments," pp. 34-59 in *Refinement of Econometric Estimation and Test Procedures*, ed. by G. D. A. Phillips and E. Tzavalis, Cambridge University Press, Cambridge, 2007.

Spanos, A., (2006) "Econometrics in Retrospect and Prospect," pp. 3-58 in Mills, T.C. and K. Patterson, *New Palgrave Handbook of Econometrics*, vol. 1, MacMillan, London.

Yang, D. T. (2006), "Problems of China's Rural Labor Markets and Rural-Urban Migration" (with Belton Fleisher), *The Chinese Economy* Vol. 39, No. 3 (2006): 6-25. (JEL indexed refereed journal).

Yang, D. T. (2006), "The Sources of Economic Growth," in *Lectures by Well-known Scholars*, Lecture Series of Frontier Economic Research, edited by Guoqiang Tian, Shanghai: Shanghai University of Finance and Economics Press: 156-177. (in Chinese)

Yang, D. T. (2006), "Rural Household Income Growth during Economics Reforms in China" (with Weijia Chen), in *Private Enterprises and China's Economic Development*, edited by Shuanglin Lin, Zhenzhong Wang, and Zunsheng Yin, Beijing: Peking University Press: 77-90. (in Chinese)

2. Papers Accepted at Peer-Reviewed Journals during the 2006 Calendar Year

Ashley, R. and Verbrugge, R. J. , (2007), Frequency Dependence in Regression Model Coefficients: An Alternative Approach for Modeling Nonlinear Dynamic Relationships in Time Series, *Econometric Reviews*.

Rusticelli, E., **Ashley, R.**, Dagum, E. B., and Patterson, D. (2007), A New Bispectral Test for NonLinear Serial Dependence, *Econometric Reviews*.

Baik, K. H., Kim, I.G. (2007), "Contingent Fees versus Legal Expenses Insurance," *International Review of Law and Economics*, (forthcoming).

Baik, K. H., (2007), "Contests with Group-Specific Public-Good Prizes." *Social Choice and Welfare*, (forthcoming).

Baik, K. H., Kim, I.G. (2007), "Strategic Decisions on Lawyers' Compensation in Civil Disputes," *Economic Inquiry*, (forthcoming).

- Baik, K. H.**, Lee, S (2007), "Collective Rent Seeking When Sharing Rules Are Private Information," *European Journal of Political Economy*, (forthcoming).
- Baik, K.H.**, (2007), "Equilibrium Contingent Compensation in Contests with Delegation," *Southern Economic Journal*, (forthcoming).
- Eckel, C.** and R. Wilson, "Judging a Book by its Cover: Beauty and Expectations in a Trust Game." Forthcoming, *Political Research Quarterly*.
- Eckel, C.** and P. Grossman, "Do Donors Care About Subsidy Type: An Experimental Study*" Forthcoming, *Research in Experimental Economics*,
- Eckel, C.** and P. Grossman, "Subsidizing Charitable Giving with Rebates or Matching: Further Laboratory Evidence." Forthcoming, *Southern Economic Journal*, April, 2006
- Eckel, C.** and R. Wilson, "Internet Cautions." Forthcoming, *Experimental Economics*, 2006
- Gilles, R.P.**, Lazarova, E.A., and Ruys, P.H.M., "Stability, Specialization and Social Recognition", forthcoming in *Division of Labour and Transaction Costs*.
- Chakrabarti, S., and **Gilles, R.P.**, "Network Potentials", forthcoming in the *Review of Economic Design*.
- Baron, R., Durieu, J., **Haller, H.**, and Solal, P., (2006), "Complexity and Stochastic Evolution of Dyadic Networks," *Computers and Operations Research*, 33, 212-327.
- Haller, H.**, and Pavlopoulos, A., (2006), "To Sample or Not to Sample," *The Manchester School*, 74, 23-39.
- Haller, H.**, Kamphorst, J., and Sarangi, S., "(Non-)Existence and Scope of Nash Networks," forthcoming in *Economic Theory*.
- Haller, H.**, and Mousavi, S., "Uncertainty Improves the Second-Best," accepted for publication in collective volume, edited by M. Abdellaoui, R.D. Luce, M. Machina, and B. Munier.
- Boehm, V., and **Haller, H.**, "Demand Theory", to appear in L. Blume and S. Durlauf (eds), *The New Palgrave*, 2nd edition. (solicited contribution).
- Mayo, D. G.**, and **Spanos, A.**, "Philosophical Scrutiny of Evidence of Risks: From Bioethics to Bioevidence," forthcoming, *Philosophy of Science (symposia proceedings of the 2004 PSA)*, forthcoming 2006.
- Mayo, D. G.**, and Cox, D. R., "Frequentist Statistics as a Theory of Inductive Inference," with D.R. Cox, *The Second Erich L. Lehmann Symposium*, vol. 49, *Institute of Mathematical Statistics (IMS), Lecture Notes-Monograph Series*, forthcoming 2006.

Spanos, A., "Philosophical Scrutiny of Evidence of Risks: From Bioethics to Bioevidence," [with D. G. Mayo] (18 pages) forthcoming *Philosophy of Science*, 2007.

Spanos, A., "Specification," (6 pages) entry in the *International Encyclopedia of the Social Sciences*, 2nd edition, Editor in Chief: W. A. Darity, MacMillan, London.

Spanos, A., "Specification Tests," (5 pages) entry in the *International Encyclopedia of the Social Sciences*, 2nd edition, Editor in Chief: W. A. Darity, MacMillan, London.

Spanos, A., "Curve-Fitting, the Reliability of Inductive Inference and the Error-Statistical Approach," (18 pages) forthcoming *Philosophy of Science*, 2007.

Spanos, A., "Statistical Induction, Severe Testing, and Model Validation" (32 pages) forthcoming in *Error and Inference*, [with D. G. Mayo], Cambridge University Press.

Spanos, A., Risks to Health and Risks to Science: The Need for a Responsible "Bioevidential" Scrutiny," [with D. G. Mayo], (16 pages) forthcoming, in *Human and Experimental Toxicology*, 2007.

Spanos, A., "Philosophy of Econometrics," (32 pages) forthcoming in *Philosophy of Economics* (ed. by Uskali Maki), *Handbook of the Philosophy of Science*, Elsevier (editors) D. Gabbay, P. Thagard, and J. Woods.

Spanos, A., "Statistics and Economics: common roots and parallel developments since the 17th century," (38 pages) forthcoming in the *New Palgrave Dictionary of Economics, 2nd edition*, edited by Steven N. Durlauf and Roger E. Backhouse, MacMillan, London, 2007.

Spanos, A., and Mayo, D.G. "Error-Statistics"(26 pages) forthcoming in *Philosophy of Statistics*, part of the *Handbook of Philosophy of Science*, Elsevier (eds) D. Gabbay, P. Thagard, and J. Woods

Spanos, A., "Testing for Non-stationarity using Maximum Entropy Resampling: a Misspecification Testing Perspective," (with A. Koutris), forthcoming *Econometric Reviews*, 2007.

Spanos, A., "Statistical Model Specification vs. Model Selection: Akaike-type Information Criteria and the Reliability of Inference," forthcoming *Journal of Econometrics*, 2007.

Tideman, N.T., Accurate Valuation in the Absence of Markets (with Florenz Plassmann), 32 manuscript pages, accepted by the *Public Finance Review*.

Tideman, N.T., Sources of Public Revenue that Make Nations Richer (with Florenz Plassmann), 20 manuscript pages, accepted by the *Baltic Journal of Law and Economics*. (This paper was requested by the editor for the upcoming first issue of the journal.)

Yang, D. T. "The Integration of China's Urban Labor Markets" (with Liugang Sheng), China Economic Quarterly (top 3 refereed journal in China; newly accepted; in Chinese).

Yang, D. T. "China's Evolving Labor Market" (with Belton Fleisher), In Policy Reform and Chinese Markets: Progress and Challenges, In Belton Fleisher, Nick Hope, Anita Pena and Dennis Yang, eds., Northampton, USA: Edward Elgar Publishing (in press).

Fleisher, B., and **Yang, D. T.**, (in press), "Problems of China's Rural Labor Markets and Rural-Urban Migration," *The Chinese Economy*.

Yang, D. T., (in press), "The Sources of Economic Growth," *In Lectures on Modern Economics*, edited by Guoqian Tian, Shanghai: Shanghai University of Finance and Economics Press. (in Chinese)

Pagan, Jose A., Polsky, Daniel, Ross, Sara, and **Yau, Jeffrey**, "Self-Medication in Mexico: Evidence from the Mexican Health and Aging Study," *Health Policy*, forthcoming.

3. Book Chapters and Other Scholarly Outlets. Published or Accepted for Publication During the 2006 Calendar Year

Baik, K.H., Dijkstra, B.R., Lee, S., Lee, S.Y. (2007), "The Equivalence of Rent-Seeking Outcomes for Competitive-Share and Strategic Groups," Reprinted in Roger D. Congleton, Arye L. Hillman, and Kai A. Konrad, eds., *Forty years of rent seeking research*. Berlin: Springer-Verlag, 2007 (forthcoming).

Baik, K.H. (2007), "Effort Levels in Contests: The Public-Good Prize Case." Reprinted in Roger D. Congleton, Arye L. Hillman, and Kai A. Konrad, eds., *Forty years of rent seeking research*. Berlin: Springer-Verlag, 2007 (forthcoming).

Baik, K.H. and Shogren, J.F. (2007), "Strategic Behavior in Contests: Comment," Reprinted in Roger D. Congleton, Arye L. Hillman, and Kai A. Konrad, eds., *Forty years of rent seeking research*. Berlin: Springer-Verlag, 2007 (forthcoming).

Baik, K.H. and Shogren, J.F. (2007), "Reexamining Efficient Rent-Seeking in Laboratory Markets," Reprinted in Roger D. Congleton, Arye L. Hillman, and Kai A. Konrad, eds., *Forty years of rent seeking research*. Berlin: Springer-Verlag, 2007 (forthcoming).

Durieu, J., **Haller, H.**, and Solal, P., (2007), "Contagion and Dominating Sets," Ch. 6 in Richard Topol and Bernard Walliser (eds.): *Cognitive Economics: New Trends*. Contributions to Economic Analysis, Volume 280, Elsevier, Amsterdam, 2007, pp. 135-152.

Gersbach, H., and **Haller, H.**, (2006), "Household Inefficiency and Equilibrium Efficiency," in Christian Schultz and Karl Vind (eds.): *Institutions, Equilibria and Efficiency: Essays in Honor of Birgit Grodal*, Springer-Verlag, Heidelberg, pp. 187-209.

Mayo, D. G., "Values and Evidence in Science-Based Policy," for K. Shrader-Frechette (ed.), *Handbook on Environmental Philosophy*, Oxford University Press, 2006.

Mayo, D. G., "Critical Rationalism and Its Failure to Withstand Critical Scrutiny", pp. 63-96 in C. Cheyne and J. Worrall (eds.) *Rationality and Reality: Conversations with Alan Musgrave*, Kluwer series Studies in the History and Philosophy of Science, Springer, The Netherlands, forthcoming 2006.

Salehi-Isfahani, D., "Human resources in Iran: potentials and challenges," *Iranian Studies*, 38(1), March 2005, 117- 147, in *Iran in the 21st Century: Politics, Economics and Confrontation*, Homa Katouzian and Hossein Shahidi (editors), London: Routledge, forthcoming August 2007.

Salehi-Isfahani, D., "Western Strategy should take account of less familiar Iran filled with hope," letter to Editor, *Financial Times*, July 6, 2006.

Salehi-Isfahani, D., "The Tale of Two Professions", invited op-ed for the H.A.N.D. Research Foundation. Advancing Research on Iran's Economy.

Salehi-Isfahani, D., "Microeconomics of growth in Middle East and North Africa: the role of households," in J. Nugent and M. H. Pesaran, eds., *Explaining Growth in Middle East and North Africa*, Elsevier, 2006.

Spanos, A., *Error and Inference: Recent Exchanges on the Philosophy of Science, Inductive-Statistical Inference, and Reliable Evidence*. [with D. G. Mayo], forthcoming Cambridge University Press.

This book will be co-edited with D. G. Mayo and will include special invited papers from the conference on ERROR 06 (June 2006) with extensive introductory and concluding sections. It will include papers by Peter Achinstein, Alan Chalmers, Sir David Cox, Clark Glymour, Henry Kyburg, Larry Laudan, Deborah Mayo, Alan Musgrave, Aris Spanos, John Worrall.

Spanos, A., (2006), "The Instrumental Variables Method revisited: On the Nature and Choice of Optimal Instruments," forthcoming in *Essays in Memory of Michael Magdalinos*, ed. by G. D. A. Phillips, Cambridge University Press, Cambridge.

Spanos, A., (2006), "Specification," entry in the *International Encyclopedia of the Social Sciences*, 2nd edition, Editor in Chief: W. A. Darity, MacMillan, London.

Spanos, A., (2006), "Specification Error," entry in the *International Encyclopedia of the Social Sciences*, 2nd edition, Editor in Chief: W. A. Darity, MacMillan, London.

Tideman, N.T., The manuscript of *Collective Decisions and Voting* was accepted by Ashgate in the Spring 2006 and published in December. *Public Choice* is planning to publish four essays reviewing the book.

Yang, D.T. Policy Reform and Chinese Markets: Progress and Challenges, co-editors with Belton Fleisher, Nick Hope and Anita Pena, Northampton, USA: Edward Elgar Publishing (accepted for publication).

Note: as a co-editor, I participated in the selection of papers from a pool of manuscripts that were presented at the conferences organized by Stanford Center for International Development at Stanford University. My editorial tasks also included the review of manuscripts, making comments and suggestions to the authors, contacting and securing a publisher, and coordination of revisions and typesetting for the book publication.

Yang, D. T., and Chen, Weijia, (in press), “Rural Household Income Growth during Economic Reforms in China,” *In Private Enterprises and China’s Economic Development*, edited by Shuanglin Lin, Zhenzhong Wang, and Zunsheng Yin, Beijing: Peking University Press (in Chinese)

Yang, D. T. “Introduction,” Policy Reform and Chinese Markets: Progress and Challenges, In Belton Fleisher, Nick Hope, Anita Pena and Dennis Yang, eds., Northampton, USA: Edward Elgar Publishing (newly accepted).

Yang, D. T., (in press), “Policy Reform, Private Enterprises, and Rural Household Earnings,” *In Private Enterprise and Economic Development in China*, edited by Shuanglin Lin, London: Routledge Press.

Fleisher, B., and **Yang, D. T.**, (in press), “China’s Labor Market,” *In Market Reforms in China*, edited by Nick Hope, Stanford: Stanford University Press.

Yang, D. T., (2005), “Understanding Low Returns to Education during Economic Transition,” *In Proceedings for International Conference on Sustainable Economic Growth in China*, Chinese Economist Society.

PRESENTATIONS/INVITED TALKS

Department faculty presented their research at 56 conferences/invited seminars.

NEW EXTERNAL GRANTS

No new external grants were awarded in 2006. However, several grants were continued and many more were proposed or submitted. Continued grant work follows:

Sheryl Ball

- With **Catherine Eckel** continued work on the WITS Grant project.

Robert Gilles

- Grant # N000140310629 from the Office of Naval Research, Washington, DC., 2003-2006, \$598,410.
 - Title: Game Theoretic Analysis of Radio Resource Management for Ad-Hoc Networks
 - Principal investigators: J.H. Reed, R.P. Gilles and L. DaSilva

- Description: In 2003 my contacts with the MPRG group at the Bradley Department of Electrical and Computer Engineering resulted in a significant grant from the Office of Naval Research (ONR) for an interdisciplinary study of self-organizing networks of communication devices using game theoretic techniques. I am one of the three principal investigators. This grant from the Office of Naval Research was extended into 2006 and has been concluded in April 2006. The grant allowed the formation of a Game Theory Research Group at the MPRG. This group has been conducting weekly research meetings. The group has been very successful in delivering a series of completed dissertations of the affiliated Ph.D. students, including James Neel, Rekha Menon, Vivek Srivastava, and Ramakant Komali
- Grant #B45-282, visitor grant of the Netherlands Organization for Scientific Research (NWO), April-July 2006, 5445 Euros (approximately \$6750).
 - Principal investigators: R. van den Brink and R.P. Gilles.
 - Description: This grant was awarded to cover additional expenses related to my stay at the Vrije Universiteit (Free University), Amsterdam, the Netherlands, during the Spring 2006 semester. During this period I conducted research with several faculty members at the Free University as well as at Tilburg University, Tilburg, the Netherlands.

Dennis Yang

- Principle investigator: “Economic Analysis of China’s Population Policies” (\$10,000). This research project is sponsored by CCK Foundation and Asian/Pacific Studies Institute, Duke University.

Catherine Eckel

- *National Science Foundation Grants* (Co-PI): ‘The Impact of Hurricane Katrina on Charitable Giving: An Experimental Study.’ 11/05-10/-7. With Philip J. Grossman (PI). SGER Katrina Competition \$98,776.00 (SES-0554893)

Deborah Mayo

- *National Science Foundation Scholar's Award*: February 1, 2006-July 31, 2006: SES-0549886 (\$41,330) for the project "Learning From Error: A Philosophy of Evidence and Inference."

Djavad Salehi-Isfahani

- “Labor force participation of women in Iran: a cohort perspective. 2005. PI, with Co-PI Marenglen Marku. Economic Research Forum (Cairo). \$15,000.

DEPARTMENT SEMINARS AND CONFERENCES

The department continued its twice-a-week seminar series with some distinguished outside speakers as well as Economics faculty. We also intensified our efforts to host small conferences at the Virginia Tech campus. In addition, the department hosted the Buchanan Colloquium in May 2006.

III. ENGAGEMENT

Department faculty was engaged in a variety of outreach activities this year. Notable activities included the continuing program with Sungkyunkwan University in Korea. Graduate students from Sungkyunkwan come to Virginia Tech every January for a one-month special course in Applied Econometrics. This program was developed by Aris Spanos, who continues to teach the course.

A detailed list itemized by faculty member follows.

Richard Ashley

- Served as Director of Graduate Studies

Suqin Ge

- Applied Economics Seminar: Invited and hosted Donghoon Lee from Department of Economics, New York University to give a seminar on “Accounting for Wage and Employment Changes in the U.S. from 1968-2000: A Dynamic Model of Labor Market Equilibrium” (November 2006).

Nancy Lutz

- Director of Undergraduate Studies
 - Oversee undergraduate advising
 - Coordinate departmental teaching schedule (Graduate and Undergraduate)
 - Plan and “host” department graduation ceremony
 - Recruit undergrad students to serve as department ambassadors
 - Coordinate Honors Intern program
 - Faculty Advisor to the Econ Club and the Fall 2006 Fed Challenge Team
 - Attended multiple student events
- Interviewed candidates for temporary fiscal specialist position, August 2006
- Interviewed candidates for graduate staff support position, December 2006.
- University Promotion and Tenure Committee: COS faculty rep to this committee. Contributions include attending the meetings of the college committee (where she does not vote); reviewing all promotion dossiers, and participating in the four days of University committee meetings. Was also asked by Provost McNamee to serve as a panelist for the forum he sponsored this fall on changes to the P&T portions of the Faculty Handbook.
- Assisted Jeffrey Yau and Sue Ge with grant applications and as a teaching mentor.
- Prepared our nomination of Sheryl Ball for the Elzinga Teaching Award, which is awarded annually by the Southern Economic Association. Sheryl did receive the award.

Djavad Salehi-Isfahani

- Assisted with recruitment for the Applied Microeconomics position.
- Member of faculty group, Middle East Working Group at VT
 - Assist in organizing lectures on the Middle East
 - Fund Raising
- AAEC: Search Committee, International and Applied Policy position.

- Guest lecturer for Religious Studies and Hillcrest Honors Colloquium.
- Program Committee member, International Society for Iranian Studies Biennial Conference, SOAS, University of London, August 3-5, 2006. Member, Board of Trustees, Economic Research Forum, Cairo.
 - Also the member of a subcommittee that searched for a new Managing Director of the ERF.
- Recorded short interview on Iran's economy for BBC Channel 4. Short segments were broadcast between a series of programs on Iran during their fall focus on Iran.
- Answered questions from USA Today reporter David Lynch for his series of articles on Iran, 9/6/2006.

Aris Spanos

- **Jan. 14- Feb. 10.** Taught a month-long intensive 24 hour course to 21 visiting graduate Korean students (Dept. of Economics, SungKyunKwan University) on **Applied Econometrics**. This was a revised version of the course taught to around 20 graduate students from the same university during the same period 2001-5.
- Served as a Mentor to Jeffrey Yau, a new assistant professor hired in 2005. Dr. Yau attended some of Dr. Spanos' courses and they held weekly meetings to discuss issues that would arise from the lectures and various other topics.

Nicolaus Tideman

- Contract for \$1,200 from the Robert Schalkenbach Foundation, to evaluate the potential to promote land value taxation in Viet Nam. Full responsibility was mine. Completed May 2006.
- Contract for \$10,000 from the Robert Schalkenbach Foundation, to write the first three chapters *Liberty and Justice for All*, the book I am currently working on. Full responsibility is mine. Progress has been slow.
- On four trips to Viet Nam, promoted tax reform there. (Two of the trips were undertaken also for academic meetings in Hanoi and two were undertaken solely to promote tax reform.) I spoke to a meeting of the Prime Minister's Research Commission and a meeting of the Central Institute for Economic Management. I had numerous meetings with government officials and with representatives of the World Bank and the Asian Development Bank. I had interviews with journalists, and I participated in an on-line call-in show sponsored by a broadcaster.
- I responded to numerous inquiries from members of the public regarding the economics of land value taxation.
- I provided copies of my papers to a handful of members of the public who requested them.
- Pointed out to Economics Nobel Laureate Robert Aumann an error in an example in his Nobel acceptance speech, after he re-delivered it at the Hanoi meeting of the Association for Public Economic Theory.

Dennis Yang

- Departmental Recruiting – Assisted Departmental Chairman in conducting first-round interviews at the American Economic Association meetings, preparing bibliographic

- Served as Department Recruiting Chair 2006-2007.
 - Began assisting the interim chair in economics in all aspects of recruiting as early as October. Specific tasks include the writing of the job ads, discussions on allocation of slots, and coordinating communication between the COS CHC and the department. As the recruiting season unfolded, 382 applications flooded in. I sorted all candidates into subgroups, helped coordinate three screening committees to evaluate the candidates, and in the end helped select a group of 35 candidates for college approval. I also participated in writing summaries of these candidates, together with Dr. Cowles, presented their cases to the college, coordinated the approval process, and the subsequent scheduling of their interviews at Chicago. I followed through the recruiting efforts into 2006.
- In the summer of 2006, serving as Senior Fellow at the Center for China in the World Economy of Tsinghua University, I had opportunities of disseminating my research findings on China's labor markets. The CCWE organized a conference based on my research findings. They invited policy makers, news media, and leading Chinese scholars for participation. A summary of my findings on reforming China's labor market was reported in China Financial Times and subsequently was reported on more than 100 leading websites in China. I was invited to attend the National Forum organized by the People's Daily, and was invited to appear on a TV program.
- During my trip to China in the summer of 2006, I delivered several public lectures and seminars on various topics in economics at the Chinese University of Hong Kong, Peking University, Tsinghua University, and Chinese Academy of Social Sciences. Some of these lectures drew a large audience from university students and faculty members and were publicized through different forms of media.
- Mentoring:
 - Jeffrey Yau (junior faculty in economics): we had many conversations on various aspects of his career development, including the improvements in teaching performance and strategies of allocating more time to research.
 - Sue Ge (junior faculty in economics): I read a paper of her last fall and suggested making changes before submitting to a journal.

IV. DIVERSITY ACTIVITIES

We have been very aware of diversity needs, especially in personnel matters. Clearly, we are well represented internationally in both our faculty and graduate students. While interviewing in Chicago we talked often about the need to recruit female faculty members. The number of candidates was considerably enriched in males. When we returned to campus we attempted to invite a female candidate for a campus interview among the first six candidates but were unsuccessful. Later we invited another female candidate to campus but without success. One female candidate was interested in interviewing with us but we were not interested, Dr. Nancy Lutz, who is keenly aware of diversity needs, was part of our interview team. Dr. Lutz also served as Associate head this year and Sheryl Ball was on the Dean's staff. All of our incoming graduate students are international, except for one; and six of the eight are female. This will expand the diversity of our graduate student population considerably with respect to gender.

V. SERVICE

In this section we focus on service to the college, to the university, and to the profession.

Richard Ashley

- Served as chair of the Department Graduate Policies Committee
- Served as co-chair for the joint ECON-AAEC Graduate Policies Committee
- Served on the Qualifying Exam Committee
- Produced 5-year assessment of the Ph. D. program for the University.
- Chaired the econometrics subcommittee of the Faculty Search Committee and participated in the interviews at the AEA meetings.
- Ushered at the graduate Spring Commencement Exercises and at both the graduate and the undergraduate Fall Commencement Exercises.
- Refereed a grant proposal and several journal articles.
- Supervised one undergraduate independent study course (Bradley Shapiro) and one undergraduate research course (Ellen Congleton) in Fall term.
- Mentoring:
 - Ph.D. committees -- Koutris (finished), Chen (finished), Marku (finished), Crawford
 - Ph.D. (Co-chair) – Chowdhury, Radhakrishnan
 - MA committee – Roselle (finished)

Kyung Baik

- Refereed a paper for *Public Choice*.
- Refereed a paper for *Resource and Energy Economics*.
- Refereed a research proposal for the United States-Israel Binational Science Foundation.
- Refereed a research proposal for Research Grants Council of Hong Kong.

Richard Cothren

- Faculty Senate, beginning Fall 2006.
- Departmental Executive Committee
- Departmental Faculty Search Committee
- Departmental Undergraduate Curriculum Committee
- Departmental Qualifying Exam Committee
- Referee for *Southern Economic Journal*
- Advised Ravishekar Radharishnan on the 3rd year paper required of departmental graduate students.

Suqin Ge

- Department Recruiting: Read approximately 80 applications, gave recommendations to the faculty search committee, prepared several bibliographic descriptions of the candidates for CHC review, and volunteered to help with the interview at the AEA meeting.
- Refereed two papers for *European Economic Review*:

- “Impacts of Privatization on Employment: Evidence from China” by Yang Yao and Lingwen Huang.
- “Life Cycle Employment and Fertility Across Institutional Environments” by Daniela Del Boca and Robert Sauer.
- Served as a committee member for Yanfeng Chen’s 3rd year paper.

Robert Gilles

- Served on the Departmental hiring/search committee
- Served on the Graduate Program Committee (GPC) of the joint graduate program in economics.
- Served on the Qualifying Exam Committee of the joint graduate program in economics with the AAEC department.
- Advisor/Coordinator of the BA/MA program of the department
- Served on the Departmental Undergraduate Curriculum Committee
- Associate Editor, since 2004, of *Division of Labour and Transaction Costs*, a peer-reviewed journal focusing on institutional and Smithian approaches to economic development.
- Acted as a referee for the following peer reviewed game-theory and economics journals: *Journal of Political Economy*, *Games and Economic Behavior*, *Economic Theory*, *Mathematical Social Sciences*
- Reviewed a manuscript for publication on behalf of the Oxford University Press.
- Undergraduate advising and mentoring for 2 honors students.
- Graduate advising and mentoring for 5 students (2 at Virginia Tech), including participating in defense committees.

Hans Haller

- Served on the COS Honorifics Committee
- Served on Departmental Graduate Program Committee
- Organized seminar speakers for departmental seminar series.
- Served on the COS Promotion and Tenure Committee.
- Referee for *American Economic Review*, *Economic Theory*, *Games and Economic Behavior*, and *The Journal of Economic Theory*.
- Associate Editor for *Journal of Economics* (since 2005), *International Game Theory Review* (since 2002), *The Manchester School of Economics* (since 1997)
- Principal Advisor of Doctoral Students: Prasun Bhattacharjee, Constantinos Charalambous, Jaideep Chowdhury, Andre Crawford, Darron Thomas, Reza Kheirandish
- Dissertation Committee Member for Hojjatallah Ghandi
- Advising Committee Member for Dongryul Lee (Chair), Juqi Lui (ISE)

Amoz Kats

- University Honor System counselor.
- Served as Co-Chair on the joint ECON-AAEC Ph.D. Qualifying Exam Committee: wrote, composed, and graded exam problems and papers.
- Served on the Departmental P&T Committee.

- Referee for Games and Economic Behavior, International Journal of Industrial Organization, Journal of Regional Science, and the Southern Economic Journal.
- Adviser to undergraduate students majoring in Economics in the College of Business.
- Mentor to Brad Shapiro who is majoring in Economics and Mathematics with additional work in History and in Engineering. Among others, I worked with him last summer on Mathematical Economics (the equivalence of Econ 5124) as well as various problems in Economic Theory. (A week ago he was awarded the Dean's scholarship for a rising senior)
- Member of dissertation committees or third year papers of Duane Gibson, Hojat Ghandi and Dongryul Lee.

Nancy Lutz

- Career Advisor
- Member, Department Executive Committee, Fall 2006
- Member, Department Recruiting Committee, Fall 2006
 - Chaired "Applied Micro" team that screened several hundred applications for our applied micro positions.
 - Coordinated hotel and other travel arrangements for the AAEC meetings.
- Served as de-facto advisor for the BA/MA program until Rob Gilles was officially appointed to fill in for Nic Tideman.
- Department representative to the Pamplin Awards Committee (for student awards and scholarships) and the Pamplin Commencement Committee.
- Chair of the department's Teaching and Awards committee. Served on 2006 selection committee for CoS Dean's Scholarships.
- Served Spring 2006 – Fall 2006 on the College Curriculum Committee
- Associate Editor of the *Journal of Industrial Economics*
- Referee for the *American Economic Review*, *International Game Theory Review*, *Journal of Law, Economics, and Organization*, *NSF*, and the *Southern Economic Journal*.
- Graduate Advising / Ph.D. Committees: Darron Thomas, Zhengzheng Pan, Blair Mongado, Sibel Attasoy (AAEC)

Djavad Salehi-Isfahani

- Served on Departmental Graduate Programs Committee (admissions and curriculum)
- Served on Departmental Qualifying Exam committee
- Served as Departmental Working Paper Coordinator
- Wrote a two paragraph introduction to the department for the department web page.
- Advising: Department of Economics undergraduate advisees, spring 2006 (about 60).
- Mentoring: Ph.D. students:
Committee Chair: Marenglen Marku, defended May 2006.
Committee member:
 - Vivian Chen (defended May 2006), Blair Mongado (defending February 2007), Yangfen Chen (3rd year), Ali Hashemi (2nd year), Guy Hareau (AAEC, defended June 2006), Jackline Bonabana-Wabbi (AAEC, 3rd year), Daron Thomas (5th year), Reza Kheirandish (8th year), Golnaz Taghvatalab (1st year)
- Masters students: -Maria Bowman (Forestry-defended August 28, 2006), Gentian Kostandini (AAEC), -Eftila Tenellari (AAEC).

- Summer research supervision: I worked closely with second year graduate student Ali Hashemi on a research project on an empirical analysis of Iran's 2005 presidential election, for which he was funded by a \$1000 summer grant from the Economics Department. Trained him in statistical software (STATA).

Aris Spanos

- Department Chair (until September 1, 2006)
- Served as Chair of the recruitment committee
- Served on Executive Committee
- FAR Committee Chair
- Seminar Series Coordinator
- Treasurer of Phi Beta Delta
- Refereed for *Journal of Econometrics*, *Econometric Reviews*, *Econometric Theory*, *British Journal for the Philosophy of Science*, *Journal of Economic Methodology*, *NSF*, *Statistica Sinica*.
- Associate Editor for *Journal of Econometric Applications and Theory*
- Graduate Committee Chair for: Andreas Koutris (Ph.D. thesis title: "Testing for Structural Change: Evaluation of the Current Methodologies, a Misspecification Testing Perspective and Applications"), Alfredo Romero, Ian Wright, Dimitris Katroridas, and Nikolaos Artavanis
- Graduate Committee Member for: Christopher Hale, Ali Hashemi, Nicolas Louisos, Zhengzheng Pan, and Liugang Sheng

Nic Tideman

- Served as Chair of Teaching Awards Committee in Spring 2006.
 - Negotiated the teaching awards that the Department awards at Graduation.
- Served on Promotion and Tenure Committee in Spring 2006.
-
- Reviewed manuscripts for *Public Choice* and *Economic Inquiry*.
- Reviewed a book proposal for a publisher.
- Advisor for one-third of College of Business undergraduate majors (about 50 students), three to four 5-Year BA/MA students
- Helped six to eight students in developing career plans.
- Closely supervised the work of Masters Degree work for Russell Roselle, Ph.D. work for Supanit Tangsangasakri, and Duane Gibson, and the dissertation work for Elizabeth Kucinich
- Mentoring: Spent a significant amount of time mentoring Lauren Howard, who graduated in June and is now working on a master's degree in statistics, and Shabnam Mousavi, a former Ph.D. student, who is now an assistant professor of statistics at Penn State and is visiting this semester at the Center for Applied Behavior and Cognition of the Max Plank Institute in Berlin.

Dennis Yang

- Served on the College of Science (COS) Cluster Hiring Committee (CHC). Sept – Oct 2006, and Spring 2006.

- Served on the University International Research Advisory Committee.
- Member of Executive Committee
- Co-Organizer, Friday Applied Economics Seminars
- Organization and participation in the Labor/Development Lunch Group.
- Graduate Program Committee
 - Admission and recruiting of new graduate students from China.
 - Read and reported on approximately 30 applications from China.
- Faculty Annual Review Committee
- Served on Editorial Advisory Boards of: *China Economic Review*, *Comparative Economic Studies*, and *Pacific Economic Review*.
- Served as a referee for: *American Economic Review*, *China Economic Review*, *Economics of Transition*, and *International Economic Review*.
- Served as an external reviewer for Dr. Terry Sicular at the University of Western Ontario for promotion to Full Professor.
- Graduate Advising:
 - Dissertation Committee Chair:
 - Vivian Chen (4th year): Advising efforts were devoted to improving her performance in the job market. Successfully defended thesis in the summer.
 - Blair Mongado (fifth year): Closely supervised his progress throughout the year. Worked on improving his job market paper and on practicing presentations of his research before going to campus visits. In the second half of the year, efforts were mainly concentrated on the second and the third chapters of his dissertation.
 - Oliver Chen (third year): Oliver started searching for a dissertation topic in the summer of 2006. Guided him to explore a couple of data sets that might be useful for his dissertation. Started to explore labor market topics related to health. In preparation for his third-year paper.
 - Dissertation Committee Member:
 - Andreas Koutris, Marenglen Marku, Dongryul Lee (3rd year economics), Xiang Xue (5th year Agriculture and Applied Economics), Eftila Tanellari (3rd year Agricultural and Applied Economics), Elton Mykerezi (4th year Agricultural and Applied Economics), Chengqiu Wu (5th year Political Science and Urban Planning).
 - Wrote numerous letters of recommendation for both undergraduate and graduate students.

VI. HONORS & AWARDS

- **Dr. Sheryl Ball** was recognized by the Kenneth J. Elzinga award from the Southern Economic Association for her outstanding work in teaching and curriculum design.
- **Dr. Richard Cothren**, Department's Graduate Teacher of the Year, Spring 2006.
- **Dr. Rob Gilles**, Renewed honorary fellowships at:
 - The Center for Economic Research (CentER) at Tilburg University, Tilburg, the Netherlands
 - The Center for Increasing Returns and Economic Organisation (CIREO) at Monash University, Melbourne, Australia.

VII. DEPARTMENTAL ADMINISTRATIVE ACTIVITIES

FACULTY RECRUITMENT AND ADDITIONS

The department committed considerable thought and energy into the recruitment of new faculty members. Dennis Yang chaired the Search Committee and shepherded the search efforts from beginning to end. We initially talked about the most critical faculty needs and concluded that given the small size of the department, we should search broadly. Our ad attracted about 400 applications. These were divided into three discipline areas and screened by different subgroups of the department. In fact, our recruitment effort was a total faculty activity. We gained approval of 27 candidates by the College Cluster Committee and arranged to interview them at the Annual Economics meeting in Chicago in early January. We invited the most likely candidates to campus and made several offers over a period of two months. We are pleased to have Drs. Zhou Yang, University of Michigan and Joao Macieira, Northwestern University joining our department in August, 2007.

Another faculty opportunity presented itself in early March. We were successful in extending a spousal hire offer to Dr Stephen Trost, University of Virginia. He will be joining the department in August as a Visiting Assistant Professor. Dr. Sheryl Ball is returning to the department full-time from the Dean's office. Dr. Sudipta Sarangi, will join the department for the fall semester as a Visiting Associate Professor. He will teach and work with selected faculty.

FACULTY DEPARTURES

The gains in new faculty have been offset by departures. Dr. Jeffrey Yau was on unpaid leave and decided not to return. Dr. Marcelo Mello, who returned from leave last fall, accepted a position in Brazil. Dr. Debra Mayo (50% FTE) who was on leave this year is not returning. Dr. Kyung Baik who was a Visiting Professor is returning to Korea. Dr. Dennis Yang will be on study-research leave and Dr Rob Gilles will be on study leave next year.

VARIABLE WORK LOAD

We planned, adapted and initiated variable teaching/research/service guidelines. These are designed to maximize productivity of the department by allowing and encouraging flexibility in work loads. Faculty who have maintained highly productive research programs over recent years will have slightly smaller teaching responsibilities while those who have low research productivity over the past few years will contribute more teaching.

STAFF CHANGES

Beginning in April, our bookkeeper was granted an extended leave as a result of an accident. The department was without a bookkeeper for about 50% of the year. This position is now filled. We also recruited a new graduate administrator. These individuals are both doing an excellent job in their respective positions and have added stability to the department.

VIII. FUTURE DIRECTIONS

The Economics Department remains below the critical size necessary to provide the necessary academic support to fully prepare our undergraduate and graduate students professionally. Certainly, we are not of the size to provide adequate support for a top-50 research University. The Economics Department had 25 full-time faculty positions in 1990 and this fall we expect to have 14. The average number of full-time economics faculty positions at the ten land-grant universities that are our peer institutions is 29. The average for the four largest institutions in Virginia including James Madison is 25.

There are three critical tasks that are of highest priority for next year: **new departmental leadership, external departmental review and recruitment of new faculty members**

Departmental leadership is a concern and must be addressed. Part of 2006 included an interim head from outside the discipline. This was and is a transition period to move beyond an emotional period. The department must obtain and support new leadership to begin longer-term planning on departmental growth. If the external reviewers recommend a national search for external leadership this should be supported by the administration.

Economics is scheduled for an external review within the College and this should be conducted in 2007. This review should be timely and helpful to the Department and the University.

Recruitment of new faculty is critical. We need to grow the size of the faculty and in order to do this we must recruit at least two faculty members each year for several years. While we were successful in recruitment of new faculty this year, the faculty size remains the same. We suspect another two faculty member may accept other positions next year. So until the number of new faculty exceeds the departures we are just maintaining a critically small department. The current shortfalls in faculty positions are all in core areas of economics. The two faculty positions that we recruited this year were in applied economics but this leaves us short in macro/international economics which must be a priority for the next search. Each new hire needs to be willing and able to form strong interdisciplinary collaborations, so that he or she can make a significant contribution to the University's goals.