

Koch Foundation Proposal for Supporting FSU Economics Department

The following are estimated expenditures suggested by the Koch Foundation. They are not finalized. The Dean is working out details with Koch representatives details. In fact, I expect that some details that I do not discuss below may arise (for instance, it is possible that a center or institute will be created, but that was not part of the original proposal and has not been explicitly added yet), and some of the things discussed here could change, as negotiations proceed.

<u>Faculty</u>	<u>Cost</u>
• 2 Junior Faculty Lines (6 yrs)	\$ 1.7 million
• 3 Senior Faculty Lines (6 yrs)	\$ 3.85 million
• Benson as Dept Chair (3 yr term)	\$ 105,000
<u>Graduate Students</u>	
• 2 Grad Fellowships/2 cohorts (4yrs)	\$ 552,000
• Post Doctoral Program (1/yr: 4yrs)	\$ 300,000
<u>Undergraduate</u>	
• Teaching Specialist (5yrs)	\$ 625,000
• Undergrad Student Program (3yrs)	<u>\$165,000</u>
TOTAL	\$ 7 million

EXPLANATION

First, for information about the Koch Foundation, go to <http://www.cgkfoundation.org/> where you will see that the Foundation was created by Charles G. Koch, head of Koch Industries (the largest privately held firm in the world, with some 80,000 employees, and \$90 Billion in revenues from a wide variety of activities in refining and chemicals, process equipment and technologies, fibers and polymers, commodity and financial trading, and forest and consumer products; Koch Industry brands include Stainmaster Carpet, Lycra spandex, Quilted Northern Tissues, Dixie Cups, etc.). Note that Charles Koch is a libertarian, as are his brothers. The Koch Foundation agenda is to expose students to free-market ideas, and to provide opportunities for students who want to study with faculty who share Koch's appreciation for markets and distrust of government. The proposal is, therefore, not to just give us money to hire anyone we want and fund any graduate student that we choose. There are constraints, as noted below.

Second, Koch is not proposing to provide all \$7 million. Charles Koch has organized a group of Foundations with similar agendas that meet twice a year to discuss funding strategies, etc. If some version of this proposal is agreed to, Koch will invite representatives from FSU to these meetings, introduce us, allow us to make our pitch, and encourage others to join them in funding the program. Koch has a huge endowment, and if this works out, they are likely to provide more support in the future (see discussion of graduate student support below, for instance), as they have at other institutions (examples provided later). However, they also want FSU to demonstrate a commitment to the program (e.g., make a sincere effort to raise other money from their network of foundations). Note in this regard, that a similar arrangement was worked out at George Mason University recently, with a \$7 million objective, and they ended up getting over \$8 million. Koch is confident that the funds are going to be available.

Third, note the line “Benson as Department Chair.” I told my wife, a few months ago, that I would not serve a second term as department chair (the benefits that arise from being chair, essentially some course release and partial summer support, are not sufficient to cover the costs – e.g., the lack of time for research and writing; dealing with the never-ending stream of stuff from the administration, much of which appears to have been created to justify the existence of one office or another, while requiring lots of attention with no benefit to the department; trying to meet the commitments listed above in the face of what appear to be ever increasing constraints; dealing with student complains, faculty complaints, staff complaints; etc.). I also told Koch representatives that I did not intend to stay on as Chair after the current three year term. However, Koch has indicated that they would not be willing to commit the proposed level of funding if I do not continue to serve as chair until the proposal is implemented. They are willing to help induce me to do so, and this line item reflects that effort.

Fourth, the proposal is to fund 30 faculty years, i.e., five faculty for six years. This means that the university has to commit five lines to this program. The department will not have five tenure track lines available when the hiring is done so the remaining lines must be provided by the Dean and the Provost. The preliminary plan is that vacant lines in the department will cover 30 percent of the required salary dollars, the Dean will pick up 42%, and the Provost will pick up 28%. Assuming that the Provost agrees to this allocation, he will be contributing 1.8 new lines to this effort. The Dean reports that the Provost seems amenable to such an arrangement, but there is not yet a firm agreement on final numbers. The Dean and Provost have agreed that the University will put the new hires on faculty lines at the outset and the Koch Foundation and its partners will reimburse us over the six year period.

Fifth, the “preferred” candidates for these lines, from Koch’s perspective, are senior assistants and junior associates. They want us to hire faculty who are likely to get tenure fairly quickly, but are not so senior that they will be extremely expensive and only here for a short period (this may reflect their experience with moving Vernon Smith to George Mason, as discussed below).

Sixth, Koch is willing to commit to two cohorts of 2 graduate students initially, but the intention is to continue this support if the rest of the proposal is implemented (i.e., if the faculty are hired). The proposed level of funding exceeds what we are able to offer students now by several thousand dollars so the intention is to allow us to compete for at least two very strong grad students each year. The calculations underlying the numbers are:

1 st year out of state tuition waiver:	\$ 20,000
2 nd -4 th year in state tuition waiver:	\$ 6,000/year
Yearly stipend:	\$ 25,000/year

My proposal to Koch is that prospective students would apply for admission to our PhD program, and apply separately for the Koch Fellowships, and that they would have to be accepted for admission before they can be considered for the fellowship. That is, the department graduate committee would screen all candidates for admissions first, just as they do now. Then another committee would look at those students who are admitted and who apply for Koch Fellowships (I suggested a committee made up of our Eminent Scholars and Endowed Professors: Mark Isaac, David Macpherson, Jim Gwartney, Keith Ihlandfeldt, Randy Holcombe, and me, but that is simply a proposal). Fellowships would only be awarded to students who are already admitted (meet our standards), and who also satisfy donor intent with regard to the allocation of the fellowships (necessary if we hope to attract continued funding).

Seventh, the money for Post Docs is not intended to bring post docs to FSU. It is intended to support FSU PhDs so they can have post docs at other institutions. They recognize that FSU is not a top 25 PhD program, so if we are going to be able to compete for good graduate students and those students are going to be able to compete for good positions when they go on the market, they are likely to need additional credentialing. A post doc at a high-prestige program can provide such credentialing.

Eighth, the undergraduate program concepts are not clearly fleshed out, but the idea is to provide activities and courses that keep good students excited about economics after their introduction to the discipline in our principles courses. They feel that we do a very good job handling large numbers of principles students, and that we might be able to attract a group of majors who can be mentored and motivated to go on to graduate school by offering interesting special topics courses and special activities (e.g., as NABE is trying to do). Therefore, they are willing to fund another teaching specialist line, and to provide additional funds to support program development. Koch representatives will be visiting FSU on Wednesday and Thursday of next week to discuss ideas about undergraduate program changes (they have various models in mind including one run by Dan Klein when he was at Santa Clara and some new ones that they are supporting elsewhere, including one at Utah State). The calculations underlying the undergraduate studies program are:

Special Topics Teacher (10k/semester)	\$20,000/year
Director of the program	\$20,000/year
Expenses (speakers, travels)	\$15,000/year

Both the teacher and the director can be current faculty or new faculty, and the funds can presumably be taken as summer salary or course buyout, so the individual faculty members are compensated for the extra effort required.

CONCERNS (POTENTIAL COSTS) ABOUT THIS PROPOSAL

Department chair: The Dean and provost are joining the Foundations in trying to convince me to serve a second term as Chair. If they do so, I expect that some and perhaps most of you will consider that to be a significant cost (I know I do).

Constrained hiring: As we all know, there are no free lunches. Everything comes with costs. In this case, the money for faculty lines and graduate students is coming from a group of funding organizations with strong libertarian views. These organizations have an explicit agenda. They want to expose students to what they believe are vital concepts about the benefits of the market and the dangers of government failure, and they want to support and mentor students who share their views. Therefore, they are trying to convince us to hire faculty who will provide that exposure and mentoring. If we are not willing to hire such faculty, they are not willing to fund us. There clearly is a danger in this, of course. For instance, we might be tempted to lower our standards in order to hire people they like. We obviously cannot let them dictate who we hire, but we also should not adjust our standards in order to get this money. We cannot expect them to be willing to give us free reign to hire anyone we might want, however, so the question becomes, can we find faculty who meet our own standards but who are also acceptable to the funding sources? We have some experience in this regard, and I do not believe that the results were negative. Both Keith Ihlandfeldt and Mark Isaac were hired to fill chairs funded by people with very strong political views.

So what kind of people will be acceptable to the funding organizations? I am sure that these Foundations have supported faculty hires elsewhere that many people here, including me, would object to. They cannot tell a University who to hire, of course, so those faculty hires presumably

were also acceptable to the universities that hired them. Importantly, they have also supported faculty hires that many of us would probably be quite pleased with. Among the faculty hires at George Mason that Koch funded are Vernon Smith and the rest of the experimental group that moved there with him (including Bart Wilson who gave a seminar here last year and who Koch thinks would be a good hire for us if we are interested and can get him to move again – he is no longer at GMU). When Vernon and some of the other experimentalists (including Bart) decided to leave there earlier this year, Koch supported hiring full professors John Nye from Washington University in St. Louis (Northwestern PhD) and Werner Troesken from the University of Pittsburgh (Wash U St Louis PhD), and Gary Richardson from UC-Irvine (1999 Berkeley PhD, all of whom are, I believe, well regarded economic historians; associate professors Garrett Jones from Southern Illinois-Edwardsville (I do not know him, but he is UCSD PhD with publications in the JME, Journal of Economic Growth, and elsewhere) and Pete Leeson who was at West Virginia (GMU PhD, Harvard post doc, publications in or forthcoming in the JPE, JLE, JEBO, J Legal Studies, Public Choice, and lots of other places); and assistant Professor Omar Ahmad Al-Ubaydli (2007 Chicago PhD with 3 publications). I have CVs for these individuals for anyone interested in looking at them. I believe that we can find candidates who meet our standards for research and publication but who are also acceptable to the donors. I should also note that virtually none of these people were proposed by Koch. When GMU advertized they got a substantial number of applicants from people that had not been considered by Koch, but who met both GMU and Koch requirements.

In addition to funding several faculty lines, they have provided substantial support for the Public Choice Center, the Mercatus Center, the Institute for Humane Studies, and the Center for Law and Economics, all located at George Mason, as well as the Cato Institute. All of these organizations have web pages so you can get a pretty good idea about the kinds of faculty and research that appeals to Koch and the other funding organizations. If you look at them I believe that you will find a substantial range of focus. Cato is clearly a policy-driven think tank with an obvious libertarian agenda. The Public Choice center and the Center for Law and Economics are much more academically oriented, with faculty pursuing publications in reputable academic journals rather than trying to engage in political policy debates. Mercatus is similar to the DeVoe Moore Center in a lot of ways, except that it is larger and focused on national rather than state and local policy issues; that is, it produces both quality academic work and policy studies for non-academic audiences. IHS focuses almost exclusively on students (fellowships, summer programs, networking and information, help in job search), but with some support for young faculty.

I am most familiar with Koch's activities at GMU but they supports other universities too. In fact, they are currently supporting Mark Isaac in his efforts to develop a new course, Russ Sobel at West Virginia is getting funding from them, they have endowed a chair at Kansas (the Koch family is based in Kansas), they are supporting undergraduate education enhancement efforts at Utah State, and so on. I note that the Kansas Chair has apparently not been filled. I do not know for sure why, but it may be that the University and the Foundation have not been able to find someone who is acceptable to both.

As noted above, Koch cannot tell a university who to hire, but they are going to try to make sure, through contractual terms and monitoring, that people hired are be consistent with "donor Intent." For instance, whenever an eminent scholar chair is filled at FSU an "outsider" is appointed to the search committee (this was the case for all of the searches we have done for ESCs). Koch will want to designate a representative on the search committee in filling these funded lines. Note that it would be a "search committee." That is, the committee will not be given a list of 5 people to hire. I expect that it will consider people suggested by the donors, but positions would also be

advertised, faculty would be able to contact people and suggest candidates (I know that if this program is implemented, I will be contacting a large number of people, asking them for suggestions, and I hope this will be done by everyone on the faculty). As noted above, GMU's recent experience was that a substantial number of applicants materialized, and most of those chosen came from applicants who were not anticipated by either Koch or GMU faculty.

I can say with some confidence that Koch will not try to force us to hire particular people. In fact, they have suggested a few people that we might want to look at, and I have replied, in two cases, both involving friends of mine, that I did not believe that they met our department's standards. Therefore, while I would enjoy having them here, personally, and I like and agree with a lot of what they write, I did not see them as viable candidates. When I said that, these individuals were simply dropped from further discussion. Among others that they have also suggested we look at, I have circulated the vita for one to people in his field [Andrew Young, currently at Mississippi <http://home.olemiss.edu/~atyoung/cv.pdf>]. I just was given another name, Richard Geddes, currently in the Department of Policy Analysis and Management at Cornell. My quick look suggests that he has several good hits (AER, JLE, JLS, JELO, JEP), some of which I have read, but the number of publications appears low given time since PhD. Some of you may want to take a look at him [I cannot find his latest vita on line, but a relatively recent one is at <http://www.human.cornell.edu/cbe/Features/upload/cv106rrg.pdf>].

Another likely participating foundation, BB&T, has funded chairs and professorships (with titles that include words like Capitalism, Free Enterprise, and Entrepreneurship), as well as student fellowships, at numerous universities including Duke, UNC, USC (South Carolina), UF, Georgia, West Virginia, Virginia, Kentucky, and Clemson (Bobby McCormick who some of you know). We do not know what other potential donors will be involved. The Chair of this foundation is a big Ayn Rand fan and will probably demand that we offer a course on the moral foundations of capitalism using Rand's *Atlas Shrugged* as one of the readings. This does not mean that we have to hire someone to teach this course, however. Someone already hear could do so (I actually would be interested, and Randy may be too).

I am trying to give as much information as I can about the likely hiring constraints that will arise if we choose to pursue this opportunity, but we also must keep in mind that hiring is always constrained in some way. For instance, Ljubisa Adamovich performed substantial services for the International Affairs program, and taught courses that were heavily populated by international affairs students. This program has a large number of students (that is, generates a large number of FTEs for the college) but has no courses of its own. The Dean has stated that if we were in a position to hire on this line, the person we hire would have to provide similar support and courses for International Affairs. Similarly, the Dean has repeatedly stressed, to all chairs in the college that we must consider the potential for staffing our Masters classes when we hire because the low cost graduate FTEs these programs generate are vital to the college (this is a constraint that will have to be considered if we proceed with this proposal too, but it may be relatively easy to deal with since many of the people we are likely to be considering are likely to be "applied" micro or macro economists rather than pure theorists, for reasons I would be happy to elaborate on if they are not apparent). We even constrain ourselves because we have decided that various courses must be required for our various programs, and therefore we often must consider more than just scholarship in hiring (when we must hire someone to teach a particular course we may pass up a superior scholar in the "wrong" field). Constraints always exist (right now it is constrained to zero expect for pathways to excellence cluster hires).

Ethical/moral issues: Some faculty members may feel (in fact, some already have argued) that the hiring process should only consider scholarship and not what other characteristics people may

have. Similarly, some will object to having any group trying to use our department (or any other department) as a means of furthering their political agenda. I have considerable sympathy for these normative arguments. Indeed, I wish that universities were free of political manipulation. Unfortunately, the reality is that we live and work in an environment that is subject to all sorts of political manipulations.¹ This reality does not make accepting such funds “moral” or “right” of course, and those who feel that we compromise our integrity by agreeing to consider something other than scholarship in hiring certainly should voice those concerns. In this case, however, the choice is not between hiring based on scholarship alone or hiring based on scholarship and something else. This brings me to potential benefits.

POTENTIAL BENEFITS:

Faculty Hiring: We are not going to be able to hire anyone (except for the experimental cluster), at least in the near term, if we do not work out an acceptable arrangement with Koch and its funding partners. By near term I mean at least 2 and probably 3 to 4 years (before last Friday I thought it would be 2 to 3 years, but the revenue estimating conference apparently is now projecting that the state’s budget picture is not going to turn upward for another year beyond what they were projecting). Even after that I expect that hires to fill vacancies will be spread out over a few years at least. After all, this is what happened the last time we went several years without filling vacancies when Cnudde was Dean. It took several years under two Deans to finally get fully staffed. Because we were not successful in filling one vacancy last year, and Adamovich retired at the end of the academic year, we now have two vacant lines, at least as far as teaching is concerned (technically, the Adamovich line is the Dean’s and it must be used to facilitate the International Affairs program, as noted above, but all of the courses he taught were economics courses, some of which fulfilled requirements listed below, and we got the FTEs). The number of faculty we are likely to lose over the next 2 to 4 years without hiring means that we could have almost as many lines vacant as we did when Cnudde resigned. George Macesich retires at the end of December, for instance, and we could lose others through resignation (Stefan?, others who are drawn away by better offers in light of Florida’s budget policy; I know of at least three senior faculty who have been approached by other Universities recently), not to mention negative third year reviews or tenure votes, which we all hope does not occur. Frankly, I would be surprised if we are fully staffed again before I retire from the university (hopefully at 67, in about 9 years).

We have survived periods with large numbers of unfilled lines before without too many negative impacts on the faculty who were here, of course, but things are somewhat different now. In recent years we have faced (and so far effectively responded to) university mandates to increase our student numbers (FTEs, undergraduate majors, graduate students), in large part

¹ We are under constant pressure to hire people for affirmative action reasons, for instance, due to the political activities of various groups both inside and outside the university who have successfully pursued their agenda, presumably because they feel that it is a morally justified agenda (one that many of us may agree with). Institutes like the DeVoe Moore Center, the Stavros Center, and the Pepper Center were started with funds from people or organizations with political agendas (it is not clear that such institutes always pursue the agenda envisioned by the donor, of course). In fact, if our department had demanded that nothing be considered except scholarship, we could not have accepted the endowment funds that allowed us to hire Mark Isaac and Keith Ihlanfeldt or to keep Jim Gwartney, Joe Calhoun (who is getting some of his compensation through the Stavros Center as its assistant director), or Dave Macpherson (who gets partial support through Pepper). The fact is that lots of University faculty members are hired because their political views are perceived to be consistent with those of someone with an agenda that involves something other than just getting the best scholars. I am told, for instance, that there are a number of departments here that have political litmus tests for hiring (amazingly to me, this includes English and some of the foreign languages). These tests are applied by highly-political faculty, of course, rather than by some concession to a donor in exchange for funding.

because of the legislature's enrollment-based funding formula. In fact, the college, and therefore the department, has been given "targets" for % increases in enrollments at all levels, with threats of significant budgetary consequences if the targets are not met. Shrinking faculty numbers will make future increases to meet new targets more difficult to achieve, but more significantly, our strategies for meeting these requirements have including developing a new undergraduate major and a new applied masters program. This has added considerably to the courses we are required to teach. In addition, over the last few years the department has accumulated a large number of new commitments to offer courses, many with small enrollments, either to meet the desires of other programs or to meet various administrative objectives. At the same time as we have expanded our commitments to offer courses, increasing numbers of regular faculty have been getting course releases.

If we are unable to hire over the next few years, significant changes are inevitable. An effort can and will be made to reduce commitments to other programs and administrators, but that will require agreement from the Dean in some cases, and from higher level administration in other cases. Therefore, I expect that the most significant changes will have to come at the department level. Some faculty will have to be shifted into courses that we are required to offer, out of courses they prefer to teach. Some changes (reductions) in departmental program requirements also will probably have to be made. Let me indicate the commitments we have accumulated first (and a few more that have been proposed but are being resisted), and then discuss the reductions in available teaching faculty.

RELATIVELY NEW DEPARTMENTAL PROGRAMS/COMMITMENTS:

At least 10 new class sections per academic year have been added to the department's teaching load because of our new Applied economics undergraduate major, and this is likely to rise by 3 soon. We require applied micro (ECO 3104) and forecasting (ECO 4431) for this major, and two sections of each are now offered every semester (we limit enrollment in each because of the large amount of homework and projects that students must do and faculty must grade in these applied courses). It appears that we will have to add another section of each soon if we are going to meet demand, as all 4 sections filled very early in spring registration (I also try to offer one section of each in the summer). The previously existing course, money and banking (ECO 3223), also is required for this major, so we are offering two sections of it every semester rather than one (we also offer at least one section in the summer), and we will probably have to add another soon.

6 new class sections must be taught during the academic year because of our new masters program (Applied Micro I [5114], Applied Macro [5206], Applied Econometrics [5420], Forecasting [5434], Global Macro [5208], and Applied Micro II [5117]). We also must staff 2 class sections for the Masters project [ECO 5973 in both 6 week sessions] in the summer. While this program has generated valuable graduate FTEs, there are very few faculty members who are willing to teach the kinds of applied courses that are required for the program to be successful (see more on this point below).

2 new class sections have been added due to growth in numbers of traditional majors, with more additions likely soon. Growing numbers of traditional majors are increasing demand for the three required courses (intermediate micro [4101], intermediate macro [4203] and econometrics [4421]) and we have already added a third section of intermediate micro each semester as a result. We may have to do the same soon for econometrics and perhaps intermediate macro (we have been offering the intermediate macro course in larger classrooms, but we limit enrollment in micro and econometrics because of the heavy homework-grading loads in those courses), unless we are going to simply not meet student demands.

RELATIVELY NEW OUTSIDE COMMITMENTS:

Despite the principles redesign and the switch to large lecture halls, we are committed to offer 10 small (i.e., 25 or fewer students) sections of principles each year: (1-8) 8 sections of honors principles per year [four each of ECO 2013 and 2023], with 25 student caps; (9) one section of principles for the "Social Science and Public Affairs Living and Learning Community" (LLC) Dorm each spring semester, capped at 20 [usually 2013], and (10) at least one principles section per year of 2023 for Social Science Education, capped at about 20. 9 of these sections reflect administrative objectives. Honors courses and LLC programs are seen by some administrators as desirable for recruiting relatively strong undergraduates. As a result, a few years ago the department committed to teach 3 sections of honors principles and one section the LLC program, in exchange for getting a new teaching line (I believe that Joe Calhoun was hired on this line). As Jim Cobbe explained to me, however, somehow this became a commitment to offer 4 honors sections plus the LLC course each year. Note that honors and LLC sections are supposed to be taught by "real faculty" (i.e., not adjuncts or graduate students). Two years ago a similar deal was made to offer 4 more honors sections in exchange for another teaching line (Lora Holcombe was hired on this line), and it appeared to be a good deal at the time because Lora teaches 6 course a year. We were also fully staffed at the time, however, while we now have empty lines and a hiring freeze. As it turns out, we have fewer teaching resources now than we did when the deal was made, but the commitments remain. Finally, arrangements were made sometime in the past to offer a special section of 2023 for Social Science Education majors. The major requires students to take ECO 2023, Section 12, which is taught exclusively to students with that major (Jim Gwartney teaches it once a year). We have also agreed to offer a similar section of ECO 2013 Section 12 this coming spring because Jim is willing to teach it gratis as an overload, but I am reluctant to commit to offering this on a continuing basis under current circumstances.

We offer one section of "Masters-level" health economics each year, not for our own students but for the Public Health program, due to a commitment made when that program was created a few years ago. We offer this as a joint-listed course exclusively for non-majors [ECO 5936, Special Topics in Health Economics], listed with our undergraduate health econ course (ECP 3530), but that means we have to offer health econ every year, and the people who are qualified to teach it prefer not to (this year I have an adjunct doing it), in part because of the joint-listed Public Health component. Faculty tell me that this joint listing does not work very well since the Public Health students generally are not as prepared for the course as the undergraduates who take it. Public Health apparently agrees, as they would like us to offer a separate Health Econ course for them (or perhaps for them and students in the Social Science Masters program), essentially a principles course with health examples. I am unwilling to do so at this time, as it would be a very small enrollment course and add to our commitments without adding to resources. Technically, the Public Health course is an elective (students can either take it or a specified public administration course) but the director of the Public Health program expects it to be provided and seems to think we are obliged to do so (apparently with some justification since Farasat was hired as part of the arrangements to develop the public health program in the college).

We have been offering at least one graduate course every other year for the demography program. Carl teaches Mathematical Demography (ECP 5117) every other year and he also teaches a graduate population economics seminar (ECP 5115) occasionally. The Population Center is under instructions to revamp its MS in Demography curriculum, however, and one part of that plan is for Carl to teach a new course in "Introduction to Population Data and Analysis" [no course number yet] each Fall from 2008 forward. The Dean has indicated that we should let Carl teach the course. Thus, our commitment to the demography program is about to increase to one course every year, on top of the every-other-year ECP 5117 and the occasional 5115.

We apparently are committed to offer at least one course per year for Financial Math program. The masters and PhD programs in Financial Math require ECO 5281, Financial and Monetary Econ I (Paul has been teaching it, but he has applied for sabbatical next year), and Milt tells me that the program is also considering requiring Financial Econ II (ECO 5282). Carlos used to teach it, and Milt is teaching it now, but he has applied for a sabbatical next year. Clearly, I am not able to agree to any commitment to offer the course on a regular basis under the current faculty constraints.

We also offer one course per year for graduate International Affairs, ECO 5005 (Economic Principles for International Affairs). Jim Cobbe generally teaches it, and Jim Gwartney is teaching it this year. I am not sure that it is a required course for the program or one of a few options, but we apparently are expected to offer it. Furthermore, as noted above, the Adamovich line was dedicated to provision of courses that would be geared toward undergraduate international affairs majors (e.g., comparative systems [ECS 3003], economics of transition [ECS 4333]), and when the line is filled again, it will have that same focus.

We are committed to teach ECO 5403, static optimization, once a year, as it is a required course for the PhD programs in Finance, Accounting, and Risk Management and Insurance. Tim Salmon has been teaching it by listing it jointly with our undergraduate math econ course (ECO 4401).

I have been asked to commit to offering a course in energy and environmental economics for the new masters program in renewable energy, but I am not going to make the commitment under current circumstances. The request is that we joint list our undergraduate environmental course. ECP 3302 (while I do try to offer this each semester because it is a popular course, it is taught by an adjunct since I do not have a faculty member to teach it), but that is not really what such masters students should be getting (they probably should get a fairly technical version of micro principles, since most will be strong mathematically but have no economics, with environmental and energy applications, but since the program is small, we are clearly not in a position to offer such a course exclusively for them).

The relatively new commitments discussed above are added on top of previously existing commitments, of course (e.g., the ten “core” (required) courses in our PhD program, required courses for our traditional undergraduate majors, principles courses that are required by many other departments particularly in the business school, along with sufficient numbers of field courses for graduate students to fulfill field requirements and sufficient numbers of electives so that our undergraduate majors can fulfill their requirements).

SHRINKING RESOURCE BASE FOR TEACHING:

It may seem like the department is growing, and on some dimensions it certainly has been. For instance, some of the obligations listed above have been accompanied by new teaching-faculty lines (e.g., obligations to teach honors principles), and we also were fortunate to hire a new full professor because of the experimental cluster. Furthermore, under Deans Cowart and Rasmussen we gradually filled all of our vacant lines, bringing us to full strength before the most recent loses. However, as noted above, our lack of success in filing a vacant line last year, along with two retirements, means that, at the end of this semester, we will have 3 lines vacant (and Adamovich taught 2 extra courses). The hiring freeze means that if Stefan does not return, we will have four vacant lines next year (not to mention sabbaticals discussed below). Hopefully, we will fill an experimental line to start next year, giving us one replacement for classroom duty.

Note that this is supposed to be a new line, however, not a replacement line. Nonetheless, we are fortunate in this regard, relative to most departments on campus who are not being allowed to recruit at all.

Giving us lines in exchange for commitments to offer specific courses (or in specified areas of research), and then not allowing us to fill other empty lines, simply adds course commitments without teaching resources to meet the commitments (faculty hired for specific areas of research may be, but are not necessarily, well equipped to teach the courses we are committed to teach).

Growth in numbers of faculty also does not necessarily translate into a proportionate growth in our ability to put teachers in classrooms, because in terms of teaching, not all faculty members are equal. We have 33 faculty listed on our web page, but they are teaching anywhere between 0 and 8 courses this year. At the low end (zero), one is on leave (Jim Cobbe) and one is the Dean (Stefan is also on leave, but he is teaching one distance learning course for us in the spring, and Don is on leave for the fall only, so he will teach a normal two course load in the spring). At the high end, three non-tenure-track faculty members teach 6 or 8 courses during the academic year, depending on their other assignments and the courses involved. While the teaching load for tenured and tenure track faculty supposedly is four courses, course releases are given to new faculty, some faculty in departmental administrative positions (e.g., Chair, Graduate Director), and several other faculty members for various other reasons. Indeed, not counting the Dean and the 3 people on leave for all or part of the year, 11 faculty members have at least one course release this year. As a result, the average course load this year is just a little less than 3.2 courses per faculty per year (dropping the two people with zero courses raises this to almost 3.4). Importantly, many of these course releases are relatively recent developments.

First, each eminent scholar gets a course release. While it is great to have the 4 eminent scholar chairs that we have filled (over the last roughly 8 years I think), filling these chairs has not added faculty lines (my recollection is that we have had to devote at least one regular line, and perhaps more than one, to hire each of the two new faculty for ESCs, and two of our ESCs were given to existing faculty). 4 ESCs mean that as far as teaching goes, we are down a line relative to what we would have if the lines were not designated for ESCs.

Second, endowed centers in the college generate lots of benefits for college faculty, but directors of 3 college centers are from the economics department (the other is from sociology) and each of them gets a course release as center director. The director of the new experimental lab will also be getting a course release. That effectively takes another faculty line away, as far as teaching goes.

Third, while the masters program added six courses during the academic year, it also added a course release for the masters program director (not relevant this year since the director is on leave, but presumably relevant in the future).

Fourth, because of the level of experimental work being done by our faculty, the department now has a representative on the University IRB committee who is getting a course release. This committee demands a lot of time, so the University allegedly has decided to compensate faculty for serving on it, essentially by providing enough funds to hire an adjunct to replace the faculty member in one class (we have not received those funds yet, however, so perhaps the budget cuts have eliminated them). Similarly, the increasing level of grantsmanship in the department is resulting in growing numbers of course buyouts. Buyouts also give us funding to hire adjuncts, so presumably we are not losing teaching capacity (indeed, buyouts often more than cover the price we pay for an adjunct). Unfortunately, however, the supply of reasonably good adjuncts is limited. 10 sections are being taught by adjuncts this semester and 9 will be next semester. I

have been unable to find an adjunct to take on another scheduled course next semester for a faculty member who has just come up with buyout money. I also tried to put a graduate student in the course, but grants, centers, and endowment funds are hiring away increasing numbers of our senior graduate students too, reducing the supply of potential substitute teaching resources from this source as well. So far I have not found a replacement.

Conclusions regarding benefits of faculty hiring: We have very little (or no) bench strength for many of our high-demand and required courses. We have not been able to offer some courses that attract large numbers of FTEs from non-majors since Adamovich retired, for instance (comparative systems and economics of transition as noted above; Ljubisa also generally taught the LLC course, so I have had to come up with a replacement there too), and if Joe Calhoun were to get hired away, we would face a very serious problem trying to teach the six large lecture principles sections we now offer every semester (Joe teaches half of them, and really would like some relief soon, in the form of teaching something else).

We also face the same problem at the graduate level. Several courses that are required as part of our applied Masters programs or a PhD program are particularly problematic in that even one faculty departure, whether short-term or permanent, can undermine our ability to offer a course. With Stefan gone, Manoj was willing to step in and teach the Global Macro course, and Gary has agreed to take on the Masters Project in the summer, but if either of these people, or the people teaching some of the other Masters courses, was to leave, it would be very difficult to maintain the masters program as it was designed. For instance, Don is on unpaid leave this fall, leaving us with no one in the department willing to teach the Masters macro (5206) course. We were able to bring in a visitor to replace Don because he went on unpaid leave (which meant that we got part of his salary), but this has proved to be a relatively undesirable solution for the Masters course, as visitors are not sufficiently familiar with the intent of our applied masters program, and tend to teach a more theoretical course than is desirable.

We have similar vulnerabilities with some of our required PhD courses. Paul has applied for sabbatical for next year, for instance, and he has been teaching Financial Econ I, a required course for Financial Math, as noted above. I expect that we will not be able to offer the course next year (this course and another that he teaches, time-series econometrics, typically have some of our largest enrollments because they are taken by some of our students as well as students in Finance and Financial Mathematics). Even more significantly, we rely completely on Don and Milt to teach the required graduate macro courses in the PhD core (5204 and 5207). Both have also applied for sabbatical for next year. If they get the sabbaticals, we probably will not be able to offer at least one of those courses (although that does depend on the timing and duration of the sabbaticals). Manoj has already stepped in to teach the global macro course [5208] in the Masters sequence, because Stefan is gone, so there really is no other faculty member available to teach macro. And sabbaticals are paid leaves, so we will not have the funds from salaries available to hire a visitor.

The benefits on the teaching front, of hiring on five tenure-track lines and one teaching line over the next 1 to 3 years (Koch would like to see us do it in a year but I doubt we can identify sufficient numbers of candidates to give us an array of choices in that short a time period) clearly could be considerable. Indeed, I do not expect to be able to fully solve the immediate problems arising from sabbaticals next year (although Koch representatives have suggested that we look at Andrew Young because they know of our lack of bench strength in macro). I also do not expect to solve all of the problems arising from the array of commitments we have, even with this many hires. However, without them, we are going to face much more difficult decisions very quickly,

perhaps including reductions in our requirements for some of our own programs, and several faculty members are also likely to have to teach some courses that they would prefer not to teach.

I also cannot guarantee that these hires will necessarily lead to long-run net increases in faculty lines. The number of hires being proposed would exceed the department's current vacant lines, giving us a net increase in the short term, but it is clearly possible that over time we will face administrative barriers to filling all the vacancies that arise as these or other faculty leave or retire. The Administration can promise new lines (e.g., for the experimental cluster, in exchange for our commitment to teach honors and LLC sections, or in order to attract a \$7 million gift), after all, but then when budgets get tight, they can decide that we can not fill vacant lines and even take lines away. However, there is some reason to be relatively optimistic about holding on to some of our gains, even in the long run, if we are able to work out the proposed arrangements. If this initiative proves to be effective in the eyes of Koch and the other foundations, we may be able to attract additional outside funds to induce the administration to allow us to fill vacant lines as they come up in the future too. That just happened at George Mason, for instance, as noted above, as 6 new faculty were quickly hired when Vernon Smith and some of the other experimentalists left.

I have focused on teaching issues, in large part because I have to make decisions about teaching assignments, so I am becoming intimately familiar with our commitments and limitations in this area, but if we are effective in our hiring effort, there will be other benefits as well. Since some of the new hires would be at the senior-assistant or junior-associate level, we should get a boost in visibility. These hires also should have a "cluster" impact in that at least some of them will have similar research interests to each other and/or to existing faculty (substitutes in teaching tend to be complements in research). Finally, if we are successful in hiring faculty that meet our standards and satisfy the funding institutions' desires, we can count on continuing funding, at least for graduate students, and probably for other developments (e.g., filling vacant lines).

Student support: The gains in student support could be considerable. Potential gains for the PhD program can be highlighted by the fact that the department has discussed the idea of expanding the size of the program for years, but funding to support more students has not been forthcoming through University channels. This proposal obviously offers substantial support for additional PhD students. The level of support also should allow us to compete for at least two very strong students each year, since the proposed stipends are very high relative to what we currently offer and what our competitors offer. In addition, the post doc program will help some of our strongest students improve their job market opportunities. Providing additional support and encouragement for motivated undergraduates is also of potential benefit to the department, in part because our own undergraduate program is the major source of students entering our Masters program.