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To Whom It May Concern:

I am pleased to comment on the Proposal for a Ph.D. Program in Economics at IUPUI. This is really two separate proposals, one for a Ph.D. program with a specialty in Health Economics, the other for a program in Nonprofit/Philanthropic Economics. Both are anchored by a Core program. I comment first on the Core, then on each of the two specialized programs.

The Core program is by and large well thought out. I am particularly pleased with the unusually heavy emphasis on econometrics and applied econometrics. Given the specialties that are being proposed, the background and skills in these courses are essential. The extra focus on the handling of large data sets is novel, but essential. Similarly, the relatively long list of required micro theory courses is also admirable. Requiring only a one-semester course in macroeconomics is unusual; but given the disarray of macroeconomic "theory" and its evolution into essentially a field in applied microeconomics, this is quite enough exposure.

My only concern with the core is joined to my issues about the requirements expected at entry. In today's better Ph.D. programs, prior training in real analysis is essential. While one cannot require it at matriculation, it might be suggested, but not required for matriculants. It should be offered in a first course, or even pre-course (August before the first semester) for the matriculants. Titling such a course "Optimization Theory in Economic Analysis," as in the Proposal, is disturbing. That title consistent with what was done 40 years ago but is well behind the frontier in graduate education in economics.

As the Proposal states, Health Economics is a growing and important sub-field in economics. There is substantial demand for health economists, both by universities (economics departments and policy schools) and by non-profits and government agencies. The demand is currently met on a catch-as-catch-can basis by people who acquire their knowledge of health economics indirectly. The direct approach here is novel and essential; and IUPUI is among the better-suited institutions for creating this program.

The curriculum for the Health Economics specialty is well thought out. I am particularly pleased with the requirement of a minor in some non-economics field, although I would rule out health management, as it seems too close to economics and insufficiently broadening. The same comment might be made about biostatistics, although perhaps less strongly. The one-credit first-semester course on health policy is a particularly good idea: Too often in

economics Ph.D. programs first-year students are deluged with theory to the exclusion of all else. This little course will remind them of why they enrolled in the program and will go a long way to maintain their interest.

While the IUPUI faculty already has a number of health economists, one more is necessary, as is strengthening the econometrics capacity of the faculty. Thus the proposal for new and replacement positions is sensible and should be instituted.

Regrettably, my laudatory comments about the Core and the Health Economics specialty cannot be extended to the program in Nonprofit/Philanthropic Economics. I see no justification for this program and would argue it should be forgotten. I realize that several of the IUPUI faculty work on this topic; but it is not a field, and the proposal essentially acknowledges its secondary importance by arguing that there is a demand for applied economists, not for specialists on this topic in particular. Unlike the health economics specialty, no argument is (nor could be) made that there is a demand for Ph.D.s working on this topic. That there have been 120 dissertations on these topics is no argument at all for the creation of a Ph.D. Program. There have been as many dissertations as that on labor demand, one of my major research specialties; yet neither I nor any economist I know would imagine proposing a Ph.D. program in Labor Demand. It is a sub-section of Labor Economics, just as the topic discussed in this program is one of the very many topics on which applied economists can do research.

Summarizing, my view is that the Health Economics specialty and the Core are both desirable and well thought out. The program in Nonprofit/Philanthropic Economics seems to be mainly supply-induced and not something that should be approved.

Sincerely yours,

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and
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