

AY20 Expedited Program Review – Optional Program Response to the Dean’s Findings Form

Date: February 28, 2020

To: John Stalvey, Interim Provost

From: Lance Howe, Associate Professor and Chair of Program Review Committee

Cc: Karen Markel, Dean College of Business and Public Policy
Professor James Murphy, Professor Paul Johnson, Associate Professor Alexander James

Re: AY20 Expedited Program Review: Optional Program Response to Dean’s Recommendation

Program/s in this review:

BA and BBA in Economics

Program response to dean’s findings:

We appreciate the Dean’s findings to recommend both the BA and BBA in Economics for continuation. By continuation, we understand this to mean that existing positions in the department will be supported, open positions will be filled, and if faculty leave, positions will be replaced. The department is in critical need of faculty resources to continue to offer these programs. If continuation means something less than this, then we strongly urge the President, Regents, Chancellor and Provost to consider enhanced funding. Further, as we discuss below, enhanced funding could allow us to offer a Master of Economics program, creating synergies with the Master of Public Policy program, and providing unique graduate study opportunities for economics majors (e.g. a 5 year BA Econ / MS Econ degree).

In addition to the highlights mentioned by Dean Markel, we want to highlight other important program information. In terms of centrality of program mission, in addition to Dean Markel’s commendations we wish to highlight how we also contribute to UAA’s mission in terms of research and service:

- Economics faculty excel in research. Our department is ranked in the top 10% of institutions worldwide for research in Experimental Economics and in the top 25% of all Economics programs in international business schools. Creating a program of distinction was one of the goals Elmer Rasmuson had in mind when he endowed the Economics Department at UAA with the Rasmuson Chair of Economics.
- Economics faculty provide critical public service to CBPP, UAA, and to the State of Alaska. Multiple examples of high impact service are provided in our report.

We highlight 16 Facts about Program Demand in our Program Review document, comparing Economics to other CBPP and UAA programs. Here are a couple of key metrics that also underscore the fiscal contributions of the Economics program:

- Economics SCH/FTEF efficiency was the 5th highest across the entire UAA system, instructional costs per SCH are lower than other CBPP programs, and instructional profit (revenue – cost) is higher than the UAA average (see Facts #7, #11, and #12 in the Economics Program Review).
- Economics faculty are responsible for millions of dollars in grant funded research that brings significant F&A to UAA, provides opportunities for student research, and supports innovative faculty research (see Fact #14 in Economics Program Review).
- Economics faculty have been responsible for facilitating 3 separate international partnerships; the Economics department is well-positioned to support UAA’s effort to increase the number of international students (see Centrality of Program Mission #1d.).

AY20 Expedited Program Review – Optional Program Response to the Dean’s Findings Form

The Economics Department (including the economists at ISER) is currently in the midst of a large-scale exodus of faculty which will create challenges for continuing to offer these programs without a meaningful commitment to replace the departed faculty. Between the Economics Department and ISER, there have already been 4 faculty resignations, with 2 additional faculty members contemplating outside offers. In addition, some of the remaining faculty members have received overtures from other universities and may not be at UAA in the next academic year. These departures represent over half of the teaching capacity of the department. Without a significant investment in faculty, the department will face challenges in its ability to continue these programs.

We recently submitted a memo to President Johnsen expressing concern about these faculty departures and making an appeal for resources. Following is an edited and condensed version of the memo sent to President Johnsen on 2/27/20. The full memo is available upon request; it is not included here due to the five-page limit for responses.

Summary

Our goal is to sustain the Economics Department as an internationally-ranked teaching and research program with an emphasis on Alaska-relevant public policy issues. UAA is currently in the midst of a large number of faculty departures in the Department of Economics and ISER. This threatens the ability of the UA system to deliver economics training to students and to engage in research that is relevant to Alaska’s economy. Our objective is to reverse this trend while a solid foundation still exists by leveraging UAA support for Economics and ISER to recruit a strong core of young faculty that will sustain excellence in economics for the foreseeable future.

We would like to note that we recognize that the university faces severe budget challenges and the timing of this proposal is not ideal. Our request is simply to replace the faculty who have already departed and to move the two remaining young ISER economists into the Economics Department. Using these faculty departures to resolve a budget gap is not strategic. In fact, it is counter-productive because it ultimately triggers the departure of most/all of the top faculty and destroys a program of distinction. Eventually the budget crisis will subside, and UAA needs to be positioned to rebuild. Maintaining strong programs during these difficult times will create a foundation upon which the rebuild can begin.

During his recent visit to UAA, Vernon Smith (2002 Nobel laureate) commented that what UAA has accomplished in Economics is incredibly rare and difficult to replicate. Many institutions have tried to build programs of excellence but failed. It took nearly 20 years to build the Economics program (including the young ISER economists). If UAA loses its core group of economists, it will likely take decades to recover, if ever. This will affect not only the academic programs, but also the applied research and public outreach that Economics and ISER provide.

Background on the Economics Department

When Elmer Rasmuson donated the funds to endow a chair in Economics about 20 years ago, his intent was clear. He envisioned the gift as a seed that would transform the UAA Department of Economics into a world-class program that would bring distinction and leadership to UAA in the study of economics and its relevance to Alaska’s future. The goals were to advance teaching of economics in Alaska, to advance economic research on topics of importance to Alaska, and to advance public policy in Alaska through service to the state. Elmer Rasmuson set lofty goals that the Economics Department has far surpassed. He would be proud of the tremendous impact his gift has had.

UAA was fortunate to have Vernon Smith as the first Rasmuson Chair of Economics (2003-2006). Under his leadership and guidance, the Department of Economics began the transformation from a program that was locally recognized for outstanding teaching to a program that is internationally recognized for excellence in research, teaching and public service. The Department is now a highly desirable destination for young faculty; in fact, the most recent faculty search set a UA system-wide record for the number of applications for a faculty position. More importantly, the department successfully hired the top candidate from this deep pool of applicants. Recruitment of faculty in ISER followed a similar

AY20 Expedited Program Review – Optional Program Response to the Dean’s Findings Form

pattern of success, and by 2014, UAA had a team of outstanding young economists in Economics and ISER that was poised to be the foundation for excellence in economics for many years to come.

As a result of these efforts, the Economics Department is now ranked in the top 25% of all Economics Programs worldwide located in business schools, and the department’s Experimental Economics research program is ranked in the top 10% of all such programs globally. One faculty member is ranked in the top 10% of all economists worldwide, and another is in the top 6% in terms of research productivity over the past 10 years (Source: Research Papers in Economics, also known as RePEc). Four economists have received Chancellor’s Awards for Excellence. The UAA economists are consistently publishing in the top economic journals on a wide range of Alaska-relevant topics. They have generated millions of dollars in research grants and private support for their activities. The faculty are fully committed to excellence in both research and teaching, and are actively engaged with public outreach and community partnerships.

Economics students are actively engaged in undergraduate research using the latest cutting-edge methods and techniques. Our students have co-authored peer-reviewed publications with faculty, which is a rare accomplishment for undergraduates in any program. Our students are now receiving scholarships to attend some of the world’s most prestigious programs, such as Harvard, Cornell, Oxford, Cambridge and the London School of Economics (among many others). Economics students have worked as research assistants in Western Alaska and Kamchatka Russia, and have traveled to Norway and China as part of initiatives to create international partnerships and recruit foreign students. They are accepting positions of leadership within the state, and are working in high-demand jobs in the private sector.

Background on the current situation

UAA currently faces a large-scale exodus of economics faculty in both Economics and ISER. These departures are an existential threat to the UA system’s ability to offer even a basic economics program or conduct policy research and outreach. UAF has already eliminated both its undergraduate and graduate programs in economics, leaving UAA as the only undergraduate economics program in the UA system. Moreover, Alaska is now the only state in the US without any graduate training in economics.

In the Economics Department, we have already lost two faculty members. One was recruited by another university and the other retired. In addition, a third economist is working remotely this year. This economist’s spouse accepted a faculty position in New England. Although this person may return to UAA in the Fall, but it is only a matter of time before the individual finds a faculty position in New England.

ISER has already lost three of their four outstanding young economists. One is moving to UC Davis, and another has accepted a position at UNLV. The third young ISER economist declined an offer from Cambridge, but as part of a retention offer, he will be moving into the Economics Department. However, he is still on the job market and is expecting to receive an offer from a leading research university in the next few days. The fourth young ISER economist received offers from 3 top universities, and he is being heavily recruited by the top regional economist in the world. He will be making a decision any day now.

The remaining economists are waiting to see what happens before making any decisions about their future. They all would like to stay at UAA and continue building an outstanding program. However, if all the young ISER economists leave, and if UAA does not make any commitments to invest in the program by replacing all of the departed faculty, then it is likely that many of the remaining faculty will also leave. Some of the remaining faculty have recently received overtures from other universities, and it is still possible that 1-3 more people will resign by the end of this academic year.

Potential impact of departures on AACSB accreditation

CBPP is currently in the midst of AACSB accreditation, and the site visit will be next week (March 2-3). Our understanding is that preliminary indications suggest that the collective research within CBPP does not meet the minimum thresholds set by AACSB. Moreover, these metrics include the work of research-active faculty who are currently entertaining offers but have not yet resigned. A credible commitment to retain

AY20 Expedited Program Review – Optional Program Response to the Dean’s Findings Form

existing faculty and replacing the departed faculty is likely to factor into the review team’s recommendations.

Reasons for faculty departures

The primary cause of the large number of faculty departures is not the university’s budget situation. In the Economics Department, the retirement of one faculty member is a part of the natural cycle that all departments face. The individual who resigned did so because another university made an attractive offer with which UAA could not compete even under better budget circumstances. In addition, that university created a faculty position for his spouse which resolved their dual-career challenges.

The story with the four young ISER economists is more complex. The budget cuts highlighted a number of problems that have persisted for years. Unfortunately, when oil prices were high and the university’s budget was more flexible, these issues were not addressed even though they were already identified and discussed. The crux of these problems is three-fold: (1) the compensation structure for ISER faculty, (2) the physical separation of the ISER faculty from the rest of the Economics Department and CBPP, and (3) the perceived reluctance to address these issues and make the necessary changes to create a vibrant academic environment and ensure ISER’s long-term success. These issues are discussed in more detail in the memo to Pres. Johnsen.

Likely outcome with no action

If the actions proposed below are not taken, the UAA Economics Department can still exist and offer undergraduate training in economics (either by teaching lower-division service courses for other programs or possibly with a reduced Bachelor degree program). Most of the remaining faculty would leave, probably within a year. The Department will still be able to find people who are willing to accept a position at UAA, but the types of people interested will be quite different than what we have now and are trying to preserve. The large-scale departure of faculty, combined with budget uncertainty and leadership turnover, will send a negative signal to potential applicants and their faculty advisors. As a result, the Department will most likely revert to a community-college model with faculty who have minimal research programs and are unlikely to be effective with public outreach and community engagement. This could affect AACSB accreditation. The community campuses already follow this model by offering economics courses taught by underqualified instructors with no or minimal graduate training in economics. The faculty in such a program are unlikely to have the training to prepare students for graduate school or have professional networks that are essential for placing students in top graduate programs. Students will no longer be learning on the frontiers of applied economics and will not have the same set of skills needed to be successful in the job market. They may still graduate with an economics degree, but it will be a vastly lower quality education with fewer opportunities after graduation. ISER will not have the same caliber of faculty that it had, and its important role in the public sphere will be greatly diminished.

Action items (condensed version)

Immediately (within the next few days)

1. The two remaining young ISER economists need to be offered fully-funded 9-month positions in the Department of Economics with a 2 courses per semester teaching load. Their offices should be located in Rasmuson Hall with the rest of the Economics Department. Their research and service obligations should include the type of applied research and public outreach activities that they have been doing through ISER so that this important mission is sustained.

2. We need a commitment that should any faculty member depart in the future, those positions will be filled. To date, each faculty departure has been treated as a positive development that alleviates budget pressures. That approach decimates the better programs with excellent faculty who get outside offers. It fails to strategically maintain programs of distinction even in tight budget environments. For us to be able

AY20 Expedited Program Review – Optional Program Response to the Dean’s Findings Form

to retain some of the remaining faculty, and to attract new young scholars, we need a credible commitment for ongoing support of the Economics program.

Fall 2020

1. Initiate a search to fill the two vacant positions in Economics. The American Economic Association coordinates a centralized job market that begins with position announcements in October-November, and recruitment should be aligned with this. These need to be standard, fully-funded 9-month, tenure-track positions located in the Department of Economics. The workload should be two courses per semester, with expectations that at least half of their research program will be of relevance to Alaska and that they are actively engaged in public outreach. This needs to be a cluster hire of two people so that we can recruit based on the idea that UAA is invested in rebuilding the Economics program. If either of the remaining two young ISER economists resigns, then those positions also need to be replaced with fully-funded 9-month tenure-track positions in the Economics Department.

Long run

1. The Department of Economics, in partnership with the Development office, will begin an initiative to leverage the success of the Rasmuson Chair and raise private funds to create endowed chairs in Economics. Given the caliber of faculty in Econ/ISER—and the caliber of faculty we can attract with strategic investments—we are well positioned to hold endowed chairs whose work focuses on the oil and gas industry, the fishing industry, the impacts of climate change in the Arctic, etc.

2. Develop a Masters in Applied Economics program to replace the old UAF program. There will be synergies in course offerings with the new Master’s in Public Policy program and the revamped Master’s in Public Administration program.

3. Rename CBPP to the College of Business, Economics and Public Policy. This is a low-cost way of highlighting the importance of Economics at UAA and sending a signal of the university’s commitment to it. Moreover, by raising the profile of Economics it will increase the program’s visibility on and off campus and attract more students.