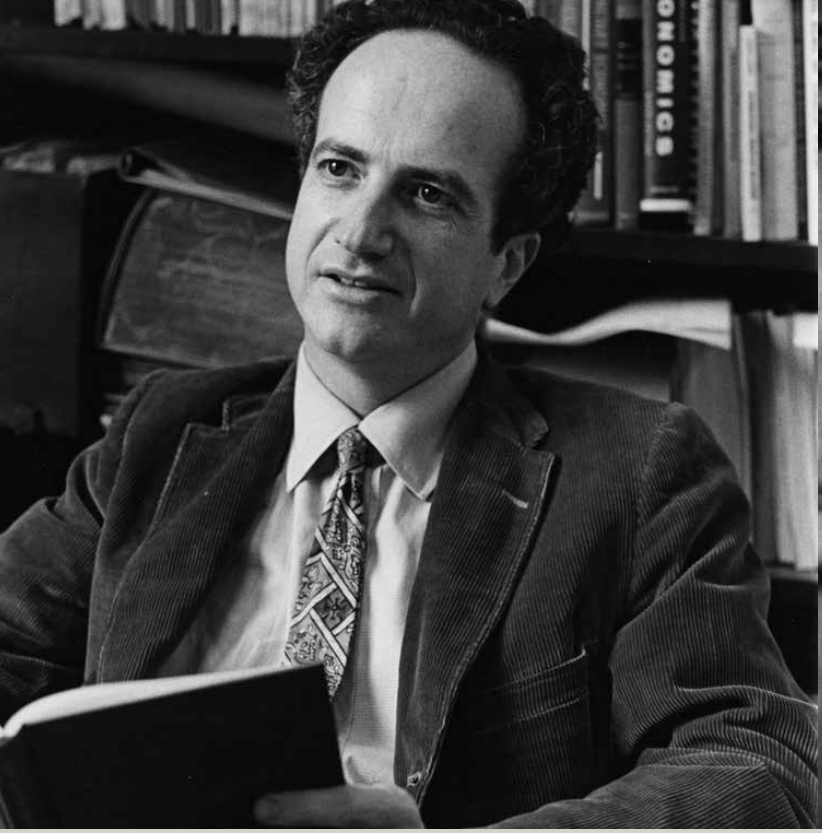

HISTORY UP CLOSE

Reflections on the Beginnings of the Becker Friedman Institute for Economics

2007–2017

LARS PETER HANSEN

"There are really three aspects of the Chicago school. First, it is distinguished by its scientific approach, its attitude toward economics as a discipline, a science. In the second place, it has a distinctive approach to economic policy in general. And third, and more recently, it has had a special meaning in the field of monetary analysis and monetary policy. . . . The most important aspect, in my opinion, is the scientific."

—MILTON FRIEDMAN

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On the cover: Gary Becker (l) and Milton Friedman

With my deep appreciation for the contributions of
Amy Boonstra, Kevin Murphy, Diana Petrova, and Jennifer Roche

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Angus Deaton addresses James Heckman, John List, Steven Levitt, Roger Myerson, Robert Lucas, Nancy Stokey, Hugo Sonnenschein, Lars Peter Hansen, and others at the 2010 MFI conference "Measuring and Analyzing Economic Development."

INTRODUCTION

Not long after Milton Friedman's death in November 2006, Robert J. Zimmer, the president of the University of Chicago, requested that several faculty members (including myself) discuss the possibility of creating an economic research institute to be named in Friedman's honor. I was glad to be part of these informal conversations. To us, launching an institute seemed a fitting tribute for a towering figure in the intellectual history of the University and the economics profession. It also struck us as a purposeful way to focus financial support toward the continuation of a distinguished tradition in economic research at the University of Chicago.

A decade later, as my tenure as the institute's director concluded in July 2017, I have a unique vantage point for understanding how the idea of honoring Friedman emerged, how it withstood a campus controversy, and how the Becker Friedman Institute for Economics grew into the vibrant center for economic research, innovation, and thinking that we enjoy today.

HONORING MILTON FRIEDMAN'S LEGACY OF SCHOLARSHIP, 2006–2007

Based on the positive response to honoring Milton Friedman in our informal conversations, President Zimmer formed a committee drawn from the faculties of the Department of Economics, the Graduate School of Business, and the Law School. The formal committee, which I served on, included Gary Becker, John Cochrane, James Heckman, Robert Lucas, Kevin Murphy, and Eric Posner. Zimmer charged us with both setting a vision for the new Milton Friedman Institute (MFI) and drafting an operational proposal that laid out a vision for the MFI.

We quickly recognized the opportunity before us. We envisioned a world-class institute inspired by Friedman's scholarly legacy that was dedicated to economic research at its best: the core would be the rigorous development of economic analyses supported by empirical evidence and designed to address questions with significant social and economic consequences.

An earlier success story that was on the radar screen of some of the committee members, myself included, was the Cowles Commission, located at the University of Chicago from 1939 to 1955. Collectively, researchers at the commission explored formal mathematics and statistical methods to enhance the rigor and further the insights of economic analyses. As evidence of their success, 11 scholars who were active in the Cowles Commission while it was located at the University of Chicago received the Nobel award in economics. Subsequently, the commission transitioned to Yale University and became the Cowles Foundation.

"[We] will build on Chicago's singular reputation for economic research and will ensure that in the generations ahead Chicago will extend its reputation as the most attractive place for scholars and students interested in rigorous economic analysis and policy evaluation."

ORIGINAL PROPOSAL FOR THE MILTON FRIEDMAN INSTITUTE FOR ECONOMICS AND SOCIETY, 2008

To achieve our ambitions, we advised that the MFI fulfill two important functions that we saw as critical to preserving and fostering the strong tradition of Chicago economics, broadly conceived.

1. First, the MFI must provide resources to recruit and retain top scholars for the University of Chicago. Importantly, these scholars typically would not be located in the MFI, but would be located in the Department of Economics or one of the professional schools.

2. Second, the MFI must act as a catalyst to encourage interaction across some of the best and most exciting areas of research in economics and related disciplines.

We did not hesitate to connect the proposed institute to the intellectual legacy of the University of Chicago's renowned history in economics. The administration proposed naming it the Milton Friedman Institute for Economics and Society in his honor. We felt honoring Friedman's work provided an exceptional opportunity to recognize his distinguished place at the University and throughout the world. We anticipated that the MFI would have a global impact on economic thinking and policy.

I, as well as many of my colleagues, always saw the goal of the MFI as supporting inquiry on central questions of economic and social significance in the University of Chicago's rigorous intellectual tradition. The MFI would confront important economic questions from diverse perspectives and remain apolitical, without preordained answers. We never sought a unified vision of economic thinking other than a commitment to analytical rigor and empirical support.

"The BFI [Becker Friedman Institute] has been a tremendous success. Research is all about bouncing ideas off one another, and it is creating lots of bounce. Research also involves more 'public goods' these days, hard to produce infrastructure that benefits us all. The BFI also is vital for connecting research to the world of policy thinking, an important two-way street. We owe it all to Lars' vision—what does the BFI do, how does it do it? The visitors, conferences, research programs, associated faculty don't happen on their own."

JOHN COCHRANE, MEMBER, STEERING COMMITTEE, MILTON FRIEDMAN INSTITUTE

Our vision of the MFI's core activities centered on fostering a culture of innovative economic thinking and scholarly support. We encouraged a structure to strengthen the intellectual connections among the economists on campus. Originally, the steering committee included members from the University's Department of Economics, Graduate School of Business, and Law School, and subsequently the Harris School of Public Policy.

We valued the Economics Department's long-running system of workshops and working groups where new ideas are tested and critiqued. Historically, the University of Chicago had a strong and vibrant workshop system, including the initiation of the now well-renowned Money and Banking Workshop launched by Friedman in the 1950s. This workshop proved to be an important example of engaging in an intense assessment of research frontiers in macroeconomics. The formation of two other workshops contributed substantially to the emerging vibrant workshop community. The Applications Workshop, which showcases the substantive insights from price theory and the associated empirical evidence, was critical to the discussions of emerging research. The

Law and Economics Workshop drew together scholars from economics, business, and law, and helped build a broad base of economics across campus. The Workshop on Rational Choice in the Social Sciences was formed by Gary Becker and James Coleman in the 1980s to broaden the reach of economic analysis even further. We proposed expanding these activities and creating new counterparts to explore emerging directions of economic inquiry.

We also proposed a vibrant and ongoing visitors program that would bring scholars to the MFI to enliven its work through their leadership and participation in workshops, conferences, and spontaneous intellectual engagement.

Also essential to the programming in our eyes was the opportunity through increased funding to nurture young scholars by providing opportunities and financial resources to outstanding postdoctoral researchers, graduate students, and undergraduates who showed research ambitions.

However, the lack of shared physical space inhibited the kind of collaborative work and conversations that are essential to deepening interdisciplinary scholarship and innovation, especially among the related units of economics, law, business, and public policy. The University administration recognized this deficiency and envisioned a single building tailored to these purposes. They identified a renovation of the Chicago Theological Seminary building as its center under the guidance of David Greene, who was then the University's vice president for strategic initiatives and served as executive vice president between 2011 and 2014.

We submitted our proposal for the new Milton Friedman Institute to President Zimmer on January 22, 2008; presented it to the Committee of the Council on February 19, 2008; and presented and discussed it at the Council of the University Senate a week later, on February 26, with only limited concerns expressed by council members. It was approved by the provost and the president.

"The Milton Friedman Institute, the precursor to the BFI, was conceptualized through the leadership of Lars Hansen in his role chairing a faculty committee comprised of multiple Nobel laureates and other distinguished scholars. He went from office to office in search of common ground among his colleagues, a tall order by any measure, but found it in the unanimous consensus on the insistence on scholarly standards of the highest order and a nod to Friedman's use of economic principles to illuminate a broader range of social, structural, and policy questions."

DAVID GREENE, VICE PRESIDENT FOR STRATEGIC INITIATIVES, THE UNIVERSITY OF CHICAGO

CONTROVERSY ERUPTS AFTER APPROVAL BY COUNCIL OF THE UNIVERSITY SENATE, PROVOST, AND PRESIDENT, 2008

On May 15, 2008, the University announced the Milton Friedman Insitute to the world.

"The University of Chicago is establishing a center for path-breaking research in economics to build upon the strengths of economists throughout the University," the press release announced. It will also "honor the contributions of Milton Friedman, considered by many to be the leading economist of the 20th century."

A few days later, University faculty, including at least one member of the Council of the University Senate, communicated with the press raising concerns about the MFI. This sparked interest around the world, and, unfortunately, much of the coverage featured erroneous information about the MFI's plans and intentions. While I have always supported open discourse, this protest emerged only after there were opportunities for protesters to express serious concerns at meetings of the Council of the University Senate in advance of the announcement.

More than 100 faculty members who signed the petition said they felt "grave concern" over the intention to honor Friedman and what they saw as his "strong ideological bias toward free market fundamentalism." They came together as the Committee for Open Research on Economy and Society (CORES). A more formal petition followed on June 6, 2008, reinforcing their concern that the MFI could make the University look as if it "lacked intellectual and ideological diversity."

Those of us on the committee struggled to find merit in their petition. I issued a statement that the *Chronicle of Higher Education* reported in June 2008:

> I continue to believe it is appropriate to recognize Milton Friedman as a scholar of extraordinary impact. I see little evidence in the petition as it is drafted that would give me confidence that the faculty signers are really interested in assessing the quality of research and discourse that is explored in the Institute.

By July, the *New York Times* also covered the campus stir and sought my reaction as well. I shared my truthful thoughts on the matter, saying that I was "a little bit surprised because we had taken it to the faculty senate and aired it thoroughly."

Chronology of Programming: Events, Speakers, Conferences, Milestones by Academic Year

2008–2009

May 15, 2008
The University of Chicago announces the creation of the Milton Friedman Institute.

The MFI honors the contributions of Milton Friedman and continues Chicago's extraordinary tradition of creating new ideas that stimulate the academic world and innovative approaches that influence policy. Plans call for the MFI to occupy space in the Chicago Theological Seminary building, which the University would purchase and renovate as a home for economics on campus.

June 6, 2008
A group of faculty write to University President Robert J. Zimmer to object to naming the institute after Friedman.

October 31, 2008
The University announces that the MFI will be known as the Milton Friedman Institute for Research in Economics.

"The goal of the Institute is to build on the University's existing leadership position and make the Milton Friedman Institute a primary intellectual destination for economics by creating a robust forum for engagement of our faculty and students with scholars and policymakers from around the world. The Milton Friedman Institute will continue Chicago's extraordinary tradition of creating new ideas that stimulate the academic world and innovative approaches that influence policy."

ROBERT J. ZIMMER, PRESIDENT,
THE UNIVERSITY OF CHICAGO

Despite our attempts to set the record straight, the controversy continued. The University initiated an all-faculty discussion about the status and ambition of the MFI that I accepted as necessary and, perhaps, beneficial.

By some accounts, the University had not had an all-faculty meeting since a controversy over divestiture from South African holdings more than a decade earlier. The controversy was similarly heightened over the MFI.

Prior to this meeting, I was having trouble understanding the timing and rationale of the protests. I offered to meet with leading committee members in hopes to clarify the aims and ambitions of the MFI. A few of them took me up on my offer, but the protests continued.

By the time of the all-faculty meeting on October 7, 2008, concerned but friendly student protesters lined up outside to greet us before we entered Mandel Hall. I recall students handing flowers to me and others, a well-intentioned gesture that made me smile.

According to the *Chronicle of Higher Education*, more than 200 faculty members showed up that day to attend the meeting, roughly evenly split in their support of and opposition to the MFI. John Mark Hansen, who was then the dean of the Division of the Social Sciences at the University, charitably described the meeting to the *Chronicle* as "the kind of discussion that one expects from mature adults who are very smart." Given my exchange with faculty prior to the meeting, I was a bit more cynical about some of the faculty arguments.

No vote was taken nor any initiatives proposed. I prepared my remarks with helpful input from Gary Becker, James Heckman, Robert Lucas, Philip Reny, and Grace Tsiang. I intended for my statement that day, titled simply "On the Milton Friedman Institute," to clarify the role and purpose of the MFI and to dispel much of the misunderstanding about the high scholarship Milton Friedman was renowned for. I made five major points in the MFI's defense, which I have shared in appendix 2 of this document. Then, I rested my case. Subsequent to my defense and University faculty member Bruce Lincoln's statement of opposition, there was substantial debate and discussion. The meeting adjourned without much further incident.

Soon after the meeting, the University announced that the official name of the institute would be the Milton Friedman Institute for Research in Economics (dropping "and Society" from the original title). This move was designed to quell concerns raised about the MFI's perceived intent by concerned faculty. I and some—but not all—of the committee members saw the name change as a trivial matter. The controversy slowly subsided.

November 19, 2008
The MFI hires its first staff member. Working from a cubicle in a graduate student space in the Department of Economics, Hyun Ja Shin works with Lars Peter Hansen to plan the first programming.

February 27–28, 2009
The MFI holds its first research conference, "New Economics of the Family," organized by Pierre-André Chiappori of Columbia University, Christopher Flinn of New York University, and James Heckman of the University of Chicago. Nine more conferences and four campus lectures are held within the next 15 months.

OPENING THE INTELLECTUAL DOORS, 2009–2011

With the all-faculty meeting behind us, we were pleased to focus in earnest on the programming and purpose of the Milton Friedman Institute. The bold and ambitious institute we envisioned on paper would require thoughtful, targeted actions to ensure it became fully realized on campus.

When, at the end of 2009, I was named the MFI's director, I was honored and motivated to bring the vision to life. I felt it was important to establish a programmatic infrastructure that would invigorate the intellectual climate with fresh perspectives and meaningful conversations for years to come.

Fortunately, our first staff member, Hyun Ja Shin, who held a doctorate in economics, had already begun working to plan the MFI's first initiatives from a modest cubicle in a corner of the Department of Economics. Thanks in large part to Hyun Ja's efforts, these early activities were successful in shaping the institute's unique culture.

We developed further the three specific strategies identified in the original proposal with the goal of fostering productive interactions and collaborations across disciplines and generations:

Robert Lucas, John Dewey Distinguished Service Professor Emeritus in the Department of Economics and the College, speaks at a Friedman Forum Undergraduate Lecture.

1. distinguished fellows and visiting scholars;
2. research fellows; and
3. research workshops and conferences.

Distinguished Fellows and Visiting Scholars

A robust program of internationally recognized senior scholars who would regularly engage with the institute as visitors and distinguished fellows

We were convinced that the regular presence of distinguished scholars would provide faculty and students with access to the best economics research and thinking from around the world, and would serve the dual benefit of exposing influential scholars to the vibrant research community at the University of Chicago. We designed the program to challenge intellectual barriers and to encourage the cross-fertilization of ideas among diverse subfields of economics. This formal visitors program is unique among peer institutes and provides a constant flow of researchers, ideas, and methods within the institute's intellectual fabric.

2009–2010

July–August 2009
The MFI co-sponsors the Initiative for Computational Economics. This intensive and collaborative summer immersion program provides economics students with computational training not available in their PhD programs.

November 10, 2009
Lars Peter Hansen is named director of the MFI. Head of the faculty committee that proposed the MFI, Hansen had served as its acting director since May 2008.

December 12, 2009
The MFI hosts a memorial for Rose Director Friedman. Rose Director met Milton Friedman in the 1930s when both were students in the economics doctoral program at the University of Chicago and became his wife and longtime collaborator.

February 2010
Thirteen scholars visit the MFI in its first year. Visitors include such distinguished scholars as Pierre-André Chiappori, Angus Deaton, Ernst Fehr, Edward Lazear, and Thomas Sargent.

Distinguished fellows are highly accomplished scholars who visit the institute for extended periods of time over the course of three or more years. This time frame and long-term commitment allow them to participate actively in the institute's intellectual community and to assume leadership roles in research initiatives. Selected for their pioneering contributions to existing and emerging fields, these fellows stimulate new research directions and methodologies among the institute's scholars.

In 2011, we were honored to name Thomas Sargent of New York University and Pierre-André Chiappori of Columbia University as our first two distinguished fellows. When I stepped down from the directorship, we had six distinguished fellows total, having added four more renowned scholars to the list:

- Richard Blundell, University College London
- John Cochrane, Stanford University Graduate School of Business
- Edward Lazear, Stanford University Graduate School of Business
- Robert Townsend, Massachusetts Institute of Technology

"The Becker Friedman Institute is a complete and total success story. Within a few years, it has become a crucial place for open discussions and exchanges on all topics related to economics with a constant emphasis on scientific quality and absolute intellectual honesty; these are qualities that, now more than ever, should be cherished."

PIERRE-ANDRÉ CHIAPPORI, BECKER FRIEDMAN INSTITUTE DISTINGUISHED FELLOW, COLUMBIA UNIVERSITY

"What I see in the Becker Friedman Institute is a great testimony to what Milton Friedman and Gary Becker really stood for—a complete openness to all sorts of ideas in economics. The institution stands for 'no holds barred', sponsoring conferences, visits, and intellectual exchanges by people doing work in all sorts of areas of economics. It's a very rare and special thing."

THOMAS SARGENT, BECKER FRIEDMAN INSTITUTE DISTINGUISHED FELLOW, NEW YORK UNIVERSITY

Visiting scholars are often senior researchers, too, but they come for shorter time periods. They conduct lectures on their current work, hold workshops during extended visits, and provide rich opportunities for collaborations with faculty and students. These visitors are at times offered resources to bring in a team of complementary junior faculty, up-and-coming research scholars, and graduate students to support and augment their research efforts.

By the end of our first year alone, 13 renowned scholars had visited the MFI, including our two initial distinguished fellows, Pierre-André Chiappori and Thomas Sargent, as well as Angus Deaton, Ernst Fehr, and Edward Lazear. Their presence was a welcome beginning to our visiting scholars program. When I review the many scholars who have since come through our doors, I am struck by the diversity and rigor of their work and the ideas they have brought to campus. While the sheer number is impressive, their collective contributions to economics are even more impressive. I wish I could discuss them all here, but I have highlighted many on pages 10–11.

May 24, 2010
Ann Beha Architects is selected to renovate the Chicago Theological Seminary building as a home for the Department of Economics and MFI.

November 6, 2010
The MFI works with students to hold its first event organized by and for undergraduates.

December 16–17, 2010
The MFI holds its first conference on systemic risk at the Federal Reserve Bank of Chicago. This gathering of preeminent economists concerned with evaluating the measurement and monitoring of so-called systemic risk is the precursor of the Macro Financial Modeling Initiative.

VISITING SCHOLARS

Affiliations of scholars during their time at the institute between 2007 and 2017

Jaap Abbring
Tilburg University

Dilip J. Abreu
Princeton University

Alessandro Acquisti
Carnegie Mellon University

Amanda Agan
Princeton University

Mark Aguiar
Princeton University

Mohammad Akbarpour
Stanford University

Ufuk Akcigit
The University of Chicago

Treb Allen
Northwestern University

Costas Arkolakis
Yale University

John Armour
Oxford University

Andrew Atkeson
University of California, Los Angeles

Kenneth Ayotte
University of California, Berkeley

Eduardo Azevedo
University of Pennsylvania

Scott Baker
Washington University in St. Louis

Anne Balter
Tilburg University

Oren Bar-Gill
New York University

Anirban Basu
University of Washington

Efraim Benmelech
Northwestern University

Anmol Bhandari
University of Minnesota

Saki Bigio
Columbia Business School

Alberto Bisin
New York University

Nicholas Bloom
Stanford University

Richard Blundell
University College London

Alessandro Bonatti
MIT Sloan School of Management

Russell Boyer
University of Western Ontario

William A. Brock
University of Wisconsin–Madison

Martin Browning
Oxford University

Markus Brunnermeier
Princeton University

Ryan Bubb
New York University

Jeremy Bulow
Stanford University

Robin Burgess
LSE Department of Economics

Ariel Burstein
University of California, Los Angeles

Oriol Carbonell-Nicolau
Rutgers University

Vasco Carvalho
University of Cambridge

Thomas Chaney
Toulouse School of Economics

Kerwin Charles
The University of Chicago

Yeon-Koo Che
Columbia University

Hui Chen
MIT Sloan School of Management

Andrew Chesher
University College London

Pierre-André Chiappori
Columbia University

In-Koo Cho
University of Illinois

Gabriel Chodorow-Reich
Harvard University

John Cochrane
Stanford University

Vincent Crawford
Oxford University

Giuseppe Dari-Mattiacci
University of Amsterdam

Guy David
University of Pennsylvania

Aloisio Pessoa de Araújo
Instituto de Matemática Pura e Aplicada

Angus Deaton
Princeton University

Stefano DellaVigna
University of California, Berkeley

Michael Dickstein
Stanford University

John J. Donohue III
Stanford Law School

Jonathan Eaton
Pennsylvania State University

Mark Egan
Harvard Business School

Julio Elias
Universidad del CEMA

Kfir Eliaz
Tel Aviv University

Graham Elliott
University of California, San Diego

Robert Engle
New York University Stern School of Business

Michal Fabinger
University of Tokyo

Itzik Fadlon
University of California, San Diego

Yanqin Fan
University of Washington

Maryam Farboodi
Princeton University

Emmanuel Farhi
Harvard University

Ernst Fehr
University of Zurich

John Ferejohn
New York University

Jesús Fernández-Villaverde
University of Pennsylvania

Amy Finkelstein
Massachusetts Institute of Technology

Christopher Flinn
New York University

Nicole Fortin
University of British Columbia

Drew Fudenberg
Harvard University

Xavier Gabaix
New York University

Stefania Garetto
Boston University

François Geerolf
University of California, Los Angeles

Matthew Gentzkow
Stanford University

Francesco Giavazzi
Bocconi University

Robert Gibbons
Massachusetts Institute of Technology

Benjamin Golub
Harvard University

Joshua Gottlieb
University of British Columbia

Gautam Gowrisankaran
University of Arizona

Avner Greif
Stanford University

James Greiner
Harvard University

Justin Grimmer
Stanford University

Martin Hackmann
University of California, Los Angeles

Benjamin Handel
University of California, Berkeley

John Hatfield
University of Texas at Austin McCombs School of Business

Nathaniel Hendren
Harvard University

James R. Hines
University of Michigan

Daniel E. Ho
Stanford University

Richard Hornbeck
The University of Chicago Booth School of Business

Johannes Hörner
Yale University

Solomon Hsiang
University of California, Berkeley

Oleg Itskhoki
Princeton University

Jakub Kastl
Princeton University

Michael Keane
University of Oxford

John Kennan
University of Wisconsin–Madison

Mervyn King
Bank of England

Philipp Kircher
London School of Economics; University of Edinburgh

Pete Klenow
Stanford University

Henrik Kleven
London School of Economics

Patrick Kline
University of California, Berkeley

Narayana Kocherlakota
University of Rochester

Ralph Koijen
New York University

Anton Kolotilin
Massachusetts Institute of Technology

Scott Duke Kominers
Harvard University

Botond Koszegi
University of California, Berkeley

Peter Koudijs
Stanford University

Arvind Krishnamurthy
Stanford University Graduate School of Business

Kory Kroft
University of Toronto

Dirk Krueger
University of Pennsylvania

Felix Kübler
University of Zurich

Pablo Kurlat
Stanford University

David Lagakos
University of California, San Diego

Edward Lazear
Stanford University

Eric Leeper
Indiana University

Tom Lemieux
University of British Columbia

Ben Lester
Federal Reserve Bank of Philadelphia

Jonathan Levin
Stanford University

Arthur Lewbel
Boston College

Tong Li
Vanderbilt University

Ilse Lindenlaub
Yale University

Barton Lipman
Boston University

Francesco Lippi
Einaudi Institute for Economics and Finance

Yair Listokin
Yale Law School

Alessandro Lizzeri
New York University

Guido Lorenzoni
Northwestern University

Erik Madsen
New York University

Ulrike Malmendier
University of California, Berkeley

2011

February 11, 2011
The MFI sponsors a conference honoring the work of Gary Becker. The event draws tributes and economic and policy insights from distinguished former students, economists in high-level policy roles, and former Czech president Václav Klaus.

May 11, 2011
The MFI holds its first international event, a Harper Lecture in Mexico City. Director Lars Peter Hansen speaks and leads a panel discussion on macroeconomic policy and systemic risk with several alumni: Mauricio A. González-Gómez, AM'79; Herminio A. Blanco, AM'75, PhD'78; and Juan José Suárez-Coppel, AM'84, PhD'88. Manuel Sanchez, deputy governor of the Bank of Mexico, also speaks.

June 17, 2011
The MFI becomes the Becker Friedman Institute for Research in Economics. The institute combines its complementary activities with the Becker Center on Chicago Price Theory. Gary Becker is named chair, as Lars Peter Hansen continues as research director.

Albert Marcet
Institut d'Anàlisi Econòmica CSIC

Massimo Marinacci
Bocconi University

Ian Martin
Stanford Graduate School of Business

Rosa Matzkin
University of California, Los Angeles

Robert McCann
University of Toronto

Costas Meghir
Yale University

Paul Milgrom
Stanford University

Benjamin Moll
Princeton University

Eduardo Morales
Princeton University

Stephen Morris
Princeton University

Melanie Morten
Stanford University

Petra Moser
New York University

Ulrich Müller
Princeton University

Emi Nakamura
Columbia University

Nick Netzer
University of Zurich

Whitney Newey
Massachusetts Institute of Technology

Juan Pablo Nicolini
Federal Reserve Bank of Minneapolis; Universidad Torcuato di Tella

Antonio Nicolò
University of Padua

Ezra Oberfield
Princeton University

Maurice Obstfeld
International Monetary Fund

Guillermo Ordonez
University of Pennsylvania

Ali Ozdagli
Federal Reserve Bank of Boston

Harry Paarsch
University of Melbourne

Rohini Pande
Harvard Kennedy School

Dimitris Papanikolaou
Northwestern University

Parag Pathak
Massachusetts Institute of Technology

Lasse Pedersen
New York University

Isabelle Perrigne
Rice University

José Luis Peydró
Universitat Pompeu Fabra

Carolin Pflueger
University of British Columbia

Monika Piazzesi
Stanford University

Luigi Pistaferri
Stanford University

Mikkel Plagborg-Moller
Harvard University

Giorgio Primiceri
Northwestern University

Steven Puller
Texas A&M University

Morten Ravn
University College London

Eric Renault
Brown University

Hélène Rey
London Business School

Albrecht Ritschl
London School of Economics

James Roberts
Duke University

Jean-Marc Robin
Sciences Po, Paris; University College London

Arthur Robson
Simon Fraser University

Jean-Charles Rochet
University of Zurich

Christina Romer
University of California, Berkeley

David Romer
University of California, Berkeley

Esteban Rossi-Hansberg
Princeton University

Nicholas Ryan
Yale University

Bernard Salanié
Columbia University

Larry Samuelson
Yale University

Yuliy Sannikov
Princeton University

Andres Santos
University of California, San Diego

Tano Santos
Columbia University Graduate School of Business

Thomas J. Sargent
New York University

José A. Scheinkman
Columbia University

Linda Schilling
Utrecht University

Karl Schlag
University of Vienna

Karl Schmedders
University of Zurich

Martin Schneider
Stanford University

Maya Sen
Harvard University

Joseph Shapiro
Yale University

Matthew Shapiro
University of Michigan

Andrew Shephard
University of Pennsylvania

Hyun Song Shin
Princeton University

Aloysius Siow
University of Toronto

Jonathan S. Skinner
Dartmouth College

Christopher M. Snyder
Dartmouth College

Konstantin Sonin
Higher School of Economics (Moscow)

Holger Spamann
Harvard University

Johannes Spinnewijn
London School of Economics

Stefanie Stantcheva
Harvard Society of Fellows

Jeremy Stein
Harvard University

Jón Steinsson
Columbia University

Matthew Stephenson
Harvard Law School

Phillip Strack
University of California, Berkeley

Tomasz Strzalecki
Harvard University

Christopher Taber
University of Wisconsin-Madison

Alireza Tahbaz-Salehi
Columbia Business School, Columbia University

Corina Tarnita
Princeton University

George Tavlas
Bank of Greece

Michèle Tertilt
University of Mannheim

Petra Todd
University of Pennsylvania

Robert M. Townsend
Massachusetts Institute of Technology

Christian Traeger
University of California, Berkeley

John Van Reenen
Massachusetts Institute of Technology

Laura Veldkamp
NYU Stern School of Business

Ola Vestad
The University of Chicago

John Vickers
Oxford University

Gianluca Violante
New York University

Jonathan Vogel
Columbia University

Quang Vuong
New York University

Edward Vytlacil
Yale University

Christopher Walters
University of California, Berkeley

Mark W. Watson
Princeton University

Michael Waugh
New York University

Pierre-Olivier Weill
University of California, Los Angeles

Iván Werning
Massachusetts Institute of Technology

E. Glen Weyl
Microsoft Research New England

Andrea Wilson
University of Wisconsin–Madison

Frank Wolak
Stanford University

Abigail Wozniak
University of Notre Dame

Amir Yaron
University of Pennsylvania

Muhamet Yildiz
Massachusetts Institute of Technology

Alwyn Young
London School of Economics

Tao Zha
Federal Reserve Bank of Atlanta

June 24–25, 2011
The BFI collaborates with Renmin University in China to host the Symposium on Family and Labor Economics. This conference launches a multiyear exchange that will highlight new work on shifts in Asian lifestyles.

July 1, 2011
Scott Duke Kominers begins a two-year postdoctoral residency as the BFI's first research fellow.

October 28, 2011
The BFI organizes its first "Advances with Field Experiments" conference.

November 29, 2011
The Andrew and Betsy Rosenfield Program in Economics, Public Policy, and Law is announced. The program aims to increase collaboration among scholars in the economics, business, law, and public policy schools and to support empirical economic studies using Chicago Price Theory. Kevin Murphy and Steven Levitt are named co-directors.

Research Fellows

An innovative research scholars program to cultivate high caliber, pre-tenure researchers in economics and related fields

The postdoctoral program was designed to give promising young economists a rare opportunity to investigate critical economic problems early in their research careers and to engage deeply with the intellectual environment of the institute and the economics community at the University of Chicago more broadly. Our first fellow was Scott Duke Kominers, who was awarded the fellowship for 2011–13 and is now a faculty member at Harvard University. The prestigious fellowships give young scholars generous research funding to pursue original work on significant questions in economics without teaching responsibilities. The hope is that these opportunities will allow the fellows time to investigate ambitious research questions and try creative new approaches. Prior to the MFI program, the Becker Center on Chicago Price Theory had already brought some top young scholars to campus. We showed the good judgement of following their lead.

"Hurray for the institute. The type of issues we talked about here today would not typically be covered anywhere else."

ANGUS DEATON, 2011 BECKER FRIEDMAN INSTITUTE VISITOR, PRINCETON UNIVERSITY

Research Workshops and Conferences

Ongoing scholarly forums for researchers from the University and around the world to present and discuss their work, sparking new ideas and shaping emerging ones

Conferences present unique opportunities for provoking interdisciplinary dialogue among the world's leading experts on topics of importance to economists, policymakers, and experts in related fields of study. In conjunction with visits by senior scholars, we planned to conduct a series of rotating workshops and conferences focused on topical themes that support and complement existing research as well as stimulate new synergies and areas of exploration.

"BFI transformed me from an economist into an Economist. It's impossible to remember how I thought about the field before Chicago. And while I'm now a faculty member at another institution, BFI is a second home—it still treats me as if I'm a part of the place and always will be. I'm tremendously appreciative."

SCOTT DUKE KOMINERS, HARVARD UNIVERSITY

Workshops in the University's Department of Economics, Chicago Booth, and the Law School have a distinguished history of integrating subfields, models, and methods in the study of important topics in economics. Rotating thematic workshops over extended periods of time is a key tool for allowing the institute's researchers to explore potential synergies through ongoing dialogue and exposure to promising research trajectories.

In 2009, we planned our inaugural conference with these ambitions in mind. Pierre-André Chiappori of Columbia University, Christopher Flinn of New York University, and James Heckman of the University of Chicago organized an exciting two-day event titled "New Economics of the Family."

They rooted the conference in *A Treatise on the Family*, Gary Becker's groundbreaking text, and examined economic models and theories about decision-making within marriages and families. I was gratified that Heckman opened the meeting by highlighting its ties to the legacy of Friedman's rigorous analysis, while Becker closed the event by identifying new pathways for research, particularly in the area of aggregate effects of fertility.

2011–2012

December 1, 2011
Cocktails and Conversation, a series of informal talks, launches with Gary Becker and Edward Lazear as inaugural featured speakers. This series and the Friedman Forum, which begins in 2012, bring research to the public and undergraduates, and serve as a complement to the popular Becker Brown Bag lunch series targeted to MBAs. These events grew from the desire to emphasize programming that enriches opportunities for students and the broader public to learn about a wide range of economic research.

February 21, 2012
The Friedman Forum Undergraduate Lecture Series launches with a lecture by James Heckman.

April 6, 2012
The Macro Financial Modeling Group holds its first meeting in New York.

May 16–17, 2012
The "Constitutional Design and the Scope of Authority" conference is held, one of the first law and economics initiatives.

6
DISTINGUISHED FELLOWS

10
EXEMPLARY RESEARCH FELLOWS SUPPORTED

243+
VISITING SCHOLARS HOSTED

In this same spirit, the following year, we hosted our first student-led panel discussion featuring top scholars. Spurred by the events leading up to the Great Recession, the undergraduate economics club Oeconomica and the Chicago Society hosted a panel to investigate the causes of the financial crises and the role of financial regulation. Bengt Holmstrom of MIT, Franklin Allen of the University of Pennsylvania, and Douglas Diamond from Chicago Booth participated in the discussion. Student Will Burgo moderated.

These student-led panel discussions represent the type of meaningful student outreach that we integrated into our original programming and has become a hallmark of the MFI and subsequent BFI approach.

This first year seemed a promising and appropriate start for the institute; nine more conferences and four campus lectures were held within the next 15 months. As I reflect on our beginnings, I realize now that we made remarkable progress in all three of these areas. In the timeline section, I describe many of the fascinating and innovative conferences and workshops that grew from our early work. Many of these initiatives continue today.

DISTINGUISHED FELLOWS

Richard Blundell	University College London
Pierre-André Chiappori	Columbia University
John Cochrane	Stanford University
Edward Lazear	Stanford University
Thomas Sargent	New York University
Robert Townsend	Massachusetts Institute of Technology

RESEARCH FELLOWS

July 2018–June 2019	Peter Hull
July 2017–June 2018	Lauren Falcao Bergquist
July 2017–June 2018	Piotr Dworczak
July 2017–June 2018	Moritz Lenel
July 2017–June 2018	Rodrigo Adão
July 2016–June 2017	Elliot Lipnowski
September 2015–August 2016	Manasi Deshpande
July 2015–September 2016	Mohammad Akbarpour
July 2014–June 2016	Benjamin Brooks
July 2014–June 2015	Thibaut Lamadon
July 2011–June 2013	Scott Duke Kominers

June–July 2012
The Economics Research Experience for Undergraduates debuts. In order to give undergraduates dynamic and relevant research training, the BFI launches this unique three-week summer program to allow students to pursue independent projects while strengthening their analytical skills.

This program raises the number of our special conference offerings to undergraduate students to four, along with the Initiative for Computational Economics (ICE) program, Price Theory Summer Camp, and the Summer School on Socioeconomic Inequality.

July 31–August 1, 2012
The BFI hosts the first "Chicago Initiative on Theory and Empirics (CITE)" conference. Motivated by the desire to examine and promote new ideas at the intersection of macroeconomics and finance, this conference is designed to introduce new work by young scholars. The intention is to provide a forum where the work can be honed and shaped through discussion and exchange.

EVENT HIGHLIGHTS

Mexico City, 2011
The BFI sponsors a Harper Lecture

London, 2012
Lecture: "Financial Stability and the Macroeconomy" with Charles Goodhart, John Cochrane, and Francesco Garzarelli

Seoul, 2012
University of Chicago Alumni Event

New York, 2013
Panel Conversation: "From the Trading Floor to the Foreclosure Next Door"

Paris, 2015
Lecture: "The Consequences of Uncertainty" with Lars Peter Hansen

Washington, DC, 2016
Conference: "Elections, Policymaking, and Uncertainty," co-sponsored with the Hoover Institution

INTERNATIONAL EVENTS AND VISITING SCHOLARS BY LOCATION, 2007–2017

The Becker Friedman Institute is an international intellectual destination for the world's best scholars in economics and related fields. It brings researchers together across disciplines and departments to share perspectives that spark new ideas and collaborations. To encourage such exchanges, the BFI hosts a robust schedule of international conferences, workshops, and lectures featuring leading scholars. Other events expose students to a wide range of economic expertise.

EVENTS, 2007–2017

93
CONFERENCES

75
GRADUATE STUDENT EVENTS

30
UNDERGRADUATE EVENTS

47
PUBLIC OUTREACH EVENTS

MFI ANNOUNCES A MERGER WITH THE BECKER CENTER FOR PRICE THEORY, 2011–2013

James Heckman and Gary Becker in discussion with inaugural BFI Research Fellow Scott Duke Kominers

By 2011, the Becker Center for Price Theory's complementary programming and events increasingly dovetailed with the MFI's research activities. Supporting young scholars and introducing them to the role of markets and incentives resulted in many opportunities for cross-collaboration. It soon became clear that merging the two research homes would strengthen both and further promote scholarly inquiry across disciplines and generations.

In June of that year, we announced the formal merger and our new name: The Becker Friedman Institute for Research in Economics (BFI). To me, this was an exciting opportunity to foster the best research, spark public conversation, and inform policy debates as well as continue the full agenda of activities we had nurtured and developed at the MFI. I welcomed the merger and looked forward to the many benefits of joining the two programs.

I served as research director, Gary Becker as chair, and Edward Lazear as chair of the Board of Overseers. Critically, the Institute Research Council was an active part of the BFI. The Institute Research Council included many prominent researchers on campus who provided important input, connections, and intellectual guidance to the BFI. The support of the Institute Research Council and its relentless backing was essential for the BFI and its intellectual goals.

> *"The Institute is named for two Nobel laureates in Economic Sciences, Gary Becker and his mentor, the late Milton Friedman—Chicago iconoclasts who became icons in the field. While they pursued very different paths, Becker and Friedman shared a fundamental belief that economics, grounded in rigorous, empirical research, is a powerful tool to understand human behavior."*
>
> FROM THE UNIVERSITY OF CHICAGO ANNOUNCEMENT, JUNE 2011

The merger led us to solidify and deepen several of our most important offerings: our research initiatives and undergraduate, graduate, and public outreach. The Becker Center, led by Steven Levitt in consultation with Gary

2012–2014

November 9, 2012
The BFI celebrates the centennial of Milton Friedman's birth.

December 1, 2012
Three Federal Reserve Bank presidents participate in a panel arranged by undergraduates.

January 18, 2013
The BFI is introduced to a new audience at the outreach event "Economics and Music."

May 16–17, 2013
The BFI hosts the "Constitutional Design and the Scope of Authority" research conference, a precursor to the Law and Economics Initiative that brings together economics, policymaking, and legal studies. Organized by faculty from the University's Harris School of Public Policy, Department of Economics, and Law School, the conference examines how governmental and constitutional structures affect policy outcomes. It also introduces a unique and well-received format where two discussants debate each paper presented.

September 27, 2013
Public panels highlight "The Facts about Taxes: Empirical Foundations of Supply Side Economics." This conference exploring research and evidence on optimal tax reform includes panels designed to bring the best thinking about tax reform to the public.

"The Becker Friedman Institute, after just six years, is a prominent institution in academia and has gained tremendous respect and recognition in the economics field."

EDWARD LAZEAR, STANFORD UNIVERSITY;
DISTINGUISHED FELLOW AND
FORMER CHAIR OF THE BOARD OF OVERSEERS
OF THE BECKER FRIEDMAN INSTITUTE

Becker and Kevin Murphy provided the opening for establishing our long-term commitment to exploration in price theory.

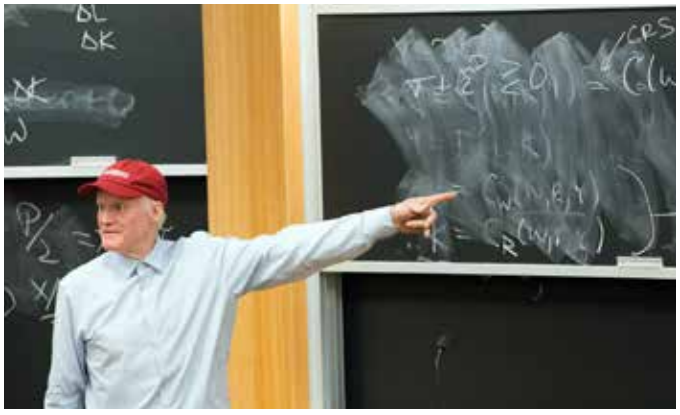
Today, the BFI has well-established initiatives on additional topics that help drive our targeted intellectual inquiry and scholarship. Our merger also helped our student and public outreach programs to flourish. The Becker Center had launched a very popular Becker Brown Bag lunch series targeted to MBA students and encouraging discussion of emerging economic ideas in an informal setting. The talks highlight the practical use of economics for answering real-world questions pertinent to business and policymakers.

In 2011, we launched Cocktails and Conversation, a public event targeting research and policy conversations open to a general audience. Gary Becker and Edward Lazear spoke at our first event, and we later hosted Federal Reserve President Charles Evans, among other distinguished guests.

In 2012, James Heckman was the inaugural speaker for a student outreach program called the Friedman Forum, which exposes undergraduate students to informal conversations on notable topics in the field. These casual and flexible talks highlight economic analysis as a powerful tool for understanding a wide range of real-world issues and problems.

These events grew from the merger of the Becker Center and the MFI and our desire to emphasize programming that enriches learning opportunities for students and the public. Good illustrations of the BFI leading intellectual collaboration were the conference "Constitutional Design and the Scope of Authority," co-organized by scholars from the Law School, the Harris School of Public Policy, and the Department of Economics; and the conference "Creditors and Corporate Governance," co-organized by faculty from Chicago Booth and the Law School.

To my surprise, in October of 2013, I received a phone call from a Nobel committee informing me that I had won the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel. This, of course, added new challenges to my professional life in some ways that were truly surprising. While this announcement and subsequent expectations required some adjustments to my directorship, with the help of Gary Becker, Edward Lazear, and a dedicated staff, I continued to act as the BFI's leader, and it continued to flourish.



Kevin Murphy, George J. Stigler Distinguished Service Professor of Economics, teaches at the 2015 Price Theory Summer Camp.

October 13, 2013
BFI Research Director Lars Peter Hansen wins the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel. He shares the award with his colleague Eugene Fama and Robert Shiller.

December 2–3, 2013
The BFI joins with the Department of Economics and the University in organizing a conference honoring the Nobel laureates.

April 11, 2014
The BFI launches a conference series, "Fiscal and Monetary History of Latin America." Propelled by the need for a common framework for understanding economies across Latin America, as well as the challenge of working with incompatible data sets, the BFI begins a long-running series of workshops, conferences, and panels to study the region's economies. Thomas Sargent, Timothy Kehoe, and Juan Pablo Nicolini (the latter both from the Federal Reserve Bank of Minneapolis) organize the first conference, which investigates the history and economies of seven nations: Peru, Chile, Argentina, Bolivia, Brazil, Chile, and Mexico. More workshops and countries are added over time, including an examination of Venezuela, Uruguay, Ecuador, and Paraguay in 2017.

OPENING THE SAIEH HALL DOORS: COLLABORATION AND PROGRESS IN ECONOMICS RESEARCH, 2014

While the Becker Friedman Institute's growing list of programming and visiting scholars enlivened the campus, we watched as the former location of the Chicago Theological Seminary transformed into our new home. Led by architect Ann Beha and funded through the generosity of University Trustee Alvaro Saieh, Saieh Hall for Economics represented the much needed physical home for our active intellectual efforts for collaboration and research.

Our hope was that the excellence of scholarship and collaboration taking place within the BFI's new walls would equal the architectural excellence of the renovation. Clearly, that was shaping up to be the result. No longer are the economics conferences and economists dispersed throughout meeting spaces across campus. We now enjoy a central location, a dedicated conference hall, and plentiful meeting space where the next generation of groundbreaking ideas can flourish.

Unfortunately, to our deep sorrow, and before he would see the completion of the institute that carried his name, Gary Becker passed away on May 3, 2014. This was a profound loss for us all.

At our conference commemorating Gary's 80th birthday, President Zimmer had called him "intellectually fearless," remarking that Gary represented the highest aspirations of the University of Chicago.

"His qualities are what we want the University of Chicago to be every day," Zimmer said.

These were fitting words for Gary's legacy. Indeed, Gary's influence on the rigor and approach of the BFI in particular and his unwavering support for it were profoundly influential on its direction. He was an incredible pleasure to work with, shared his opinions freely, and was always supportive of our efforts. There is no doubt about the extraordinary impact Gary had on making BFI what it is today.

2014–2015

May 3, 2014
Gary Becker dies at the age of 83. Becker was among the most influential economists in the past century.

May 7, 2014
"From the Trading Floor to the Foreclosure Next Door" discusses how shocks in the financial sector influence the economy as a whole.

June 2014
The BFI moves into its new home at Saieh Hall for Economics.

August 5, 2014
Kevin Murphy is named co-chair of the BFI.

October 30, 2014
Saieh Hall for Economics is dedicated.

October 30–31, 2014
The BFI hosts a memorial for Gary Becker. The economics community gathers at the BFI to celebrate his life and work.

In honor of Gary, we celebrated his life and career together with the opening of Saieh Hall in a grand celebration in October 2014. In true Chicago style, Gary's former students and colleagues discussed, debated, and investigated the far-ranging impact of his great body of research. I am confident that Gary would have enjoyed the lively intellectual conversations about his work.

At the end of this momentous year, Kevin Murphy was named co-chair of the BFI with me. Murphy, of course, is well-known for his expertise in labor markets, wage inequality, and economic growth, but what was truly important was that he and I shared a common intellectual vision about the field of economics and the specific role of the BFI for nurturing scholarship. One of Murphy's most durable contributions was his launching of the video series Discussion Section. Within this series, he probes important economic questions in a sequence of one-on-one personal interviews with a variety of faculty on campus and other elite scholars affiliated with the BFI. These discussions focus on how the academic work of these scholars helps us understand many real world issues and policy challenges.

"As its founding research director, and then as its director and chair, Lars Hansen has played a central role in establishing the Becker Friedman Institute as a global leader in advancing economic research. His extraordinary instinct for identifying important research issues and his unflinching commitment to the highest scientific standards have been reflected in the BFI's dynamic and wide-ranging research program."

JAMES POTERBA, PRESIDENT AND CEO, NATIONAL BUREAU OF ECONOMIC RESEARCH

Saieh Hall for Economics

January 7, 2015
The BFI hosts "The Role and Impact of Monetary Policy in an Uncertain Economy." This conversation with Charles Evans, president of the Federal Reserve Bank of Chicago, and Lars Peter Hansen was the first in a series of discussions with Federal Reserve presidents.

April 2015
Former Governor of the Bank of England Mervyn King visits as a two-week distinguished visitor. King helped guide the UK's economy during the 2008 recession. His visit gives faculty and students many opportunities to benefit from his expertise as a policymaker and a scholar. He delivers a captivating talk to over 150 guests at the University Club in downtown Chicago.

October 5, 2015
The BFI hosts a conference on the history of Chicago economics, with a public panel that draws a full house at the Logan Center. This day-long conference engages scholars of economic history from around the world to assess the durable and unique impact of Chicago economics.

DEEPENING OUR COMMITMENT, 2015–2017

Participants listen as BFI Research Director Lars Peter Hansen gives a talk, "The Consequences of Uncertainty," for 200 alumni and friends of the University of Chicago in Hong Kong on June 23, 2014. University Trustee Francis T. F. Yuen, AB'75, hosted the event; Hansen was introduced by Kevin Cheng, AM'00, PhD'02, of the Chicago Economics Society.

In the years that followed the opening of Saieh Hall, I am gratified to observe that we delivered on our vision of the institute. As outlined in the chronology, the depth and breadth of intellectual pursuits and research-based explorations have been considerable following the direction and vision laid out a decade ago.

Because of the interconnected nature of our programs, we are now well-positioned to engage internationally recognized senior economists and visitors and distinguished fellows. In spite of the diverse interests and locations on campus, Chicago economists often have overlapping research goals. Their research efforts are linked and enhanced through the Becker Friedman Institute's programs and initiatives. The BFI also helps build the collective academic strength in economics on campus. Our collaborations go beyond law, policy, and business as we have partnered with financial mathematics, computer science, political science, and statistics.

We have also had the opportunity to team up with colleagues across the University to recruit some of the most outstanding early career economists as research fellows and junior faculty. Bringing together preeminent scholars at all stages of their careers has defined the BFI as an intellectual destination and home for leading research over the past decade.

Our BFI visitors provide broad perspectives on current research frontiers and allow the opportunity to nurture interactions between elite scholars, young researchers, and our students. Through BFI programs, we have exposed students at the University and elsewhere to the power of economic analysis and have thereby enhanced the power of frontier research in economics on students, the profession, and the broader debates on public policy.

At the conclusion of my nine-year tenure, the BFI has grown from a lone two-thirds-time staff member to a vibrant campus epicenter for economic research inquiry

2015–2017

October 6, 2015
Chicago Economic Experience opens an exhibit dedicated to Chicago economic ideas and innovations. To introduce the public and campus to some of the formidable ideas that have built the foundation of economic inquiry at the University of Chicago, the BFI designed and opened this permanent exhibit to the public. Included in the exhibit are historical artifacts and video interviews of Chicago economics luminaries. The small museum is visited daily on weekdays by students, alumni, and Chicago tourists. The goal for the exhibit is that it will evolve and update to showcase the wide range of influence of Chicago economics.

January 2016
The BFI launches the Health Economics Initiative. Led by Tomas Philipson, the initial program on health care and markets also includes a research conference in September featuring Casey Mulligan and David Meltzer. The initiative provides a first round of funding to PhD students working in this field.

June 2016
The Macro Financial Modeling Initiative holds its first summer session for emerging scholars. The lectures are designed to immerse 50 students in an exploration of the linkages between macroeconomics and finance, with the goal of advancing quantitative and empirical work on macro models in support of prudent policymaking.

ONGOING RESEARCH INITIATIVES

Listed below are some examples of established Becker Friedman Institute research initiatives. In addition to these, we have continued conference series in economic theory, econometrics, and international trade.

- Chicago Experiments*
- Economics of the Family*
- Health Economics and Human Capital
- Industrial Organization*
- Law and Economics*
- Macroeconomics and Financial Markets
- Policy Uncertainty
- Price Theory*

Macroeconomics and Financial Markets

The Macro Financial Research Initiative engages scholars on campus and elsewhere in the study of connections between financial markets and the macro economy.

Under the auspices of the established Macro Financial Modeling Group, this initiative supports research on models and measurements that will aid the prudent oversight of system-wide risks to the financial system while preserving the vital role for markets in risk sharing and liquidity provision.

The Macro Financial Research Initiative also supports research aimed at providing a comprehensive historical time series on the fiscal and monetary policies for 11 Latin American countries, extracting the lessons learned across Latin America for the implementation of future monetary and fiscal policy.

Another recurring theme of the initiative has been government debt and taxation. The 2017 "Government Debt" conference included presentations on theoretical and quantitative papers about default, maturity, dilution, inflation, and fiscal policy design and modeling.

Price Theory

Price theory has long been a central pillar of Chicago economics. Examining the behavior of economic agents through the lens of markets, prices, and incentives is at the core of the Price Theory Initiative under the leadership of Kevin Murphy and Steven Levitt. Under this initiative, faculty and students explore topics that include education, marriage, crime and corruption, addiction, health, and political bias and ideological segregation in the media.

The Price Theory Initiative continues its support of topical research conferences, including the "Media and Communications" conference, in which researchers explore how media bias affects demand for news and competition in news markets, among other topics.

Industrial Organization

Headed by Ali Hortaçsu and Chad Syverson, this initiative studies the interplay between firm and industry behavior and the broader macro economy. The "Firm Dynamics and the Aggregate Economy" conference explored factors that have the potential to explain clear differences in firm growth and productivity between enterprises in developed and developing nations. The "Industrial Organization of the Financial Sector" conference brought together researchers to discuss work that investigates consumer and firm behavior in financial products markets, with particular attention to the role of imperfect competition, information frictions, and regulations.

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*Partially supported by the Andrew and Betsy Rosenfield Program in Economics, Policy, and Law

October 7, 2016
A conference is held in honor of Robert Lucas and his work.

January 2017
The BFI launches the Fiscal Insights Series, which features articles written by distinguished research scholars and others to explore policy questions around debt, wages, taxes, and inflation. Thomas Sargent writes the first one.

April 2017
The BFI recruits its largest cohort of research fellows. Four top doctoral graduates accept offers to spend a year or more at the BFI broadening and deepening their research.

Presidents of three Federal Reserve Banks discussed the Fed's role in America's recovery from the economic recession in a 2012 panel. From left to right: Charles Evans (Chicago); Asher Gabara (student); Lars Peter Hansen; Charles Plosser, MBA'72, PhD'76 (Philadelphia); Narayana Kocherlakota, PhD'87 (Minneapolis); and Defne Ozultan (student).

with 10 staff members and many additional affiliated members. It crosses macro- and micro-economics boundaries, draws renowned visitors from around the world, embarks on new initiatives, nurtures successful academic and outreach programming, and sparks collaboration among scholars from the Department of Economics, Chicago Booth, the Harris School of Public Policy, the Law School, and beyond.

We have hosted 93 conferences, 75 graduate student events, 30 undergraduate events, and 47 public outreach events. Our distinguished fellows number six. We have supported 10 exemplary research fellows and hosted more than 243 visiting scholars.

While the MFI and the BFI have prospered with faculty support and continued advances in research frontiers, the staff, through their continued and enthusiastic efforts, have played a pivotal role. At the outset, the MFI started with a highly organized and motivated staff leader, Hyun Ja Shin. Since then, I have had the privilege to work with Toni Shears, Amy Boonstra, Suzanne Riggle, Liz Braun, and many others in their sustained support and efforts to make the institute a success.

In building the institute, we resisted the temptation to create highly structured research silos with narrowly targeted agendas. While financial resources are necessary for any such enterprise, Chicago economics has long thrived by nurturing intellectual connections and building bridges between seemingly diverse subfields. While an institute does not produce the actual research, it provides a structure that encourages collective efforts and exposes the contributions to a high level of constructive criticism.

An institute succeeds in large part because of the intellectual vibrancy provided by the faculty and visitors. Indeed, faculty support has been essential, drawing on and continuing the unique intellectual heritage of Chicago economics. I am confident that the new leadership of Michael Greenstone and Erik Hurst will sustain the strength of Chicago economics as they push the institute in new and important directions.

Throughout all of our activities, we actively embraced the premise—advanced by our namesakes Friedman and Becker—that economic analysis is a powerful tool for understanding the world and guiding policy. We have achieved this by supporting, generating, and disseminating innovative research in economics.

It has been a fun and rewarding endeavor.

APPENDIX 1

ORIGINAL PROPOSAL FOR THE MILTON FRIEDMAN INSTITUTE FOR ECONOMICS AND SOCIETY

The University of Chicago

A Proposal to Establish The Milton Friedman Institute for Economics and Society (Submitted January 22, 2008)

Introduction

In May 2007, President Zimmer and Provost Rosenbaum appointed an ad hoc committee "to consider the possibility of creating a major new institute at the University of economics and society." The committee members, drawn from the Department of Economics, the Graduate School of Business, and the Law School, were asked to "consider the major programmatic goals and activities of the institute and mechanisms for achieving them; how the institute might be organized, including its relationship to new or existing centers or institutes; and to the [extent possible to] comment on governance issues and resource space, and staffing needs."

The ad hoc committee has considered this charge and has found that the University has an unusual opportunity to leverage the intellectual resources and collaborative nature of the Department of Economics, the Graduate School of Business, and the Law School to create one of the world's most vital and visible institutes for economic research and policy analysis and evaluation. To realize this goal, the University will need to invest significant new resources to establish and house a major new institute and to provide ongoing funding for a robust fellowship program that will attract the world's leading and most promising scholars and policymakers to Chicago. A commitment of the highest level to the vision outlined in this proposal will build on Chicago's singular reputation for economic research and will ensure that in the generations ahead Chicago will extend its reputation as the most attractive place for scholars and students interested in rigorous economic analysis and policy evaluation.

Over the last century, the University of Chicago has helped define the field of economics and has demonstrated the value of economic theory in understanding and approaching a broad array of important societal questions. Milton Friedman typified and became emblematic of the "Chicago School" of economics until his death one year ago. In Friedman's statement on The Chicago School of Economics, he reflected on the special attributes of economics at Chicago:

> In discussions of economic science, "Chicago" stands for an approach that takes seriously the use of economic theory as a tool for analyzing a startlingly wide range of concrete problems[,] . . . for an approach that insists on the empirical testing of theoretical generalizations and that rejects alike facts without theory and theory without facts. . . .
>
> There are really three aspects of the Chicago school. First, it is distinguished by its scientific approach, its attitude toward economics as a discipline, a science. In the second place, it has a distinctive approach to economic policy in general. And third, and more recently, it has had a special meaning in the field of monetary analysis and monetary policy. . . .
>
> The most important aspect, in my opinion, is the scientific. The key to the influence of The University of Chicago on economics throughout the world is that ever since its founding in 1892, the Economics Department of The University of Chicago has regarded economics as a serious subject that has something to do with the real world. It has considered economics a positive science, a method of analysis which has broad applications to many topics.

The institute that the committee is proposing would build on this important tradition by focusing on research questions that support development of economics models grounded in economic theory and empirical evidence and designed to evaluate a variety of questions related to economic policy. Following Friedman's lead, the design and evaluation of economic policy requires analyses that respect the incentives of individuals and the essential role of markets in allocating goods and services. As Friedman and others continually demonstrated, design of public policy without regard to market alternatives has adverse social consequences.

The intellectual focus of the institute would reflect the traditions of the Chicago School and typify some of Milton Friedman's most interesting academic work, including his seminal work on the permanent income theory of consumption, his critical analysis of monetary policy, and his advocacy for market alternatives to ill conceived policy initiatives. This connection of the proposed institute to the legacy of Milton Friedman's intellectual contributions provides a special opportunity to recognize the distinguished place held by Friedman at Chicago and throughout the world. We recommend naming it The Milton Friedman Institute for Economics and Society to honor Friedman's legacy and to indicate how the work of the Institute will, like the work of Friedman, have a deep influence on economic theory and policy around the globe.

The Opportunity at the University of Chicago

Inspired by Friedman's legacy, we propose to create an Institute that features economic research at its best: rigorous development of economic models supported by empirical evidence and designed to address questions with important social and economic consequences. The field of economics is becoming increasingly specialized. While this is a natural development as the discipline advances it has its adverse consequences. Specialization leads to focus and segmentation, but in a manner that can be counterproductive. It runs counter to Friedman's own vision of research. Indeed, Friedman's famous work on the permanent income theory of consumption drew on previous theoretical insights of Irving Fisher and others and on the comprehensive research of the empiricist Margaret Reid (also at Chicago). The resulting contributions developed the precursor to modern models of consumption-savings decisions relevant for both macroeconomics and microeconomics. In part his aim was to provide a framework for integrating microeconomic and macroeconomic evidence on consumption and savings behavior as a crucial input into the study of the macroeconomic economy. To understand the role of macroeconomic policy he worked with Anna Schwartz to develop a comprehensive history of monetary policy, while at the same time appealing to modern statistical decision theory and its limits as a practical guide to policy making. He collaborated with the eminent statistician Leonard Savage in seeking an explanation for how wealth influences risk-taking behavior. His work on monetary economics set the stage for the rigorous use of game theory in characterizing optimal macroeconomic policy. Milton Friedman's intellectual legacy crossed many boundaries of economics that are now becoming well defined subfields. Economics at Chicago has nurtured this interaction and resisted an excessive pull towards specialization. This aspect of Chicago economics draws inspiration from Friedman's example.

We see the Milton Friedman Institute as critical for preserving and fostering the strong tradition of Chicago economics broadly conceived. It will serve two important functions. First, it will provide resources to continue to recruit and retain top scholars. Some of the most

outstanding economic departments, business schools and law schools that we compete with are housed in universities making substantial investments in infrastructure to support economic research. Chicago economics requires at least comparable resources to those of our top competitors. Stanford has the Center for Economic Policy Research (CEPR) with resources available to support research with policy ambition. Yale has the Cowles Foundation that funds some of its best faculty and distinguished visitors. In spite of severe budgetary pressures, The University of Minnesota has developed explicit ties with the Federal Reserve Bank of Minneapolis to support faculty in macroeconomics by creating an ambitious program of visitors. University College at London has an associated Institute for Fiscal Studies that has promoted the development of microeconomic evidence as essential input into credible policy analysis. This Institute has been critical in establishing the UCL as a leading economics group in Europe. The Friedman Institute at the University of Chicago will preserve and indeed significantly enhance Chicago economics by supporting research ambitions of some of its best faculty and help us to compete in recruiting top scholars of various vintages.

Second, we see the Friedman Institute as a means to encourage interaction across some of the best and most exciting areas of research in economics and related disciplines. It is unrealistic to hope that economics at Chicago can be excellent at all subfields. It has not been true in the past and we cannot expect it to be true in the future. To preserve the vibrant research character of economics at Chicago, it is crucial that we have access and exposure to the best research and scholars around the world. Our aim is to design this Institute to be one that external scholars will find attractive or visit and where they will find value in sharing their research with local scholars. It will give us a way to continue to learn about the best new research in a variety of areas and to seek cross fertilization across important subfields of economics. It will help us break down intellectual barriers by giving the experts the support required to play leading roles to run workshops during extended visits and to recruit complementary younger visitors to the Friedman Institute. Thematic workshops over extended periods of time will allow us and our colleagues to explore potential research synergies through repeated dialog and exposure to promising lines of research. By rotating themes, we can continually explore the most important new research contributions in economics, and we can seek ways to broaden the scope of this research when appropriate. For these benefits to be realized, it is important that the Friedman Institute [become] a place where top scholars want to visit even if the scholars do research in areas in which Chicago economics is not well represented. Senior scholars will need the resources to attract junior colleagues, postdoctoral fellows, or advanced graduate students. A main obligation of these scholars will be to participate actively in exploring the potentially broader impact of their research and to investigate how this work might complete other research at the University of Chicago.

An institute designed with these two aims will allow Chicago to maintain leadership in the field of economics and continue in its ability to resist artificial separation into research clubs spawned by excessive specialization.

While the committee views the establishment of the Friedman Institute as an exciting opportunity, we also see this type of investment as a necessity if the University is committed to building on its tradition of leadership and influence in economic research. Without such support the high level of excellence of "Chicago economics" that has existed in the past will be in danger of being undermined by the loss of top scholars and the inability to make new appointments with distinctive scholarly trajectories. Historically there have been important intellectual links among the Economics Department, the Graduate School of Business and the Law School. Economics on campus has benefited not only from the distinctiveness of the Economics Department but also from the strong intellectual tradition relating economics to core research activities in the Graduate School of Business and the distinguished tradition of law and economics within the Law School. The current lack of a University supported structure for collaborative work with the Department of Economics, the Graduate School of Business, and the Law School threatens the strength of the connections among these three units; the limitations of our facilities restrict

program growth and hinder informal interactions and collaborations that often lead to innovative teaching and scholarship; and our ability to access adequate funding for a fully developed visitors program, fully competitive graduate students support, and fully competitive faculty research support, at a time when our competitor[s] are making significant resources available in these areas, threatens our ability to recruit leading scholars and maintain the University's reputation as the most dynamic place for economic study and research. The Friedman Institute, if fully realized, would provide the infrastructure and financial support to mitigate these threats.

The Core Activities of the Institute

Economics at Chicago has been distinguished by the quality of its faculty and students, its connections to government, law and business, its rigorous approach to economic analysis supported by empirical evidence, and its culture of innovation derived in part by a system of workshops and working groups through which new ideas are tested and critiqued. The Applications Workshop and the Money and Banking Workshop have long histories of being important places for the discussion of a diverse array of important topics in economics. (Milton Friedman himself endowed the latter workshop with a reputation for high scholarship when he ran it.) Similar workshop fields such as finance, econometrics and statistics at the Economics Department and GSB, and law and economics at the Law School, provide a shared intellectual foundation from which to construct the Friedman Institute. The Workshop on Rationality started many years ago by Becker and Coleman explores synergies across a wide arena of research in social sciences, and founded more recently, the Chicago Workshop on Black-White Inequality examines inequality of education, income, health, and family structures by bringing together leading scholars from across the University and from universities around the country.

Creating Workshops with Specific Purposes

The committee proposes that the Friedman Institute support and build on the existing research by developing several categories of visitors who would regularly populate the Institute and lead or participate in workshops, teaching, and research, thereby bringing fresh perspectives to the University and invigorating the intellectual climate of economics at the University of Chicago. While we have sufficient general purpose workshops, we aim to develop rotating workshops focusing on alternative themes that both support and complement research on campus. An [example] of topics includes the design of monetary or tax policy in a complex and uncertain environment. This would update an important area of Friedman's own research while providing an opportunity to explore both the conceptual issue and practical issues of implementation. This research features both the construction of dynamic stochastic equilibrium models rich enough to pose interesting macroeconomic policy problems and a formal statement of how the private sector interacts with a government. Both macroeconomic time series and microeconomic evidence offer challenges for model development, and the forward-looking purposeful behavior on the part of individuals and governments [implies] important constraints on the design of policies that have hopes of achieving productive outcomes. Workshops would explore in detail some of the component research ingredients and policy questions including the role of monetary policy in mitigating financial distress [. . .] or the role of tax policy in fostering economic growth. To have an impact, specificity is needed for specific workshops but alternative components could be explored over time with a move towards exploring more synergetic interactions across research themes. While the University of Chicago has considerable expertise in this area, there is much to be learned from research done elsewhere, including economics departments and research departments in the Federal Reserve and other central banks.

An additional area of potential inquiry is the interaction of decentralized markets for credit and insurance and the design of public policy in both developing and developed economics. This poses important challenges in model building and solution, along with challenges in estimation and testing required for empirical credibility. It could explore research commonalities that occurred in the study of investment in both human and financial capital and it could investigate how policies can be best designed to complement decentralized markets. Confronting the best empirical evidence from a variety of sources and exploiting some of the best modeling advances will result in productive workshop activities. There are a host of other related topics that would be fruitfully explored in a [sequence] of workshops with rotating themes. Such activities will be most rewarding when they cross the narrow boundaries of sub fields within economics.

A third [example] of an area for exploration would be to understand how the quality of government institutions influences economic growth. Workshops could explore how legal traditions such as judicial institutions, constitutional norms, and law enforcement practices alter trajectories of economic development and social outcomes. This is but one example of a law and economics topic that would harness the capacity of the Law School alongside that of the Economics Department and the GSB, although the more so if infused with the input and special knowledge of visitors to the Friedman Institute.

To support these and other activities we suggest the creation of a very active visitor's program that would attract and reward scholars at different stages of their careers. Senior distinguished scholars selected as visitors to the Friedman Institute would be given lead roles and resources to bring complementary younger faculty, postdocs, or graduate students. Distinguished scholars recruited to collaborate on work or lead a workshop would be given flexibility in terms of their visiting appointments (with flexibility being especially important in attracting senior scholars). While we would be outward looking, we would include the possibility that distinguished local faculty would visit the Friedman Institute to play lead roles in workshops and recruitment of other scholars.

The ability to attract multiple scholars at the same time will enhance the success of this venture and make it possible to recruit the best researchers. The institute will become a leading intellectual center in economics and will create an exciting, dynamic environment for a wide range of scholars and students. To complement the workshops, there would be featured lectures or conferences designed for senior policy experts and a broader audience of people interested in institute activities. For instance, Federal Reserve Regional Presidents or members of the Federal Reserve's Board of Governors would be natural to include in discussions of questions that bear directly on monetary policy. At the same time, it would be necessary to provide resources to support some of the core research done by the visitors to the institute and scholars on campus.

An important side benefit of the Institute is that it could help attract top senior colleagues to the University on a permanent basis and identify younger scholars who are likely to develop into intellectual leaders in the future. This benefit will be realized by enhancing the research environment and giving the University an alternative recruiting forum.

Nurturing Young Scholars

Post-doctoral fellowships in the field of economics are unusual. Students typically go on the job market for assistant professorships right out of graduate school. Specialization in the field of economics is reflected in graduate student training. Given immediate teaching obligations and pressures to publish, the young scholars have little opportunity to broaden their training and interests in their first years out of graduate school. We propose to combine the best elements of a postdoctoral appointment with an assistant professor appointment. We would recruit new Ph.D.s who show special promise and who will benefit from a fertile environment for scholarship. The aim would be to start off such a position as a highly attractive postdoctoral fellowship relieved of teaching duty and other departmental obligations, but have the position evolve into an assistant professorship. Top prospects would be made postdoctoral fellows of the Friedman Institute for two years prior to initiating the teaching component of their career at the University of Chicago. This would allow the promising scholars to expand their array of research skills and interests. For this program to be successful, the post docs would have to [be] compensated at a level [such that becoming] a fellow of the Friedman Institute would be looked upon as a dominant alternative to becoming an assistant professor. These young scholars would be active participants in workshops and in some cases play important roles in leading the workshops. This program would provide a comparative advantage when recruiting top young scholars to the University of Chicago.

Supporting Graduate Student Research

We envision three activities to support graduate students. The first would be the provision of University of Chicago graduate student dissertation fellowships, which would allow advanced graduate students from across the University to be in residence at the Institute to conduct independent research, collaborate with faculty and visitors, and participate in the intellectual life of the Institute. These Fellowships would be among the most prestigious available at the University. The second activity would support students who seek a joint JD and PhD in economics, or more generally to support economist students who would like to spend a year taking classes and attending workshops at the law school, and learning about law and legal institutions. Such support could be expanded to include other areas of substantive [research] that are complementary to economics. The third activity would offer summer fellowships for advanced graduate students that would bring the most talented students from around the world to Chicago each summer for a shorter stay, similar to the way the highly accomplished students in the biological sciences are attracted to Woods Hole. This program could build on the successful Institute for Computational Economics, a joint effort of the University of Chicago and Argonne National Laboratory, but be directed towards fostering some of the best quantitative research designed for policy analysis. This would allow the Friedman Institute to encourage top scholarship at the important early stages of research development and foster a community of young scholars throughout the world with common research interests.

Supporting Undergraduates with Research Ambitions

Economics is the dominant concentration among undergraduates on campus, and there is impressive talent among the very best students. We advocate internships or fellowships for University of Chicago College students, encouraging some of our best undergraduates to work closely with a faculty member, visitor, or advanced graduate student on research projects. In addition, Friedman Awards for best undergraduate these[s] would help support our most talented undergraduates with research ambitions.

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The activities described above would have a dramatic effect on faculty and student recruitment. These programs can be used both as explicitly recruiting devices for outside scholars and as devices to foster and encourage some of the best economics research among scholars currently on campus. There is also very strong potential for the institute to leverage the influence of existing centers on campus by joining with those centers for joint programs and fellowships. Over time, the Institute might naturally develop a set of affiliated centers that help provide structure for research in subfields of special import.

The Friedman Institute would benefit from a regular effort to disseminate the work of associated faculty and visitors. The potential is great for raising the visibility of the Institute and extending its influence by making publicly available the research and policy analyses derived from workshops, talks, and the ongoing work of scholars and policymakers associated with the Institute. The Institute would need a strong web presence and communications staff to disseminate this work in a timely and regular manner.

Governance and Administration of the Friedman Institute

The committee would expect the Institute to operate collegially, meeting the broad needs of faculty and students by sharing decision making through a relatively flat organizational structure. Nevertheless, we recognize the importance of recruiting an outstanding Director of the institute, who would work closely with faculty in developing programs and who would play a lead role in securing ongoing resources for the Institute.

We recommend that the Institute develop an internal faculty board of advisor[s], perhaps drawn initially from this committee, to advise the director on programmatic direction and to oversee the selection of visitors.

The Institute would be served well by establishing a visiting committee comprised of leading scholars, policy experts, and friends of the Institute. This group, which would meet not more than once or twice a year, would offer suggestions or new directions for the institute to explore and offer high level guidance on the operations of the institute.

We recommend exploring the possibility of creating a Milton Friedman Institute Founders Society of the most generous friends and supporters of the Institute. This group would receive regular news and publications from the Institute, would be invited to an annual lecture and dinner, and would provide financial support at a level that would ensure the long-term success of the Institute.

The success of the Institute is also dependent on adequate resources to allow faculty and visitors to focus on their research and for the director to be able to focus on the intellectual direction and resource needs of the Institute. There is considerable work in recruiting and housing scores of visitors each year and publishing proceedings of workshops, talks, works-in-progress, and the like. There will need to be adequate administrative, clerical, and communications/publications support to allow the director, visiting fellows, and associated faculty to focus their time on the core scholarly activities of the Institute. A more highly developed plan for the Institute will also need to take into account the need for core research support both in terms of staffing and computing facilities.

Space Needs

It is critical that space be identified for the Institute that has adjacency to the Department of Economics and close proximity to GSB and the Law School. The strength of the Institute depends on the regular interaction of a diverse group of scholars. The space must facilitate this interaction through shared seminar and meeting rooms, visitors' offices, cafe or dining spaces, lecture halls, large gathering spaces, and lounge areas that encourage informal discussion.

We would also expect for the Friedman Institute to house the infrastructure to support faculty research. (One example of such infrastructure would be computing capacity.)

Further detail on space needs is contingent upon the specific program that needs to be accommodated. We will defer development of this section until we have estimated the number of potential scholars and students in residence at any given time, agreed on the likely number of support staff and technical infrastructure required, and detailed the programmatic goals of the Friedman Institute.

Estimated Resource Needs

Based on the experience of other Institutes that house robust visitor programs, we anticipate needing the following levels of support (with the understanding that a much more detailed analysis is needed to develop an estimated budget for the Institute):

- $2m to $4m annually to support visitor stipends/ fellowships
- $300,000 annually to support workshops, dissemination of workshop proceedings, and other direct program support
- $400,000 annually to support administrative and core research support staff
- $300,000 annually to support computing facilities; data creation, organization, and analysis; and the ongoing technology and facilities needs of the Institute.
- Endowed funding for the Directorship of the Institute
- Endowed rotating research chairs, which would be housed in the Institute
- Funding to support the renovation or construction of space for the Institute

Concluding Thoughts

Milton Friedman once described the Economics Department at Chicago as "a venturesome department . . . [which] pushed out the frontiers in a variety of directions." [H]e noted "that no other major university has consistently had so wide a spectrum of views represented on its economic faculty as has Chicago." In his view, "The University of Chicago is characterized by diversity in every dimension, by a willingness to experiment, to judge people by their performance rather than their origins, to judge ideas by the consequences rather than their antecedents."

While Economics at the University of Chicago has a proud and illustrious history, it is vital that we be forward-looking. Our aim is to produce a future legacy with its own distinction. The Friedman Institute will enhance our current research environment by embracing initiatives that pursue thoughtful agendas and sustained efforts and shun superficial answers to important economic questions. The Friedman Institute will encourage the production of durable analyses that can withstand the highest level of scrutiny and be supported by the best modeling and most informative empirical evidence. While addressing important economic and social problems, it will provide the impetus for rigorous analyses in support of creative approaches to research.

How can this Institute best support the development of a new legacy of Economics at Chicago? It will help us attract the best faculty to campus with a shared goal of excellence. It will broaden the intellectual landscape by supporting explorations of new lines of research currently not represented on campus. It will provide our departments and schools with the resources to compete with other top institutions and give us the best opportunity to maintain and build on past successes. It would serve as a foundation for new leadership by providing a distinctive intellectual environment that encourages discourse and synergies across a variety of research areas, that fosters ambitious research agendas, and that promotes criticism and scrutiny as a device to maintain excellence.

The establishment of The Milton Friedman Institute would ensure that the singular position of Chicago economics over the last century would serve as a foundation for continued leadership in shaping fields of thought as well as economic and social policies throughout the world.

For the Committee:

Lars Peter Hansen, Committee Chair, Homer J. Livingston Distinguished Service Professor in Economics

Gary Becker, University Professor, Department of Economics, Graduate School of Business, and Sociology

John H. Cochrane, Myron S. Scholes Professor of Finance, Graduate School of Business

James J. Heckman, Henry Schultz Distinguished Service Professor in Economics

Robert E. Lucas, Jr., John Dewey Distinguished Service Professor in Economics

Kevin Murphy, George J. Stigler Distinguished Service Professor in Economics

Eric Posner, Kirkland and Ellis Professor of Law

APPENDIX 2

ON THE MILTON FRIEDMAN INSTITUTE

By Lars Peter Hansen
Remarks Delivered at the University of Chicago All-Faculty Meeting, Mandel Hall
October 7, 2008

Not long after Milton Friedman's death in November of 2006, a number of faculty members on campus began discussions with President Zimmer about the possibility of an institute for economic research, to be named in Friedman's honor. It seemed a fitting way to honor a towering figure in the intellectual history of the University and focus financial support for the continuation of the distinguished tradition in economic research on campus. When this idea was well received, President Zimmer formed a committee drawn from the faculties of the Economics Department, the Graduate School of Business, and the Law School to draft an operational proposal for a Friedman Institute. The proposal was submitted on January 22 of this year, presented to the Committee of the Council on February 19, and to the Council of the University Senate on February 26 for discussion and approved by the Provost and President. The Institute was formally launched this past July.

Since the announcement of the institute, many concerns and questions have been raised about its purpose, funding, governance and the like. A group of faculty sent a letter to President Zimmer expressing concerns about the establishment of the Institute, or at least naming it after Milton Friedman. At the same time stories began appearing in newspapers and magazines around the world. The letter and many of the resulting news stories had erroneous information about the intent of the proposal and its funding, about Chicago economics, and about Milton Friedman. Except for queries in the Council of the University Senate, no serious attempts were made to communicate with anyone involved in formulating the proposal prior to the submission of the petition.

In August, I initiated a meeting with four concerned colleagues, and at Bruce Lincoln's suggestion, he and I talked at length in September well after the initial announcement and the subsequent petition signing. In light of this, I appreciate now the opportunity to discuss with the faculty the status and ambition of the Milton Friedman Institute.

1. What are the goals of the Institute?

The Milton Friedman Institute will serve two important functions. First, it will preserve and indeed significantly enhance Chicago's economics programs by supporting the research of some of its best faculty and help us to compete in recruiting top scholars of various vintages. Second, the Friedman Institute will encourage interaction across some of the best and most exciting areas of research related to economics. It is not intended, however, to be the sole representative of scholarly research in the social sciences and humanities. I doubt such an ambition could be successfully embodied within a single institute.

This new institute is important because it is unrealistic to hope that economics at Chicago can be excellent in all subfields. It has not been true in the past and we cannot expect it to be true in the future. To preserve the vibrant research character of economics at Chicago, it is crucial that we have access and exposure to the best research scholars around the world. Our aim is to design this Institute to be one that external scholars will find attractive to visit and where they will value in sharing their research with local scholars. It gives us a way to continue to learn about the best new research in a variety of areas and to encourage cross fertilization among important subfields of economics. It will help us break down intellectual barriers by giving experts the support required to run workshops during extended visits, to recruit complementary younger visitors to the Friedman Institute, and to play leading roles in other ways. Thematic workshops over extended periods of time will allow us and our colleagues to explore potential research synergies through repeated dialogue and exposure to promising lines of research. By rotating themes we will continually explore the most important new research contributions in economics.

In summary, our aim is to make the Institute a leading intellectual center in economics and to create an exciting, dynamic environment for a wide range of scholars and students. We believe this to be a crucial component to maintaining the excellence of economics at the University of Chicago.

Because of our late start, our activities for this coming year are modest, but I expect them to become increasingly ambitious in the future as we seek to appoint a director and to establish a larger funding base. Even this coming year we will attract top scholars from around the world in short term visits to support exploration of topics such as: the role of financing in economic development, observable and policy implications of models of unemployment, alternative regulatory and legal structures to enable the improved functioning of financial markets, and the economic aspects of marriage and divorce.

2. Why honor Milton Friedman?

Milton Friedman joined the Economics faculty in 1946 and remained closely associated with the University throughout his life. He received every honor an economist can be awarded, beginning with his receipt of the Clark Medal, given every second year by the American Economic Association, as the best American economist under 40. He became a member of the National Academy of Sciences when the Economics section was first formed, he was President of the American Economics Association in 1967, he was awarded a Nobel Prize in 1976[,] and he received the National Medal of Science in 1988. There was no point in his career when he was not regarded as one of a handful of scientific leaders in his field. To portray him as anything else misses completely his intellectual stature among economists, including economists like Paul Samuelson who differed with him on various issues. Describing Friedman's contributions as merely "technical" completely misses their ambition and influence on the discipline of economics. It is most appropriate that Friedman be honored by the University.

3. Why feature markets and incentives?

Market economies are pervasive. As a consequence, economics as a discipline studies the role of markets in the allocation of resources and uses markets as an analytical tool. In assessing empirical and policy implications, we develop and use models that typically, but not always, include markets; and we consider the incentives of individuals, groups, and institutions as they interact. These models often recognize factors that complicate market exchanges by including transaction costs, adjustment costs, imperfect information, limits to communication and other impediments to contracting. Economists repeatedly discuss and debate the extent to which markets work and they explore how markets and policies interact. The Milton Friedman Institute will feature the discussions of such issues at the highest levels of scholarly discourse.

As a contribution to the discussion of policy-making, economists aim to quantify (often imperfectly) the costs and benefits of alternative prospective policies. We continually explore the quality of the evidence that is required to support the findings or conclusions. As scholars we invariably end up characterizing feasible trade-offs. Very few comparisons of economic policies lead to unambiguous improvements for all people. While the development of economic models purely in the abstract without any interest in their policy implications might also turn out to be useful, it would be unproductive to remove quantitative and policy ambitions from all scholarly economic research. Existing scholarly analyses within economics have much to be modest about, but this makes the case for an Institute all the more exciting and promising.

Dismissing our research ambitious as the naïve and uncritical embracement of free market ideology misses the point, and it reflects simplistic and uninformed criticism of economic research that is currently done on campus. We are proud of our openness and are only too happy to compare it to that of other departments and disciplines on campus. We invite all of you to participate in our workshops and conferences and to provide directed criticism of our work. Indeed, such an activity is what makes the University of Chicago great.

4. Are we up to the task of making this a vibrant Institute?

The University of Chicago has a remarkable record of economic research. Critics sometimes refer to the "Chicago School" as though it were a fringe group. Such rhetoric simply ignores the fact that Economics at Chicago has a long tradition for intellectual strengths and recognition for superb scholarship. It may be unseemly to cite numbers in this context, but it will save time. Among our currently active faculty, there are five Nobel Laureates, seven members of the National Academy of Sciences, three past presidents of the American Economic Association, four current or past presidents of the Econometric Society, and four Clark medalists. There are many repeats on this list, but in total nine faculty appear at least once and represent contributions to a wide array of subfields in economics. These honors are not claims we make for ourselves; they reflect the opinions of our peers in the world of economic research. To debate the Friedman Institute without acknowledging this stature denies one of the key intellectual strengths of this University.

5. What about fund-raising and governance?

The University will work closely with a faculty advisory committee in setting the scholarly agenda of the Institute. Members and leaders of this activity will be appointed by the President, Provost, and respective Deans. An administrative oversight board is chaired by the University's provost and comprised of deans from the Graduate School of Business and the Social Sciences Division and the chair of the Department of Economics.

The administrative oversight board has published the following statement in response to stated concerns about institute funding:

> . . . the University of Chicago does not, and will not, allow donors to dictate the content and direction of scholarly research.

In my first meeting with President Zimmer, we both immediately agreed that this Institute cannot be research for hire whereby conclusions are pre-ordained and economists simply provide supporting evidence. We have no interest in such an institute. A formal governance structure, however, cannot in itself guarantee the integrity of this or any other Institute. Part of this future responsibility will be the maintenance of a record, available to all, of the publications and other activities of those whose work the Institute supports. The scholarly integrity of the Institute will necessarily require our own vigilance and continued high standards. Given my twenty-five year participation at the University of Chicago in the critical assessment of economics research, I am confident that we are up to the task of preserving the high standards necessary to truly honor Milton Friedman.

In closing, let me quote Milton Friedman on the occasion of the celebration of his 90th birthday.

> During the periods I was at Chicago, I had several offers to move elsewhere. . . . But I couldn't bring myself to leave Chicago, not because of its beautiful climate, but because of the quality and spirit and the attitude of the economics department and indeed the university at large. It's a wonderful place, where people are interested in understanding things and getting at the bottom of things, at the truth, and not primarily, in creating a particular record or getting their name in the paper.

Our ambition is to preserve and enhance the level of scholarship admired by Milton Friedman and expressed in this statement.

LARS PETER HANSEN

DAVID ROCKEFELLER DISTINGUISHED SERVICE PROFESSOR
DEPARTMENT OF ECONOMICS, DEPARTMENT OF STATISTICS,
UNIVERSITY OF CHICAGO BOOTH SCHOOL OF BUSINESS,
AND THE COLLEGE
THE UNIVERSITY OF CHICAGO

A leading expert in economic dynamics, Lars Peter Hansen works at the forefront of economic thinking and modeling, drawing approaches from macroeconomics, finance, and statistics. He is a recipient of the 2013 Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel.

Hansen has made fundamental advances in our understanding of how economic agents cope with changing and risky environments. He has contributed to the development of statistical methods designed to explore the interconnections between macroeconomic indicators and assets in financial markets. The Nobel Prize recognizes this work, which has been used to test theories and models that have shaped our modern understanding of asset pricing.

Hansen's recent work focuses on uncertainty and its relationship to long run risks in the macroeconomy. Improving models that measure risk and uncertainty have important implications for financial markets, fiscal policy, and the macroeconomy.

Hansen joined the faculty of the University of Chicago's Department of Economics in 1981 and has served as department chair and director of graduate studies. He directs the Macro Financial Research Initiative housed under the Becker Friedman Institute and was the inaugural director of the Becker Friedman Institute until July 2017.

Hansen holds a bachelor's degree in mathematics and political science from Utah State University and a doctorate in economics from the University of Minnesota. He has lectured widely and received numerous honorary degrees, including one from Utah State University in 2012. He received an honorary professorship from Tsinghua University in November 2017.

Lars Peter Hansen, BFI Research Director, gives a lecture in Hong Kong in 2014.

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