

COMMITTEE ON FACULTY RESEARCH LECTURE
Annual Report, 2008-09

To the Academic Senate, Santa Cruz Division:

I. Faculty Research Lecturer Nomination

The Senate Committee on the Faculty Research Lecturer (CFRL) enthusiastically nominates Daniel Friedman, Professor of Economics, to deliver the 2009-2010 lecture. Professor Friedman is one of the world's leading experts in experimental and behavioral economics. His experimental work has revealed important aspects of how humans actually behave in a market context as compared to what is predicted by classical game theory which assumes completely rational players. Some of Professor Friedman recent work gives insight into the phenomena of market bubbles and crashes, a very timely topic in light of the recent events in global financial markets.

Professor Friedman earned his PhD in Mathematics here at UCSC under the direction of Fields Medalist Professor Stephen Smale. He began his faculty career as Assistant Professor of Economics at UCLA, before joining the faculty of the UCSC Economics Department in 1985.

Professor Friedman is a prolific and highly influential researcher. He has authored or coauthored over 50 journal papers, with numerous articles in top journals such as *Econometrica*, *American Economic Review*, and *Games and Economic Behavior*. In 1996 he won the Royal Economic Society Prize for the best paper published in *The Economic Journal*. Professor Friedman has served on the editorial board of four prestigious economics journals including the *American Economic Review*, the premiere publication of it's discipline. Professor Friedman is especially noted for integrating ideas from other disciplines. As one very prominent reviewer of his work recently noted, "He reads widely outside traditional economics and theory and has enormous intellectual curiosity that causes him to work in new areas that are not driven by the traditional economics literature."

Professor Friedman's recent work touches on a number of important economic phenomena. For instance, Professor Friedman and coauthor Ralph Abraham study the phenomenon of market bubbles and crashes in the article, "Bubbles and crashes: Gradient dynamics in financial markets," which appears in *The Journal of Economic Dynamics and Control*. In the article, the authors study the dynamic of asset prices rising as fund managers have seen that losses have been small for a long time and increase their leverage. Then a slight loss can trigger a crash as managers are forced to de-leverage.

Another of Professor Friedman's recent articles titled "Revealed Altruism", co-authored with James Cox and Vjollca Sadira, provides a foundation for revealed preference analysis for preferences that depend not only on the individual's own monetary payoffs but also on the payoffs of others. This article appeared in *Econometrica*, one of the top

economics journals. A related paper, “A tractable model of reciprocity and fairness,” appeared in *Games and Economic Behavior*. Both develop a parametric model of preferences that allows the effects of status and reciprocity to affect choices and use experimentally generated data sets to obtain structural estimates of the underlying model of preferences.

In a separate line of research, Professor Friedman, along with a colleague and former graduate students, investigates the market phenomena on eBay. In papers published in the *Journal of Electronic Commerce* and the *International Journal of Electronic Business*, Professor Friedman and his coauthors reveal a relationship between the size of the seller and whether the seller selects the use the “buy it now” option. They also show that larger sellers use more uniform strategies than smaller sellers.

In yet another line of recent work, Professor Friedman and colleague Professor Donald Wittman use game-theoretic analysis to study the process that determines which lawsuits are settled prior to going to trial. An article resulting from this study appears in the *Journal of Law, Economics and Organization*.

Professor Friedman has authored or edited four books. His most recent book, *Morals and Markets* is written to appeal both to a popular and academic audience. *Morals and Markets* studies the co-evolution of moral codes and markets and argues that both of these are necessary for societies to function efficiently at larger scales. Yet, the book argues, the combination is fragile and can lead to spectacular break downs. To illustrate this, the book compellingly draws on a diverse range of examples throughout history. For example Friedman argues that the chaotic transition Russia underwent in the 1990s was largely due to a lack of a moral infrastructure. Conversely, Friedman argues that “too much morality” led to Japan’s economic stagnation in the 90s, as the country for too long propped up failed banks and “zombie companies.”

Professor Friedman has also authored or edited three other books. He co-wrote the book *Economics lab: an intensive course in experimental economics* with his former student Alessandra Cassar, and with contributions from other economists including Nobel Prize winner Reinhard Selten. The book explores both the history of experimental economics, as well as gives instruction on how to conduct experimental economics research. An earlier book by Friedman, *Experimental Methods: A Primer for Economists (Paperback)*, coauthored with Shyam Sunder in 1994, introduces the principles of experimental methods in economics, including the fundamentals of designing simple experiments that shed insights on key effects. Professor Friedman also co-edited with John Rust *The Double Auction Market: Institutions, Theory, and Evidence* which contains a collection of articles on both theory and experimental findings in double auction markets.

Professor Friedman’s research excellence has been recognized by the agencies that support his research. He has been a Principle Investigator or Co-Principle Investigator on eleven National Science Foundation grants, as well as numerous other grants.

He is also recognized as an outstanding teacher. In 1990-91 academic year he won the Favorite Professor Award from the Student Alumni Council. Professor Friedman has

supervised numerous PhD theses, and several of his students have gone on to faculty positions.

Professor Friedman is also a talented speaker. In the last three years he has given over 20 talks about his research at various universities. The CFRL is pleased to nominate this valuable researcher, teacher, and writer to present this important lecture.

II. Recommendations for Regents' Lecturers

Part of CFRL's charge is to review the applications for the Regents' Professors and Lecturers Program and make recommendations to Vice Provost of Undergraduate Education Bill Ladusaw. As a result, three nominations were recommended for appointment; two have thus far been accepted.

1) Nominated by Environmental Studies, Alejandro Polanco-Jaime is a consultant, author and professor of agroecology and food system sustainability in Mexico. As Regents' Lecturer, Dr. Polanco-Jaime will make a campus-wide presentation on agroecology and food policy in Mexico and presentations in courses and seminars on rural development, sustainability, and the future of food system interactions between California and Mexico. It is also expected that Dr. Polanco-Jaime will have many informal conversations with faculty and/or students in LALS, Sociology, CLRC, Community Studies, the Program in Community and Agroecology (PICA), the Center for Agroecology and Sustainable Food Systems (CASFS), and others who are interested in partnering with and learning more about agroecology efforts in Mexico. Dr. Polanco-Jaime is expected on campus in spring quarter, 2009 and is awarded \$11,450 for a stipend and travel expenses.

2) Nominated by the Music Department, Jeong-Seung Kim is a virtuoso in *Daegeum* (Korean Bamboo flute). He is also Korean National Intangible Treasure Asset No. 83. He was the youngest member of *Jeong-Nong Akhoe*, the best traditional music ensemble in Korea, and a founding and active member in the *Contemporary Music Ensemble Korea*. As Regents' Lecturer, Jeong-Seung Kim visited UCSC in February 2009 for two weeks, giving workshops, lectures, and performances and working with faculty and graduate students to prepare for the UCSC Music Department's 2010 *Pacific Rim Music Festival*, a collaborative effort involving universities in Boston, Seoul, and Shanghai. Kim is awarded \$12,000 for a stipend and travel expenses.

3) Nominated by Ecology and Evolutionary Biology, Randall Morgan, biologist and ecologist, is a noted local naturalist, scholar, collector, consultant, and author. He specializes in the Monterey Bay and San Francisco Bay regions, though known also for his work in California generally. Morgan was recently recognized by the Land Trust of Santa Cruz County for his diligent efforts to study and protect the local area. The trust named the recently purchased sand hills habitat (formerly Geyer quarry) the Randy Morgan Preserve. If accepted, during a six-week tenure as Regents' Lecture, Dr. Morgan will give a public lecture on biodiversity in the Santa Cruz region, assist with the determinations of the flora within the UCSC Forest Ecology Plot, help grad students

involved in plant surveys in the Central Coast area, contribute to the Plant Systematics course during Spring quarter, and meet with faculty and students from the Environmental Studies and Ecology and Evolutionary Biology departments.

Respectfully submitted;
COMMITTEE ON FACULTY RESEARCH LECTURE
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Kimberly Jannarone
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