2015 and Beyond: Rise of the Millennials

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ARE 50th Anniversary Celebration
March 21, 2015
Motivation

- To educate you about Millennials
- To put our futures in jeopardy by ragging on our dissertation advisors
- But mostly… so we can go to the dinner
Millennial Fact 1

Being a Millennial is not exactly a walk in the park.
Millennials – we have it so easy
Instant gratification at our fingertips
THE POWER TO KNOW®

Expanding Probabilities.

Gauss

EViews 5

www.old-computers.com

STATISTICAL DATA ANALYSIS STAT. CORP.

COLLABORATION, TECHNOLOGY, TRUST. 778-4S-VS-77.

800-STATISTICAL. http://www.statsoft.com

979-696-4601 (fax)

Nov 2012:
But not so fast...

Source: Card & Della Vigna 2013
But not so fast...

Notes: page lengths are adjusted for differences in page density across journals. Standardized length assumes 2550 characters per page.

Source: Card & Della Vigna 2013
But not so fast…

Source: Ellison 2002
But not so fast...

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<th>Journal</th>
<th>Mean Submit-Accept Time 1980 (months)</th>
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Successful research then...

The Journal of
LAW & ECONOMICS

VOLUME III  OCTOBER 1960

THE PROBLEM OF SOCIAL COST

R. H. COASE
University of Virginia

I. THE PROBLEM TO BE EXAMINED

Over 25,000 citations
Most influential contribution on economics and institutions
44 pages
0 equations
0 regressions
Successful research now...

A successful theory paper from 2010s
104 pages
More than 80 equations


REPUTATION IN CONTINUOUS-TIME GAMES

BY EDOARDO FAINGOLD AND YULIY SANNIKOV

We study reputation dynamics in continuous-time games in which a large player (e.g., government) faces a population of small players (e.g., households) and the large player’s actions are imperfectly observable. The major part of our analysis examines the case in which public signals about the large player’s actions are distorted by a Brownian motion and the large player is either a normal type, who plays strategically, or a behavioral type, who is committed to playing a stationary strategy. We obtain a clean characterization of sequential equilibria using ordinary differential equations and identify general conditions for the sequential equilibrium to be unique and Markovian in the small players’ posterior belief. We find that a rich equilibrium dynamics arises when the small players assign positive prior probability to the behavioral type. By contrast, when it is common knowledge that the large player is the normal type, every public equilibrium of the continuous-time game is payoff-equivalent to one in which a static Nash equilibrium is played after every history. Finally, we examine variations of the model with Poisson signals and multiple behavioral types.

KEYWORDS: Reputation, repeated games, incomplete information, continuous time.

1. INTRODUCTION

Reputation plays an important role in long-run relationships. Firms can benefit from reputation to fight potential entrants (Kreps and Wilson (1982), Milgrom and Roberts (1982)), to provide high quality to consumers (Klein and Leffler (1981)), or to generate good returns to investors (Diamond (1989)).
Successful research now...

Two TRILLION regressions!

I Just Ran Two Million Regressions

By Xavier X. Sala-i-Martin*

Following the seminal work of Robert Barro (1991), the recent empirical literature on economic growth has identified a substantial number of variables that are partially correlated with the rate of economic growth. The basic methodology consists of running cross-sectional regressions of the form

\[ \gamma = \alpha + \beta_1 x_1 + \beta_2 x_2 + \cdots + \beta_n x_n + \varepsilon \]

where \( \gamma \) is the vector of rates of economic growth, and \( x_1, \ldots, x_n \) are vectors of explanatory variables, which vary across researchers and across papers. Each paper typically reports a (possibly nonrandom) sample of the regressions actually run by the researcher. Variables like the initial level of income, the investment rate, various measures of education, some pol-

An initial answer to this question was given by Ross Levine and David Renelt (1992). They applied Edward Leamer’s (1985) extreme-bounds test to identify “robust” empirical relations in the economic growth literature. In short, the extreme-bounds test works as follows. Imagine that there is a pool of\( N \) variables that previously have been identified to be related to growth and one is interested in knowing whether variable \( z \) is “robust.” One would estimate regressions of the form

\[ \gamma = \alpha + \beta_1 y + \beta_2 z + \beta_3 x + \varepsilon \]

where \( y \) is a vector of variables that always appear in the regressions (in the Levine and Renelt paper, these variables are the initial level of income, the investment rate, the secondary school enrollment rate, and the rate
Maybe we do have it easier
Or do we?

1970: 6 years worth of stipends
2010: 11 years worth of stipends

1970: 105 days @ minimum wage
2010: 190 days @ minimum wage

Median Home Prices

Average Public University Tuition
Let’s talk about what’s really important

BEER

Great beer bubble sees price of a pint rise TWENTY-FOLD in past 40 years

- Price of putting fuel in your car has risen to 17 times what it was
- Value of money has decreased by 91 per cent since 1973

By DAILY MAIL REPORTER
PUBLISHED: 21:09 EST, 6 March 2014 | UPDATED: 07:38 EST, 7 March 2014
What else has changed?

Epic mustache

Huge salmon

Circa 1975
What else has changed?

Growth

overfishing

Can still grow
mustaches
We care deeply about important causes...
What we say...

- Old
- Grey
- Wrinkly
- Worn Out
- Time for retirement
Wilens’s Pleated Corduroy Pants!!!
Let's get this feller a brand new pair of pants!
Millennial Fact 3

We care about appearance.
Faculty Handsomeness: 1995

Kernel density estimate

var1

kernel = epanechnikov, bandwidth = 0.1172
Faculty Handsomeness: 1995

Kernel density estimate

kernel = epanechnikov, bandwidth = 0.1172
Handsomeness: 2015

Kernel density estimate

kernel = epanechnikov, bandwidth = 9.5787
Handsomeness: 2015

Kernel density estimate

Kernel = epanechnikov, bandwidth = 9.5787
We respect multi-talented individuals.
We like data.
Quasi-randomly Chosen Pseudonyms:

- Adam Smith
- Augustin Cournot
- Michael Carter
- Ronald Coase
- John M. Keynes
- Paul Samuelson
- Karl Marx
- Milton Friedman
- Richard Sexton
- Thomas Malthus
Faculty eHarmony Responses
Is your middle name PIGLOG?

Because you’re almost ideal...
I’d like to dance with you CONTINUOUSLY.

Cuz you’ve got that Brownian Motion...
Faculty eHarmony Responses

QED
We are dedicated to our studies.
200A. Microeconomic Theory I (5)

Lecture—4 hours. Discussion—1 hour. Isn’t it obvious?

Taught by: Joaquim Silvestre
202B. Applied Microeconomics: Consumer and Producer Theory (4)

Lecture—4 hours. Your best isn’t good enough. Quelle dommage.

Taught by: Pierre Mérel
215A. Microdevelopment Theory and Models I (4)

Lecture—0 hours.
Talking about our feelings—3 hours.
Random comments about Mexico’s PROGRESA program—1 hour.

Taught by: Ed Taylor
215B. Microdevelopment Theory and Models II (4)

Lecture—4 hours. Note: 215B will not be taught this year. Professors Lybbert and Boucher are in Timbuktu.

Taught by: no one
Lecture—4 hours. Jenny James and Abigail Okrent are the two greatest humans to ever walk this planet. Nothing you could ever do will ever compare to the things they do in their sleep. The sooner you learn this, the better.

Taught by: Julian Alston
232. Agricultural Commodity Markets (4)

Lecture—4 hours. You too can learn to use the word “vitiate” in a sentence.

Taught by: Rich Sexton and Rachael Goodhue
233. Agricultural Policy (4)

**Lecture—4 hours.** Group projects are an excellent way for you to learn and for us to avoid writing and grading tests and papers.

*Taught Attended by: Jeffrey Williams and Colin Carter*
Lecture—4 hours. Welcome, students. This is version 50.0 of ARE 254.

Taught by: Cynthia Lin
275. Environmental Economics (4)

Lecture—4 hours. This course has an excellent student-to-teacher ratio.

Taught by: Katrina Jessoe
277. Natural Resource Economics (4)

Lecture—4 hours. Advanced drawing techniques for economists. Crayons not included.

Taught by: The Jims
240C. Time Series Econometrics (4)

Lecture—4 hours. In this course you will get to hear me say the words “Weiner Process” repeatedly with a completely straight face.

Taught by: Aaron Smith
299D. Special Study for Doctoral Dissertation (1-12)

[No description given.]
(Job/No job grading only.)
Implications for the future of Davis ARE

- Millennials aren’t so bad and may even do ARE proud.
- Jim Wilen will finally get some new pants.