

## CONFERENCE PAPERS

### *Takushi Kurozumi, Economics*

“Distortionary Taxation, Interest Rate Policy, and Equilibrium Determinacy”, Fall 2005 Midwest Economic Theory and International Economics Conference, University of Kansas, Lawrence, KS, October 2005.

### *Anureet Saxena, ACO*

“Optimizing Over the Split Closure”, with E. Balas, INFORMS Annual Meeting, San Francisco, CA, November 2005.

### *Willem Van Zandweghe, Economics*

“Investment, Interest Rate Policy, and Equilibrium Stability”, with T. Kurozumi, Federal Reserve Bank, Cleveland, OH, November 2005.

### *Xiaofeng (Mulan) Wang, OM*

“Merchant Valuation and Sensitivity Analysis of Network Contracts for Natural Gas Pipeline Transport Capacity”, with N. Secomandi, INFORMS Annual Meeting, San Francisco, CA, November 2005.

### *Hakan Yildiz, OR*

“Policy Implications of a Planning Model for Home-Delivered Meals”, with M. Johnson, INFORMS Annual Meeting, San Francisco, CA, November 2005.

## ACCEPTED PAPERS

### *Daylian Cain, Organizational Behavior*

“What You Don’t Know Won’t Hurt Me: Costly but Quiet Exit in Dictator Games”, as second author with J. Dana and R. Dawes, *Organizational Behavior and Human Decision Processes (OBHDP)*, forthcoming.

### *Vineet Goyal, ACO*

“Pay Today for a Rainy Day: Approximation Algorithms for Demand-Robust Min-Cut and Shortest Path Problems”, with D. Golovin and R. Ravi, *Proceedings of 23<sup>rd</sup> International Symposium on Theoretical Aspects of Computer Science*, forthcoming.

### *Takushi Kurozumi, Economics*

“Optimal Monetary Policy in a Micro-founded Model with Parameter Uncertainty”, with T. Kimura, *Journal of Economic Dynamics and Control*, forthcoming.

### *Teresa Sousa, ACO*

“Decompositions of Graphs into 5-Cycles and Other Small Graphs”, *Electronic Journal of Combinatorics*, Volume 12, R49, 2005.

## AWARDS

### *Daylian Cain, Organizational Behavior*

Russell Sage Foundation fellowship, along with Sendhil Mullainathan, for field research in Applied Behavioral Economics at Harvard University’s Department of Economics and the National Bureau of Economic Research (NBER)

## JOB PLACEMENTS

### *Takushi Kurozumi, Economics*

Bank of Japan

### *Michael Peress, Economics*

University of Rochester

### *Zhulei Tang, Information Systems*

Purdue University

### *Ting Zhu, Marketing*

University of Chicago

## NEWS

PJ Healy, Assistant Professor of Economics, and his wife Meredith welcomed their first child, a son named Michael Forrest Healy, on November 15. Michael weighed 10 lbs. 2 oz. and was 22.5 inches long at birth. Mother and baby are doing very well. Several students from PJ's microeconomics course decided to celebrate this occasion by surprising their professor with an office makeover. They wish to remain anonymous.



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Bram Kranenburg, a visiting OM PhD student from Eindhoven University of Technology, The Netherlands, returned home in mid-November. He had been at Tepper working with Alan Scheller-Wolf and Atul Bhandari on topics related to spare parts management since September. Before leaving, Bram invited the members of his daily 'kaffee klatsch', along with Jackie Cavendish and Lawrence Rapp, to join him for coffee and his wife's homemade Dutch apple pie.



(l.-r.) Willem van Zandweghe, Masha Shunko, Erküt Sonmez, Bram Kranenburg, Jackie Cavendish, Lawrence Rapp, and Paul Enders

## ALUMNI

*First-year OM student Masha Shunko has researched and written the following profile of Cheryl Gaimon (OM '81).*

This summer, Cheryl Gaimon, who received her Ph.D. in Operations Management from GSIA in 1981, was named a Regents Professor in the College of Management at Georgia Institute of Technology. This is the highest honor possible for a professor at Georgia Tech. In addition, Professor Gaimon initiated establishment of the Operations Management (OM) Program and served as the OM Area Coordinator for seven years. Also, she was a core participant in the development of an interdisciplinary program in the Management of Technology (MOT) and currently serves as that program's director.

Professor Gaimon's research and teaching interests are primarily in the area of the management of technology. Her work focuses on the strategic acquisition of new technology (manufacturing and information), knowledge creation and knowledge transfer, process improvement, implementation of new technology, and new product development. Her research has appeared in top OM journals including *Management Science*, *Operations Research*, *Production and Operations Management*, *Naval Research Logistics*, and others.

"I learned at GSIA how to think about and conduct research. More specifically, I was taught how to identify a truly important problem which might cross functional area boundaries of management and which may not have already appeared in the literature. I was taught how to model and analyze the problem with the utmost rigor. I was taught how to develop deep managerial insights for the problem" says Professor Gaimon about CMU's role in her successful career.

Professor Gaimon also stresses the role of her mentors at GSIA: "The most influential person during my studies was my thesis advisor, Professor Gerald L. Thompson. His ability to train me in how to think, his encouragement

and support were invaluable. Since earning my PhD, Professor Linda Argote has served as a mentor in absolutely every sense of the word. I hope that I have learned from both of these special people that, through positive motivation and patient guidance, I can train a PhD student to perform important research with the utmost rigor.”

Professor Gaimon is not only a great researcher that makes CMU proud of her achievements, but also is a great role model for current students: she has combined a successful career with well balanced personal life. “The most important thing that enabled me to balance a career and family was my husband: a true partner in childrearing and running the household. In addition, quite simply, I intensely wanted to succeed in both my career and family (my children Valerie, 22 and Phillip, 20, both in college, are terrific). I think that determination, along with hard work, was critical (after having Valerie, I missed one week of classes - that's it!). I should add that, after a bad day at work, coming home to a couple of sweet smiling faces and cuddles helped me maintain perspective!”

In conclusion, Professor Gaimon gives an advice for current PhD students at Tepper: “First, I think that the PhD students should exploit the unique academic environment available in order to learn absolutely everything they can. Second, PhD students are placed under intense pressure in terms of both the volume and difficulty of the material to be learned. I found that one of the best ways to manage that pressure was by connecting with friends (mostly but not limited to GSIA PhD students). I also benefited a great deal from advice of more senior doctoral students at GSIA. Beyond this, getting encouragement or counseling from the faculty can be invaluable!”

**Mark your calendar:**

The annual skating party has been set for Monday, February 6, 2006 at the Schenley Park rink.

## IN MEMORIAM

### John F. Muth (1930-2005)

By Zümürüt İmamoğlu

Born in Chicago in 1930, John F. Muth was the founder of rational expectations hypothesis. Expectations are key to understanding decision making. Almost all decisions depend on one's expectations of what will happen in the future. Firms' production plans, for example, are based on their predictions about future prices, and the prices in the future will be realized depending partly on the quantities produced by the firms.

The common approach to incorporating expectations into economic models, at the time Muth was a graduate student at GSIA, was by using a functional form through which agents in the economy update their expectations of future, looking at how mistaken they were in their expectations for today. This implied that people were making systematic errors in their forecasts. Muth thought this hypothesis was not a good way of formulating rationality. He wrote “Information is scarce and the economic system generally does not waste it.”<sup>1</sup>

In a dynamic model, an agent's optimal decisions depend on his expectations of the variables, and the model makes predictions of the same variables based on these expectations. Muth thought that these expectations had to be consistent with the predictions of the model. Hence, he looked for the solution of a fixed point problem where the expectations had to be consistent with the outcomes of the model. This implied that predictions made by agents in the economy could differ from the outcomes only by a random error term. That is, rational expectations hypothesis asserts that firms' or individuals' forecasts of future variables are unbiased.

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<sup>1</sup> Muth, John F. 1961, Rational Expectations and the Theory of Price Movements, *Econometrica* Vol. 29.3, p. 315-335

It was not until Robert E. Lucas applied Muth's idea to macroeconomics, that his contribution to economic theory was well understood. The publication of his paper, "Rational Expectations and the Theory of Price Movements" in *Econometrica* had taken some time because one of the referees thought his contribution was of little consequence.<sup>2</sup> Perhaps out of sympathy for Muth, or to further emphasize the importance of his work, Lucas and Sargent re-published Muth's paper in their book *Rational Expectations and Econometric Practice* in 1981.

Lucas and Muth overlapped for only one year at GSIA over 1963-64. In an interview, Muth said he recalled Lucas ran into him once in the hall and expressed his interest in applying the model in macroeconomics, but Muth did not think it was a good idea. Later, concerning the development of the use of his idea in macroeconomics, Muth said, "The application of rational expectations primarily to macroeconomics has been a source of amusement to me because I do not now, and never have, understood macroeconomics. It has always seemed to be half obvious, half understandable."<sup>3</sup>

Muth was a research associate in GSIA from 1956 to 1959, and an assistant professor from 1959 to 1962. However, he did not have a PhD degree until 1962. Richard Cyert, who was Dean of GSIA over 1962-1972, told Bennett T. McCallum that it was due to Muth's stubbornness that his degree was delayed. Apparently, he refused to take a German exam which was a requirement at the time. McCallum thinks that he received his degree only after a change in the program requirements.<sup>4</sup>

Muth went on working at GSIA as an associate professor until 1964. Upon not receiving tenure, he first went to Michigan

State and then to Indiana University. There, he mainly worked on operations management and technological changes in production. After retiring from Indiana University in 1994, Muth commuted between Indiana and Florida. When asked about his current research, he said "a lot of things interfere, including having a good time."<sup>2</sup>

Muth was noted as an eccentric, complex and odd man by his friends and colleagues. According to Michael Lovell, whom he met while he was a visiting lecturer at Cowles Foundation at Yale University during 1961-62, Muth preferred talking about his weekend skiing instead of research.<sup>2</sup> Modigliani thought Muth was "undoubtedly a very original and talented man, but he seemed to take pains to appear as an oddball".<sup>5</sup> Some people think he was may have been a genius. Many, including Herbert Simon, however, believed that he had deserved a Nobel Prize for his work<sup>2</sup>.

With or without a prize, whether he likes the way his idea is used or not, what remains to the scientist at the end is a humble gratitude for his name being spelled right:

"Ideas are like children. You may give them life, you may nourish and support them, but you cannot control their future. I'm just glad they spelled my name right, although one person attributed rational expectations to my brother, Richard Muth"<sup>2</sup>.

### **F.Y.I.**

You may submit information for future  
"Doctoral Program Newsletters"  
at any time to Lawrence Rapp  
([lrapp@andrew.cmu.edu](mailto:lrapp@andrew.cmu.edu)).

<sup>2</sup> Sent, Esther-Mirjam 2002, How not to Influence People: The Contrary Tale of John F.Muth

<sup>3</sup> Muth, John F. 1987, Discussion on Schips' Paper, in Theoretical Empiricism, ed. Herman Wold. New York: Paragon House.

<sup>4</sup> Bennett McCallum, personal e-mail, 12.02.2005.

<sup>5</sup> Klamer, A. 1983, *Conversations with Economists*. Savage, Md.:Rowman and Littlefield