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***Former Reagan Counsel
Wallison Addresses SBA***

Peter Wallison addressed Loyola students and faculty and the general public on February 17th at a symposium sponsored by the SBA and its Center for Financial and Policy Research, jointly with the School of Law and the Department of Political Science. His talk focused on domestic and international public



policy conducted in former President Ronald Reagan's administration, including economic policy, popularly referred to as "Reagonomics".

Wallison served as Counsel to President Reagan from 1986 to 1987, after having served as Counsel to Vice President Nelson Rockefeller (1974-76) and General Counsel of the U.S. Treasury Department (1981-85). He is currently Resident Fellow and Director of the Financial Markets Deregulation Project at the American Enterprise Institute, a think tank in Washington, D.C. He has recently published a book on his experiences in the White House entitled *Ronald Reagan: The Power of Conviction and the Success of His Presidency*.

After his presentation, Wallison met with SBA faculty and discussed some of his points at greater length.



John R. Boatright, the Raymond C. Baumhart Professor of Business Ethics, has published "Contractors as Stakeholders: Reconciling Stakeholder Theory with the Nexus-of-Contracts Firm", in the *Journal of Banking and Finance*, 26 (2002). This paper argues that the main difference between stockholder and stakeholder conceptions of the firm lies in different assumptions about the choice of protections that each constituency would make. The value of this thesis is that it identifies the points at issue in ways that facilitate a reconciliation. Professor Boatright has also completed an article, currently under review, titled "Employee Governance and the Ownership of the Firm". The paper is scheduled for presentation at the University of Tennessee, Santa Clara University, and a meeting of the American Philosophical Association in San Francisco.

Louis Cain, Professor (Economics) has two forthcoming papers: "Urbanization, Sanitation, and Mortality in the Progressive Era, 1899-1929", with Elyce Rotella, in Gerard Kearns, W. Robert Lee, Marie C. Nelson, and John Rogers, editors, *Improving the Public Health: Essays in Medical History* (Liverpool University Press) and "From Big Shoulders to Big Macs", in *American Behavioral Scientist*.

Professor Cain has several current projects. Papers on the economics of zoological parks and aquariums, and investigating the extent to which economics played a role in the decision by Congress to exempt the Tellico Dam from the Endangered Species Act are in the early stages of development. Closely related to the latter paper is one which investigates the extent to which economics influenced a variety of environmental votes across the twentieth century. Less closely related is a paper that looks at demonstration effects, epidemics, and the decision to invest in a sanitation infrastructure during the period 1899-1929, a paper from the same project as the one awaiting publication. Finally, going back a bit farther, Professor Cain has begun research on the early economic development of Chicago and, in particular, on the role played by William B. Ogden.

The sixth edition of his textbook, *American Economic History* (Addison Wesley), appeared this past fall. An edited volume of interviews with the pioneers of the new economic history is in the proposal stage. Professor Cain continues to serve as Area Editor for the *Oxford Encyclopaedia of Economic History* (Oxford University Press), Consulting Editor of the *Encyclopaedia of Chicago History* (University of Chicago Press), and Chapter Editor of the *Historical Statistics of the United States*, millennial ed. (Cambridge University Press). In addition, Professor Cain has contributed to each of these volumes and to the *Encyclopedia of World Environmental History* (New York: Berkshire/Routledge).

John M. Janiga, Professor (Accounting) recently had two co-authored articles published relating to his research surrounding Federal income tax issues applicable to personal service corporations (PSCs) and qualified personal service corporations (QPSCs). The first article, entitled "Beware of Special Rules for Personal Service Corporations", was published in *Practical Tax Strategies* (Warren, Gorham &

Lamont); the second article, which is entitled "Planning Points for Personal Service Corporations", was published in *Tax Ideas* (Research Institute of America). The articles are significant in at least three ways. First, they address several Federal tax issues that have been either incorrectly or never addressed in the tax literature. Second, the articles provide practical compliance and planning tips to tax practitioners for addressing these issues. Third, for the first time, the articles provide the tax literature with a detailed, accurate summary of the myriad, technical definitions of PSCs and QPSCs contained in the tax law.

Nenad Jukic, Assistant Professor (ISOM) has published two journal articles: "Employing a Multilevel Secure Approach in CRM Systems" in *Journal of Information Technology Theory and Application*, vol. 4, no. 2, Fall 2002, and "Implementing Polyinstantiation as an ECCRM Strategy", in the *International Journal of Electronic Commerce*, vol. 7, no. 2, Winter 2002/2003. Both papers were co-authored with Boris Jukic and Laurie Meamber from George Mason University and George Nezlek from Loyola University Chicago. In addition, two of Professor Jukic's papers were presented at conferences and were published in the refereed conference proceedings. These were "Importance of Semantics in MLS Database Models", *Proceedings of the 24th International Conference on Information Technology Interfaces*, ITI 2002, Cavtat, Croatia, June 2002, co-authored with Mario Pranjic and Kresimir Fertalj from University of Zagreb, Croatia, and "Ad Hoc Association-Rule Mining within the Data Warehouse", *Proceedings of the 36th Hawaii International Conference on System Sciences*, HICSS 36, Hawaii, January 2003, co-authored with Svetlozar Nestorov from The University of Chicago.

Frederick Kaefer, Assistant Professor (ISOM) has recently had a paper titled "Linking Technological Compatibility and Operational Capacity Constraints to Communication Technology Adoption" (with E.

Bendoly, Emory University) accepted for publication in the *Journal of Electronic Commerce in Organizations*, Volume 1, April-June 2003. This study examines the relationship of two interacting issues on the use of Electronic Data Interchange (EDI), a long standardized communication technology that has been underutilized by business organizations. The two interacting issues are the willingness of business partners to use various communication technologies and the organization's operational capacity to accommodate the product/service demands of potential business partners.

George G. Kaufman, the John F. Smith Professor of Finance and Economics, and Director of the Center for Financial and Policy Studies has been elected president of the North American Economic and Finance Association for 2003. Professor Kaufman was the program chair for the North American Economic and Finance Association meeting held at the Allied Social Science Association meetings in Washington, D.C., January 3-5, 2003, where he also presented two papers and chaired three sessions.

Professor Kaufman's National Association for Business Economics **Adam Smith Award** acceptance paper was published in the January 2003 issue of *Business Economics* under the title "The Use of Economic Analysis to Affect Public Economic Policy".

His article "What Is Systemic Risk and Do Bank Regulators Retard or Contribute to It?" co-authored with Kenneth Scott (Stanford University), was published in the Winter 2003 issue of *The Independent Review*.

Professor Kaufman has recently published two books. *Asset Price Bubbles: Implications for Monetary, Regulatory, and International Policies*, co-edited with W. Curt Hunter and Michael Pomerleano, was published by MIT Press. Professor Kaufman also edited *Market Discipline in Banking*, which is volume 14 in his annual series, published by JAI/Elsevier.

A. G. (Tassos) Malliaris, the Walter F. Mullady Professor of Economics and Finance served as president of the North American Economics and

Finance Association during 2000-2001. At the annual meeting of the association in January 2002, Professor Malliaris gave the Presidential Address on *global monetary instability: the role of the IMF, the EU, and NAFTA* to the members of the association. His remarks were subsequently published in the association's journal.

This paper represents an attempt to improve the performance of global monetary arrangements. The objective is to reduce financial instability and enhance the system's ability to prevent exchange-rate crises altogether or to deal with them more effectively when they occur.

It begins by examining recent exchange rate crises in Asia and monetary cooperation in the EMU.

Both experiences provide important insights and lessons for improving the global system. Any attempt to improve the system's performance must take account of the constraints imposed by the "impossible trinity", according to which economies can at most achieve two of the following three objectives: stable exchange rates, capital mobility, and autonomous macro policies.

The approach proposed in the paper gives priority to the first two objectives and develops ways of accommodating the constraint on policy autonomy. The proposal has three building blocks, each designed to make domestic policies conform with the systemic constraint.

The first block focuses on the international financial infrastructure, seeking to improve the multilateral guidelines for fiscal, monetary, and financial policies and tightening standards of performance as well as surveillance. This block is important because it helps set the framework conditions. As the world's financial and capital markets become more integrated, the need for common standards asserts itself.

Although improvements in systemic architecture play a crucial role, they cannot solve all problems. Regional cooperation designed to enhance monetary stability among groups of trading partners can make an important contribution. The model here is the European Monetary Union: it provides a tested

example for greater monetary and financial

Improvements in global architecture and greater regional cooperation will go a long way toward reducing uncertainty and enhancing financial stability. That leaves relations among the three major economies – the EU, Japan (with possible linkages to other Asian economies) and the monetary bloc in the Western Hemisphere. In order to ensure stability of exchange rates within the group – among the euro, yen, and dollar – Malliaris proposes intra-group policy coordination in a process that would mimic the Maastricht Treaty's convergence criteria.

David Merriman, Professor (Economics) continues to work on issues related to state governments' fiscal crises. During the fall semester, under contract with the Washington, D.C.-based Urban Institute, he traveled to Michigan, Florida and New Jersey to interview state government officials and others about state responses to the economic downturn. The Urban Institute will publish a summary of that research later this year. He has also agreed to write a paper (with Elaine Maag) to be titled "Tax Policy Responses to Fiscal Stress" for an April 2003 conference jointly sponsored by the Urban Institute-Brookings Institution Tax Policy Center and the Institute for Policy Research of Northwestern University.

Professor Merriman presented his paper "Should Medicaid Matching Rates Be Designed to Offset Fiscal Downturns?" at the annual meetings of the Public Policy Analysis and Management Research Conference in November 2002 in Dallas. He also presented his paper entitled "An Empirical Analysis of Medicaid Supplantation", at the Institute of Government and Public Affairs of the University of Illinois in December 2002. Both papers argue that the more than \$100 billion that states annually receive in federal funding for Medicaid has important implications for all aspects of state budgets going far beyond health services.

Merriman has agreed to serve as program chair of the National Tax Association's Annual

cooperation in the Western Hemisphere.

Research Conference that is to be held in Chicago in November of 2003. This conference, the NTA's most important and high profile event, has been held annually for almost 100 years. The conference gathers tax and budgetary experts from around the world to present more than 100 research papers on diverse topics.

Professor Merriman's paper (with Richard Dye), "The Effect of Tax Increment Financing on Land Use", will be published later this year in a book to be titled *The Property Tax, Land Use and Land-Use Regulation* and edited by Dick Netzer, one of the world's leading authorities on the property tax. Together with Loyola MBA student Jay Jani, Professor Merriman has been studying evasion of tobacco taxes in India for the World Bank. He expects to travel to India later this year to conduct in-depth discussions with local experts.

Dow Scott, Professor (Human Resources and Industrial Relations) published "Gainsharing and EVA: The United States Postal Service Experience", co-authored with Greg Shives, in the *World at Work Journal* 2003, 12 (1), a major compensation journal in the U.S. The article focuses on the U.S. Postal Service's attempts to become more productive using EVA (economic value assessment) to measure performance, and to connect that performance measure to team and organization-wide incentive programs. The EVA and the incentive program Scanlon Plan (i.e., gainsharing, or a reduction in costs which lead to employees' sharing in cost savings or gains, or productivity and profit) are popular strategies for increased productivity throughout the industry.

Professor Scott also published "The Impact of the Scanlon Plan on Retail Store Performance" (co-authored with J. Floyd, J. W. Bishop, and P. G. Benson) in *World at Work Journal*, which documents the use of the Scanlon Plan to increase productivity at large retailers.

Anna Schwartz to Receive Honorary Degree from Loyola

Loyola will bestow an honorary degree on Anna Schwartz at the School of Business Administration graduation exercises on May 10th. Schwartz has been one of the leading economists in the U.S. for more than half a century. Since 1941, she has been a research associate at the prestigious National Bureau of Economic Research (NBER).

Schwartz has published widely in the areas of monetary policy, financial institutions and regulation, economic history, and international finance, with more than 200 journal articles, books, and other contributions to her credit. She is best known as coauthor with Nobel Laureate Milton Friedman of the seminal book, A Monetary History of the United States: 1867-1960, published in 1963. Her published works have had major influence on economic and financial policies in the U.S. and abroad.

Schwartz is a Distinguished Fellow of the American Economic Association and was Staff Director of the U.S. Gold Commission in 1981-82. She has previously received honorary degrees from six other universities. Schwartz received her masters and Ph.D. degrees in economics from Columbia University.

Linda K. Stroh, Loyola University Faculty Scholar and Professor (Human Resources and Industrial Relations) has just published a book on organizational behavior co-authored with Maggie Neale, Stanford University, and Greg Northcraft, University of Illinois, entitled *Organizational Behavior: A Management Challenge*. The book is designed for both graduate and undergraduate students of organizational behavior. Linda has also co-authored (with Jeanne Brett, Northwestern University) a study entitled "Working 61+ Hours per Week". This study is soon to be published in the prestigious *Journal of Applied Psychology*. The study examines why many managers elect to "overwork". Linda also has written an article entitled "Becoming An Employer of Choice: Lessons Learned from a Case Study", soon to be published in *The Psychologist/Manager Journal*. This case study is one of an organization undergoing mega-organizational change. Linda also continues to serve as the academic adviser to the International Personnel Association, an association of 60 of the top 100 multinationals in the U.S. and Canada, and undertakes research projects

attempting to solve current problems within these organizations.

Vefa Tarhan, Ralph Marotta Professor of Free Enterprise, has presented his paper (co-authored with Todd Pulvino) titled "Joint Investment, Financing, and Distribution Cash Flow Sensitivities" at Loyola University Chicago, Northwestern University, Tulane University, Koc University, and to the Research Department of the Turkish Central Bank during the last 8 months. Based on an estimation of a system of equations that capture all the investment and financing variables of firms, the paper reaches the conclusion that there is no credible evidence that firms have difficulty in accessing capital markets to raise the necessary funds to finance their investments.

In December 2002, Professor Tarhan was invited by the Istanbul Stock Exchange to be the keynote speaker on the topic of the role played by the capital markets in connecting the real and financial sectors of the economy.

Mark Van Oyen, Associate Professor (ISOM) has received recognition for work he performed with Eungab Kim, his former doctoral student at Northwestern University. Together they received the *Best Paper Award* from the Institute of Industrial Engineers (IIE) for the *IIE Transactions* focused issues in *Operations Engineering* for 2000-2001. He presented this paper in Orlando this summer at the IIE Research Conference's Awards session as part of the recognition. This past year, Professor Van Oyen received tenure and two of his papers appeared: (1) "Factors Affecting Opportunity of Worksharing As a Dynamic Line Balancing Mechanism", *IIE Transactions*, 2002 (34), with E.G.S. Gel and W. J. Hopp; (2) "Benefits of Skill Chaining in Production Lines With Cross-Trained Workers: An Extended Abstract", *Manufacturing and Service Operations*

Management (M&SOM), 4:1, with E. Tekin and W. J. Hopp, 2002.

Professor Van Oyen finished up his 4-year effort on a National Science Foundation (NSF) Grant with Wallace Hopp of Northwestern University entitled "Workforce Agility: Classification and Modeling". In a similar, but more focused direction, he is currently working jointly with Professor Seyed Iravani of Northwestern University. Through a collaborative arrangement, both Loyola and Northwestern obtained separate grants from NSF for the project "Robust Strategies for Cross training Call Center Agents - Taxonomy, Models, and Analysis" to investigate the use of mathematical models to improve call centers. Through these and related efforts, Professor Van Oyen submitted 5 journal papers for review within the last year.

Moskow of Chicago Fed to Speak April 2nd

Michael Moskow, President of the Federal Reserve Bank of Chicago, will speak on Wednesday, April 2 at 5-6 p.m. in the Rubloff Auditorium to students, faculty, alumni and general public. Moskow became President of the Chicago Fed in 1994. An economist by training, he received his Ph.D. from the University of Pennsylvania and, after teaching briefly, spent much of his career in government service in Washington, D.C. He was a senior economist at the President's Council of Economic Advisers, Assistant Secretary of HUD, Undersecretary of Labor, and Deputy U.S. Trade Representative. Moskow also held senior management positions with a number of major firms and was on the faculty of the Kellogg School of Management at Northwestern University, when he was appointed to the Chicago Fed presidency. Moskow is currently a voting member of the Fed's Open Market Committee, the major Fed policy making group.

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A more complete listing of recent research by SBA faculty members may be found in the annual *School of Business Administration Faculty Publications and Papers Presented at Professional Meetings*, February 2003 (www.sba.luc.edu/research/faculty).

Faculty working papers may be found at www.sba.luc.edu/research/wpapers.

Select publications are displayed in the Research Showcase on the second floor of 25 East Pearson.