



**WE SEPARATE THE WINNERS
FROM THE LOSERS.**

Dow Jones Reprints: This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers, use the Order Reprints tool at the bottom of any article or visit www.djreprints.com

[See a sample reprint in PDF format.](#)

[Order a reprint of this article now](#)

THE WALL STREET JOURNAL.
WSJ.com

CAREERS | FEBRUARY 10, 2009, 10:45 P.M. ET

Job Market for Economists Turns ... Dismal

By JUSTIN LAHART

The dismal economy has claimed yet another victim: jobs for the economists who study it.

Columbia University's economics department, for example, isn't making any new hires this year. That's in stark contrast to last year, when Columbia poached eight economics professors from other schools, and hired one economist out of graduate school. The University of North Carolina at Chapel Hill, Amherst College and the University of Minnesota all have suspended their searches for economics professors. And Harvard University has gotten permission to hire just one person -- only after "many rounds of negotiation," according to Harvard economist Lawrence Katz, who is handling recruiting this year. Typically, Harvard hires two or three economics professors out of graduate school.

Among newly minted economics Ph.D.s, jobs at top-ranked universities and business schools are the most sought after. Economists have also traditionally found more lucrative jobs outside of academia: at government agencies, at nongovernmental organizations, like the International Monetary Fund, and in the private sector. But with the financial crisis, economist jobs at hedge funds and Wall Street firms have dried up, leaving schools with more candidates to choose from.

The rollback comes at a historic time, as economists struggle to explain the worst financial crisis since the Great Depression. The crisis, which few economists saw coming, revealed deep gaps in many of the standard ways that economics approaches the economy, driving home the need for fresh thinking and talent.

But like just about everyone else, top universities have been hit hard by financial-market turmoil over the past year, and from anthropology to zoology, department budgets are getting cut. The endowments at private schools have suffered billions of dollars in investment losses. Public universities have seen meager growth in state spending on higher education, with many facing the prospect of large budget cuts.

Economics departments are a prime target for cuts -- especially since economics professors are costly compared to their counterparts in other departments. Indeed, universities have been willing to pay a premium for faculty members who can often fetch much better salaries at high-paying business schools and in the private sector. The average annual salary schools paid new economist hires was \$86,292 for the 2008-09 academic, according to a University of Arkansas business school survey.

Economics has been a growing field in recent years. Undergraduate enrollment in economics courses surged in the late 1990s into the early part of this decade, just as a glut of economists who went to graduate school in the Vietnam War years reached retirement. That led many schools to beef up their hiring, which in turn has made the dropoff in hiring this year even more of a shock.

"Everyone understands that there are fewer jobs than last year, and it could be significantly fewer," said Oleg Itskhoki, a Harvard graduate student. Mr. Itskhoki whose academic work focuses on the interaction between global trade, wage inequality and unemployment, says that students won't really know the state of the market until the bulk of offer letters come out over the next month or so. Universities tend to do most of their hiring in the spring.

Young economists at major universities often have light teaching duties, and they devote most of their time to research as they try to string together the journal publications that they need to make tenure. Getting to make money while pursuing research in an academic setting is exactly what many graduate students would like to do with their lives. Three out of five graduate students hoped to work at a major university, according to a survey conducted by Middlebury College economist David Colander between 2001 and 2003.

The Fed in a New Light

One result of weak academic market for economists is that an institution that has often had a tough time competing for talent is suddenly looking brighter. The Federal Reserve, the lender of last resort, isn't quite the employer of last resort, but Mr. Colander's survey showed only one in five

graduate students hopes to work at a policy-making institution like the Fed.

"I'm hopeful about the job market that we'll be able to get good people this year," said an official involved in the recruiting process at the Federal Reserve's Board of Governors. "We've got important work for them to do."

While the Fed may be able to recruit higher-caliber economists this year, it doesn't have the budget flexibility to beef up hiring. Over each of the past several years, it's taken on between 15 and 20 new hires, with a mix of new Ph.D.s and experienced economists, and this year expects to hire about the same number.

Employment prospects are a bit brighter at some business schools, such as Columbia Business School and the Wharton School. That's because they aren't as dependent on large endowments, relying more on tuition. "We are hiring in economics, and we are hoping for it to be a good year for us," said Columbia Business School Vice Dean Christopher Mayer. Despite a plunge in its endowment, Yale University's economics department also still plans to make a few hires, said department head Christopher Udry.

In their graduation year, economics graduate students prepare what's known as their job-market paper -- typically the best of the multiple papers that make up their dissertation -- sending it out to schools and other institutions looking to hire. After that first cut, they'll go to interviews at the American Economic Association's annual meeting at the beginning of the year -- a grueling four days where top prospects may go through 35 to 40 interviews. The last stage is "flyouts," where candidates visit schools to hobnob with the faculty and present their job-market papers before the department. Privately, students say even qualified candidates went through just a fraction of the usual number of interviews this year, and some schools have canceled flyouts.

Supply and Demand

Economists, being economists, use economic terms when they talk about the job market. Graduate students on the hunt are the "supply side," while the departments doing the hiring are on the "demand side."

The tightening of that demand side is bringing out the worst in candidates, Ph.D. students say. On a message board dedicated to this year's market (www.econjobrumors.com), anonymous posters are trashing their competition and taking potshots at this year's top prospects.

The young economists have ample reasons to worry about what the weak job market will mean for them. Economists have written dozens of papers about the job market for economists. One by Stanford University business school economist Paul Oyer showed that economists hired into tight job markets end up not getting the top-tier job they would have landed in flush times. Its conclusion: Those economists tend to have less-productive careers. Knowledge like that makes competition for the remaining top-tier slots all the more intense.

"It's a pretty simple algorithm we use," said Yale graduate student Santosh Anagol, who is on the job market this year. "Everybody wants the highest-quality academic job." Mr. Anagol's recent research studies the economic role of livestock in rural India. His job-market paper studies how differing levels of information between buyers and sellers affect the market for cows.

Schools actually making hires this year face the difficult problem of figuring out how many offers they need to make to fill their slots. In most years, they'll assume that some of the people they make offers to will turn them down to take jobs at other schools. This year, said Princeton University economist Markus Brunnermeier, "the expectation is that more people will accept since they won't get any other offers."

Fortunately, Princeton's economics department includes some leading game theorists who should be able to figure out just what the optimal number of job offers will be.

Write to Justin Lahart at justin.lahart@wsj.com