

Report for the Mid-term Review of the Institute for the Study of Free Enterprise (ISFE) January 28, 2020

Background

This committee was formed by the University Senate in Spring of 2019 to conduct a mid-term review of ISFE based on the motion passed at the time the ISFE was formed as a University Center. Specifically:

Charge to committee based on the following activity at the October 10, 2016 University Senate Meeting:

“The Chair explained that the first motion from the SAOSC was a recommendation that the Senate approve the proposed new John. H. Schnatter Institute for the Study of Free Enterprise on the basis of its academic status and **require at the halfway point of Foundation support (September 2019) a review by the University Senate in collaboration with the Provost of the program’s progress in scholarship and its mandate to safeguard academic freedom.**”

... The motion passed with 44 in favor, 24 opposed, and three abstaining.”

Based on the discussion recorded in the minutes of the October 19, 2016 Senate Meeting (Appendix 1) there were significant concerns expressed by Senators, based on reports from past experiences at other universities, that outside stakeholders may seek to influence policy and faculty hires in violation of principles of academic freedom embraced by the University. Furthermore, there was a concern that the Institute would be an advocacy group for free enterprise rather than an institute for studying free enterprise. Hence, the recommendation for a mid-term review was tied to the approval.

The original director of the Institute was John Garen. He was succeeded by Aaron Yelowitz on July 7, 2017. During Aaron’s term (July 2018), part of the funds committed to the ISFE were returned to one of the donors (Schnatter). The Institute continued based on support from the Koch Foundation. In July 2019 The Joe Craft III Foundation donated \$3M to help fund the Institute. In August of 2019 Charles (Chuck) Courtemanche became director.

The ad hoc committee began its review in Spring 2019 and did not complete its work before the summer. In view of the significant and recent changes, the committee renewed its review process during the Fall of 2019 in order to include the recent changes in funding and leadership in the review.

Committee members:

Fiedler, Theodore <tfiedler@uky.edu>; Kilgore, Frost, Chris <cfros1@email.uky.edu>; Wilson, Melinda <Melinda.wilson@uku.edu>; Bollinger, Christopher R. <crboll@email.uky.edu>; Atwood, David <datwood@uky.edu>; Michael W. <M.Kilgore@uky.edu>; Ernest Bailey <ebailey@uky.edu>

Meetings of the ad hoc Committee

April 2019 meeting of committee: Aaron Yelowitz gave an overview of ISFE. The return of the Schnatter funding resulted in ISFE delaying recruitment of new faculty but did not stop other aspects of the program. No influence was reported from stakeholders outside the University of Kentucky. In fact, the stake holder Advisory Committee was never established. New funding for ISFE was anticipated over the summer, therefore the committee delayed its investigation until Fall 2019. See report (Appendix 2).

October 25, 2019 meeting of committee (Appendix 3): The committee members met with the acting director of ISFE (Chuck Courtemanche), the past director (Aaron Yelowitz) and the acting associate director D. Patel). Since the acting director and associate directors had just been appointed, they were still establishing their programs and leadership of the program. In response to questions about the Joe Craft III support for the program, Aaron Yelowitz reported that the agreement (Appendix 4) was simply crafted following the content of the original support agreements from the Schnatter Foundation and Koch Foundation. They had not had any contact with Joe Craft or foundation members regarding the content of the program beyond the original provision of the grant and putting the financial agreement in place.

Yelowitz and Courtemanche provided the annual reports from the Institute to inform the committee members as well as summaries of graduate student support and a list of faculty members who had received research grants from the institute. (Appendices 5-8). These reports are informative about the activities of ISFE for support of students, research support, affiliate activities and public programs.

Following the discussion with the leadership of ISFE, the members of the ad hoc committee discussed how to proceed with the review. The main questions were:

1. To what extent did faculty searches associated with ISFE follow standard procedures and to what extent were hires influenced by people outside the University.
2. To what extent did faculty determine the scholarship of the ISFE and to what extent was it influenced by people outside the University of Kentucky.

To address these questions, the committee determined to consult with the following groups of people:

1. Chairs of Departments in the Gatton College that were associated with faculty searches affiliated with ISFE
2. Affiliates
3. Faculty members receiving research grants from ISFE
4. Faculty members on Search committees for faculty affiliated with ISFE

The questions for each group were the following (also in Appendix 9)

Department Chairs

- (1) What influence, if any, did ISFE have on hiring?
- (2) Was there influence by others either inside or outside the university?

- (3) What process was followed for appointments to director and associate director? Were the processes similar to those of other institutes/centers?

Affiliates

- (1) How are you consulted about activities of the ISFE?
- (2) What role do you play in the Institute?
- (3) How did you become an ISFE affiliate? Why did you choose to be an affiliate?
- (4) What processes are in place for you to have input into the operations of the Institute?

Grant Recipients (Appendix 10)

- (1) How did you learn about this opportunity?
- (2) Why did you apply?
- (3) What processes was followed in selecting (or not selecting?) your project?
- (4) What process was followed in administration of your project and what was required of your final report?

Faculty Hiring/Search Committee members

- (1) What process did you (do you) follow in identifying candidates for the position?
- (2) What process did you follow in selecting individuals to bring to campus?
- (3) What process did you follow in selecting to whom to make offers?

Summary of Responses

The full responses to these questions can be found in Appendices 11, 12, 13 and 14 and are summarized below. Although this was not specifically asked of any group, none of the responses indicated outside influence on policy, scholarship or recruitment of faculty members.

Summary of Chair responses: Normal procedures were followed for hiring. No outside influences were encountered during the processes. The directors of ISFE were included on the search committees. Hiring of Yelowitz as director involved consultation with the chair and the affiliates. The appointment of Courtemanche and Patel as acting director and acting co-director was made by the college dean. Clifford volunteered that ISFE has been a valuable resource for financial support of various activities by his department.

Summary of Affiliate Responses: The affiliates all reported an informal structure for consultation on policy and identified email, website information and outreach by the director as primary means of communication. Some noted lunch meetings or other occasional meetings. Affiliates were invited to join or sought to join because of interests in markets. Several affiliates described how the activities of ISFE dove-tailed with their own research and teaching interests.

Summary of Responses from Grant Awardees: Grantees learned of the grant application process by emails to Gatton faculty, notification by colleagues and, in the case of scientists at other Universities, notification by the director. The applications were evaluated by committees including affiliates and non-affiliates. Presentations of the results from the studies were published or presented at a Faculty Research Day event of ISFE.

Summary of Responses from Faculty Search Committee Members: The responses of search committee members describe a process for faculty recruitment consistent with university policy and normal for the Gatton College.

Conclusions

1. The ISFE serves the interests of the University of Kentucky by providing faculty salary support, research grants for faculty within and outside ISFE, support of graduate students and with sponsorship of meetings related to matters of topical and scientific interest open to the public.
2. ISFE has grown from 6 affiliates at the beginning to 13 affiliates at present.
3. No evidence was found for participation of non-faculty members in the recruitment of new faculty members.
4. No evidence was found for influence of individuals outside the University of Kentucky on policy and other scholarly activities of the program.

Other observations and informal Recommendations:

1. The leadership styles of the directors have been informal and entailed one-on-one discussions with affiliates to develop policy. Occasional, informal meetings were noted but these seemed the exception. While this has clearly been effective, we recommend scheduling regular meetings of the affiliates to discuss the activities of the institute. Regular, meetings including all affiliates can lead to synergistic insights and development of beneficial activities that might not be initiated by individuals.
2. ISFE does not have a rules-of-procedure to guide invitation of affiliates, evaluation of grant applications, selection of programs and speakers, selection of directors or even how policy is established. Rules of procedure empower affiliates. Absence of Rules of Procedure opens the system to monopolization by one or few individuals. We recommend creation of Rules of Procedure to advise or govern the activities of ISFE.
3. ISFE has 12 affiliates from Gatton College and 1 from the Department of Philosophy. It would seem that this program would be beneficial and of interest to faculty from other disciplines, notably political science, history and Ag Econ. We recommend that ISFE consider ways to expand the scope of its membership.

Graduate Student Support By ISFE

Event	Awards
Summer 2019 Graduate Research Fellowships	Four recipients
Conference Travel – 2019 Public Choice Outreach Summer Conference at George Mason University	Three recipients. All three also received the graduate research fellowships above
Conference Travel – 2019 Association of Private Enterprise Education in Bahamas: one award	Was the fourth graduate research fellowship recipient above
2016-2017 Graduate Fellowships	Four recipients
2017-2018 Graduate Fellowships:	Four recipients
Summer 2016 Graduate Student Research Support	Four recipients (three awards of \$3,000 and one award of \$1,800)
Summer 2017 Graduate Student Research Support	Seven awards (each for \$3,000)

Appendix 1

October 19, 2016 Excerpted summary of the SAOSC committee report and Senate deliberations and voting for the creation of the Institute for the Study of Free Enterprise

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4. Committee Reports

a. Senate's Academic Organization and Structure Committee (SAOSC) – Ernie Bailey, Chair

i. Proposed New John. H. Schnatter Institute for the Study of Free Enterprise

Bailey (AG), chair of the Senate's Academic Organization and Structure Committee (SAOSC), explained the proposal for the new John. H. Schnatter Institute for the Study of Free Enterprise (Schnatter Institute). He described the SAOSC's deliberations, their interactions with Gatton College of Business and Economics Dean David Blackwell and Ernie Yanarella (AS/Political Science, department chair) who offered comments for and against the proposal, respectively, at an SAOSC meeting and at the Senate Council (SC) meeting when the SC discussed it. Bailey asked if there were any questions about the SAOSC's processes. Grossman (AS) commented that the motion on the slide had an erroneous, unnecessary period; Bailey accepted that change as a friendly amendment.

The Chair invited Guest Ernie Yanarella (AS/Political Science, department chair) to offer some comments. Yanarella spoke for about 10 minutes and he encouraged senators to review the hard copy of his presentation for additional details and information. Yanarella's major concerns were as follows:

There is an overall increasing corporatization of universities and the mission of the Koch Foundation's support of universities was not entirely an academic enterprise.

Funding by the Schnatter and Koch Foundation would put pressure on the university to make hiring and programmatic decisions that were inconsistent with institutional autonomy.

The connection to the Koch brothers apparatus and their legislative and lobbying activities is deleterious to American democracy and could have a similar effect on the individual academic freedoms of faculty members in the Gatton College of Business and Economics (Gatton College).

The Koch brothers' integrated network is connected to the Schnatter Institute and linkages between Koch and Schnatter's national- and state-level strategies are now being forged at other levels. Faculty must be hired based on their academic qualifications, not on their willingness to be affiliated with the Schnatter Institute.

The real threat to academic freedom is encapsulated in the mission statement that restricts research to the positive aspects of capitalism and does not allow for a critical focus on capitalism and its alternatives. The narrow framing and normative model will effectively preclude a broader research view unless the Schnatter Institute wishes to risk its funding being pulled by the donor.

Yanarella (AS) said that the bottom line for him is that the infusion of the donor's money into the University with an intent to remold the campus structure cannot be separated from the darker national campaign by Schnatter and Koch to use dark money to heavily impact the United States' elections and administrative policies. The design, control, and agenda of the Schnatter Institute is unworthy of the University's highest academic ideals and should be voted down.

Bailey (AG) commented that it was the responsibility of the SAOSC to investigate the integrity of the program so he thought it would be useful to comment on a couple of Yanarella's points. In reference to contracts at other universities that gave foundations a voice in the hiring of faculty, Bailey said the SAOSC looked very carefully at the UK contract and the donors have no authority over the hiring of faculty. After a normal recruitment, faculty will be hired into an existing department in the Gatton College, although the Schnatter Institute director will be included as a member of the search committee. Bailey said that the biggest issue the SAOSC had was the potential for undue influence into academic freedom due to the donated funds and how insecure UK might be if the funds were pulled by the donor or if the University felt the need to return the money. Regarding the types of work that the Schnatter Institute will engage in, after discussions with faculty and Dean Blackwell, the SAOSC was satisfied that it will not be a new type of faculty-related activity.

The Chair then invited Dean David Blackwell (BE) to offer some comments. Blackwell also spoke for about 10 minute; his major points were as follows.

☐ The Schnatter Institute will not create, house, or deliver any degree programs; it will not create new courses; and it will not hire or house any faculty. The Schnatter Institute will exist to promote the teaching and research of faculty on the effect of capitalism on society and branding of activities; it will not resemble an academic department or a degree program.

The study of free enterprise is not narrow, rather it applies to virtually every field of economics, where researchers put a strong emphasis on understanding how markets work and how well models characterize them. Economic research often considers how government interacts with markets and its effect on income; research output that utilizes this approach is reviewed by the standard peer review process in the economics profession. Faculty will be rewarded for publishing in elite and excellent journals that have significant impact on the field; faculty in the Gatton College have been conducting research on free enterprise in various ways for well over 30 years.

The proposal for the Schnatter Institute was carefully vetted and endorsed by Gatton faculty, departmental faculty, the faculty council, and Gatton's advisory council. Dean Blackwell endorsed the proposal and Provost Tim Tracy did, too; both the Dean and Provost will provide funds to offset

shortages if the charitable donation is not continuous. The donor agreement and other such documents have been available for everyone to review and there are significant and sufficient protections of academic freedom and integrity.

Dean Blackwell (BE) said that, in conclusion, the charitable grant donation was similar to other such donations – documentation to execute grant activities is required, as well as reporting to the grant’s donors. The source of funds for the charitable grant should not be treated differently from other charitable agreements; other types of donations can disappear for any number of reasons. The Dean said that the University will be on a slippery slope if it begins to evaluate the Schnatter Institute differently than other centers and institutes only because of the donor’s political viewpoints.

Visona (FA) said that she was involved with UK’s Confucius Institute (UKCI) and said that the funding and governance model of that unit could be a good model for the Schnatter Institute; UKCI offers events and other academic opportunities supported by funding received by the government of China. The director of UKCI has subjected the UKCI to stronger University oversight than other, comparable institutes across the country have at their institutions. She noted that the name of the unit (“John. H. Schnatter Institute for the Study of Free Enterprise”) framed debate narrowly through the viewpoint of free enterprise without considering other types of enterprises.

Bailey (AG) commented that the Confucius Institute was different as it was an administrative unit; the Schnatter Institute would be a multidisciplinary research center with faculty oversight. Yanarella (AS) commented that he was also involved with the Confucius Institute. The University set up a separate administrative body to supplement the work and direction of the Confucius Institute to ensure a well-rounded viewpoint. In addition to the many good offerings, such as culture and art and language, it was clearly an instrument of Chinese foreign policy. He noted the Schnatter Institute’s emphasis on positive features of capitalism and said the proliferation of university institutes that are guided by ideological code words will preclude the type of research into the negative effects of free enterprise that should also be conducted.

Dean Blackwell (BE) responded that the name of the institute intentionally includes the phrase “study of” so as not to convey advocacy on one side or another. The researchers affiliated with the Schnatter Institute will ask questions about the impact of free enterprise on society; those answers are not predetermined. As long as faculty are asking good questions and doing rigorous work that is published in respected journals, that is fine. Grossman (AS) commented that research in his department [Chemistry] and in pharmacy focuses on developing new drugs to treat human ailments; it does not necessarily mean that research will always have a positive view on whatever drug it is evaluating. Grossman referred to recent news articles about controversy over a Koch-funded institute at Western Carolina University (WCU) – that institution initially signed an agreement but then after faculty objected, leadership went back to the foundation and negotiated the contract, which a majority of faculty approved. That university ended up where UK already is, although UK’s administration already consulted with faculty. He noted that even the activist group “UnKoch Our Campuses” did not fault the final WCU agreement, except for the clause that allows withdrawal of funds with 30 days’ notice. University Senate

Fiedler (AS) opined that there was a fundamental contradiction between the language of the mission statement in the charitable grant agreement and the language of the academic proposal for the

Schnatter Institute. Fiedler stated that his concern was previously touched on by Yanarella – that the mission embedded in the charitable grant agreement pertained to the discovery and understanding of aspects of free enterprise that promote the well-being of society. There was no mention of aspects that undermine the well-being of society. He said he was categorically opposed to the agreement, although it was interesting that the language of the proposal was more in keeping with an open and objective approach to all aspects of the impact of free enterprise on society. Fiedler asserted there was plenty of evidence that free enterprise has both positive and negative impacts on society. He said that the agreements with the Koch brothers and with Schnatter do not include the latter possibility and until it did, he would not support the proposed new Schnatter Institute. Bailey (AG) commented that the contract was not part of the day's discussion – the proposal itself was up for review. Fiedler replied that it was not possible to discuss the proposal for the Schnatter Institute without also discussing the language in the charitable grant agreement.

Kearney (ME) said that he had a basic question to pose, not an opinion. What gift of similar magnitude [\$10 million] does not come with strings of any kind? If academic freedom can be assured, then donors are free to direct donation-supported activities in some way; donors give to their area of interest.

Butler (GS) explained the type of work that he engages in (econometrics) and said he is happy to participate in all types of research regardless of a political perspective. He said Dean Blackwell was convincing in his comments about preserving academic freedom. Nevertheless, he did not trust the Schnatter Institute and intended to vote against it. Wood (AS) said that her concerns about the Schnatter Institute did not pertain to the political leanings of the Koch brothers but rather were related to the charitable donation agreement that UK already signed. Wood addressed two particular issues of concern about that agreement, which was signed in December 2015. The first was that any change in the director has to be reported to the donors and the second issue was that funding could be terminated on just 30 days' notice. Wood stated that even though there have been assurances that UK can come up with the money necessary to fill the hole left if monies were withdrawn, it would have to come from someplace and \$10 million is a lot of money; she expressed concern about the possibility that replacing funds withdrawn by the donor under the 30-day clause could be in jeopardy if that was not the highest academic priority at the time – the Provost determines academic priorities. She said she was very concerned about the charitable grant agreement – it says that the Schnatter Institute will be for the benefit of UK and for the Koch foundation. Bailey (AG) noted that the SAOSC was very concerned about undue influence and asked Dean Blackwell what he would consider to be “undue influence.” Bailey said that Blackwell responded that any influence would be considered undue influence. Bailey also noted that the SAOSC was impressed that Dean Blackwell intended to support the Schnatter Institute even if funding was pulled by the donor.

Dean Blackwell offered a few explanations. Regarding informing the donor if the director of the Schnatter Institute changed, he said he had an example in another center in BE, the Von Allmen Center for Entrepreneurship. When the director of that center recently changed, before the formal appointment Dean Blackwell called both agencies that support that center to inform them of the change, which he characterized as a standard procedure. He added that he adjusted the Schnatter Institute proposal slightly based on request from a senator to clarify the process through which the center director is named, specifically that the director has to be approved by UK's Board of Trustees. Dean Blackwell went on to explain that the \$10 million grant is for the life of the entire grant and a lot of

that money will go to support external research grants, enrichment activities, and a speaker series; a relatively small portion will support faculty, approximately \$1 million. He said the Gatton College could absorb \$1 million in faculty costs if for some reason funds were pulled. Regarding the 30-day notice to pull funding, Dean Blackwell said he did a little research and found that the Koch brothers have never pulled funding from one of these types of institutes. Secondly, he said that he asked for an explanation of the possible rationales for the funding being pulled and was told that the funding would be pulled if UK loses its tax exempt status or if the donations were used for non-Schnatter Institute related matters. Removal of funding is not tied in any way to answers to questions that researchers find who are affiliated with the institute. Researchers associated with the Schnatter Institute who accept funding need to agree to attempt to answer some sort of question that is reflected in the Schnatter Institute's mission.

Blonder (ME) said that she echoed the concerns of Fiedler and Wood. She said there were several things in the grant agreement that concerned her. She pointed out that 22% of the faculty in the Gatton College voted against the proposed new Schnatter Institute, as did almost half of the Department of Economics. Because faculty in opposition to the new Schnatter Institute did not submit letters indicating why they voted against the proposal, there was no way to know why they were against it. Blonder noted that at a past discussion, the department chair in Economics asserted that some faculty were concerned about reputation. As Fiedler pointed out, Blonder reiterated that the charitable donation agreement was of critical importance. The mission of the proposed new Schnatter Institute ("aspects of free enterprise that promote the well-being of society") already showed the slant of the Schnatter Institute. The donor agreement states that the funds donated to the University will be used towards advancing the mission of the Schnatter Institute, which is "the well-being of society." Next, the charitable grant agreement includes a requirement that UK submit an annual written grant to receive grant funds. Finally, there is a 30-day pull-out clause through which the Schnatter Institute can pull all funds with just 30 days' notice. Blonder acknowledged that the donor's agreement with UK was better than other agreements between the donor and other universities, but that did not change the fact that the Schnatter Institute's mission is restricted to well-being and there remains a 30-day pull out clause. Blonder added that while her concerns could describe a worst-case scenario, it was still a possible scenario. She said she planned to again vote in favor of the academic content but vote against endorsement based on non-academic matters.

Dean Blackwell said that he concurred with Grossman's analogy about the mission statement – the attempt is to try to advance society through a better understanding of free enterprise, both good and bad aspects. As long as researchers ask questions with high academic integrity, he thinks the mission will be fulfilled in the eyes of the donors. He added that it was routine to give donors a list of activities supported by donations.

Noting the lateness of the hour, the Chair asked senators if anyone had a new comment to offer. Brown (AG) said he was in favor of the Schnatter Institute regarding its academic merit. The second vote, on non-academic merit was an interesting question but Brown noted that the first motion included a review half-way through the grant to address concerns about academic freedom. Therefore, he intended to vote in favor of the endorsement motion, too. Childs (BE) said Dean Blackwell asked to meet with faculty this past fall to let them know the donation was in the works. It was clear to Childs that

Dean Blackwell wanted input from faculty on various points of consideration; if the agreement had been one that warranted concerns about academic freedom, it would have been shot down quickly. As a member of the Department of Finance, Childs said that there is a long history of promoting academic freedom in the department and the college – the matter is one of science, not politics. He said the donors would not have any input on who gets hired and the hiring process would remain the same as it always was, as would the evaluation process. Childs added that he doubted the Koch brothers were able to influence how top journals would evaluate research.

Kennedy (emeritus faculty senator, AS) asked Dean Blackwell to explain how an ad for a faculty member with an appointment in the Schnatter Institute would be crafted. Dean Blackwell (BE) replied that a faculty member would be hired into academic departments using normal channels, along with an indication that the position would be affiliated with the Schnatter Institute. Ederington (BE) said by way of background that mainstream economics research was not ideologically based. He offered an anecdote – the day’s Nobel Prize winner in economics did research in the area of chief executive officer (CEO) theory and contract theory, but the Nobel Prize winner was unwilling to answer a question about whether or not a certain level of pay for a particular CEO was appropriate or not – advocacy is different from academics. Ederington said that the primary concerns in the Department of Economics were first reputational [if the gift was accepted], and then pertained to how narrowly the vision will be interpreted. He said the Department of Economics hires faculty who are currently active in research and as long as research-active faculty members are hired who fit the needs of the Department, many concerns will be allayed. Ederington added that Dean Blackwell has been consistent in stating that he wants the Department to do just that with the faculty hires.’

The Chair said she would allow discussion to continue for another five minutes. Cheng (EN) asked for some clarification – if a faculty member publishes and has their affiliation with the Koch brothers included in the publication, would that help publish the paper or would it make publication harder? Would a graduate student affiliated with the Schnatter Institute find it easier or harder to find a job? Dean Blackwell (BE) said that in business schools and economics departments it was common to hire faculty who were former graduate students who received institute-based funding. He said it was expected that in working papers and publications, donor monies would be acknowledged. Given that the Gatton College expects its faculty and graduate students to follow the usual standards for excellence in research, at worst an affiliation with the Schnatter Institute would be neutral or it could be positive, presuming the faculty and graduate students achieve what they are supposed to achieve as faculty and as graduate students. College of Arts and Sciences Dean Mark Kornbluh (AS) noted that the College of Arts and Sciences would be bringing to Senate in the near future a proposal for a center for equality and social justice – he acknowledged that that sort of center could be described as having an ideological base but that faculty understand how to work in those types of diverse centers.

Peffer (BE) said he was not interested in watching the college be brought down because that would of course hurt him, too. He said he had been inclined to vote against the Schnatter Institute if there were any issues. What convinced him to vote for it when the proposal was in the Gatton College was the answer to a question about influence – he was told that the donors will have no influence on research or on hiring, although they have made monies available. Peffer said he trusted the administration within his college to do what they have said they will do. He said that if the donors start to try to have influence, he had full faith that the monies would be rejected – that is what caused him to vote for the

Schnatter Institute. He said he did not see the influence from Koch as changing what research would be done. The faculty are evaluated by their research and their publications in premier journals.

The Chair explained that the first **motion** from the SAOSC was a recommendation that the Senate approve the proposed new John. H. Schnatter Institute for the Study of Free Enterprise on the basis of its academic status and require at the halfway point of Foundation support (September 2019) a review by the University Senate in collaboration with the Provost of the program's progress in scholarship and

its mandate to safeguard academic freedom. Because the motion came from committee, no **second** was required.

A **vote** was taken but while voting was ongoing, Wood (AS) suggested that the word "status" needed to be changed to "content" because Senate was voting on the academic content of the Schnatter Institute, not its academic status. Because voting was underway, Parliamentarian Seago ruled that the change was out of order. The motion **passed** with 44 in favor, 24 opposed, and three abstaining.

The Chair then moved to the second **motion** from the SAOSC, a recommendation that Senate endorse the academic organization, reporting, infrastructure and funding for the John H. Schnatter Institute for the Study of Free Enterprise. Because the motion came from committee, no **second** was required. A **vote** was taken and the motion **failed** with 37 in favor, 40 opposed, and four abstaining. The Chair thanked Bailey for all his work and for the SAOSC's work reviewing the proposal.

Ad hoc committee for mid-term review of the Free Enterprise Institute

Meeting: 1-1:50 PM, Tuesday, April 9, 2019 in MS 303

Committee members:

Frost, C" <cfros1@email.uky.edu>, "Minier, Jenny" <jminier@uky.edu>, "Wilson, Melinda" <Melinda.Wilson@uky.edu>, "Kilgore, Michael" <M.Kilgore@uky.edu>, "Atwood, David" <datwood@uky.edu>

Guests: "Kegebein, Rebecca" <rebecca.kegebein@uky.edu>, "Yelowitz, Aaron" <aaron.yelowitz@uky.edu>

Purpose: The goal of this ad hoc committee is to act on the University Senate mandate that a mid-term review of the Free Enterprise Institute be conducted to assess whether the determination of academic policy for the institute and faculty hiring were free of undue outside influences.

The meeting opened with Aaron Yelowitz, director of the Institute, giving a summary of the organization, activity and history of the institute.

1. The concept of the institute followed offer by John Schnatter to donate \$6M and Koch Foundation to donate \$4M to establish the institute in 2015.
2. John Garen was the founding director of the institute and began activities consistent with the program and made the proposal for the institute as an MDRC to the University Senate in 2016.
3. Approval from Senate came in October 2016 and approval by the BOT followed.
4. The Senate was concerned about undue influence on academic policy and faculty hires by the donors based on experiences at other institutions with funding from the Kock Foundation. Therefore, the approval was coupled with a request for a mid-term review on the issues of outside influence.
5. In July 2017, Jon Garen stepped down as director and Aaron Yelowitz was appointed director. He had been serving as associate director and was familiar with the program.
6. In July 2018 a scandal arose when Schnatter used a racial slur and the University of Kentucky returned his \$6M donation and removed his name from the Institute. Koch Foundation agreed to leave their donation for the program as long as it was continuing.
7. The consequence of the reduced funding led the institute to defer plans to support hiring two of five faculty. Three had already been hired and with the existing funds, the institute could continue to support them as planned.
8. The program has continued and supported faculty hires, funding projects for faculty throughout the university for projects related to the institute and supported graduate and undergraduate students.

Following his presentation, the committee members asked a series of questions. In response to questions:

1. The university advisory committee includes faculty who are members of the institute and members not in the institute.
2. A stakeholder advisory committee was never formed.
3. Three faculty searches have occurred for faculty supported by institute funds. The searches were conducted by the departments housing the faculty members. Professor Yelowitz served on committees for two of them.
4. Support of faculty projects follows a call for proposals, completion of a short application and evaluation by faculty members in the college (institute and non-institute) selected by Professor Yelowitz. No ROP exist although Yelowitz thought that would be a good idea.
5. Professor Yelowitz has a personal style of leadership and consults informally with institute members to determine academic policy. On occasion they have gathered together for lunch to discuss issues.
6. Professor Yelowitz produces an annual report that is shared with the Koch Foundation. Their responses usually ask for assessment of impact, for example number of attendees and other information that may be collected in surveys.

Ernie Bailey comments:

The concerns about outside influence by the Koch Foundation or the Schnatter Foundation on hiring and academic policy seems unfounded based on Professor Yelowitz's presentation. Basically:

1. The Stakeholders' Advisory Committee was never formed.
2. Hiring was done according to university procedures
3. Policy of the Institute appears to be determined by an informal process of consultation by Professor Yelowitz with Institute members and with the University advisory committee (composed of institute and non-institute members).

How about the following:

1. One or two of us interview department chairs and committee chairs involved in the three faculty hires.
2. One or two of us meet with the Faculty Council of the Business College to get an assessment of the activities and contributions of the institute in the college. (When do they meet? Do they meet? Is there a meeting before the end of the semester? Jenny?)
3. We create and conduct a written survey of the 10 (?) institute members to assess their role in determining academic policy. Who would like to design the survey? The main point would be to assess their satisfaction with the activity of the institute and their sense of participation in policy decisions. A main point would be how the institute funds are spent in support of programs, faculty mini-projects and support of students.

The other point would be to assess the communication between the Koch Foundation and Professor Yelowitz in connection with the Institute.

Please correct what I have misconstrued. Share thoughts on how to proceed.

Best wishes --Ernie

Appendix 3

Summary of October 17 meeting of the ad hoc committee formed by the Senate to review the Institute for the Study of Free Enterprise (ISFE)

The ad hoc committee met at 1PM October 17, 2019 in rm 230 of the Gatton College Center to discuss the mid-term review of the Institute for the Study of Free Enterprise (ISFE). In attendance were committee members:

Fiedler, Theodore <tfiedler@uky.edu>; Kilgore, Frost, Chris <cfros1@email.uky.edu>; Wilson, Melinda; Bollinger, Christopher R. crboll@email.uky.edu; Atwood, David datwood@uky.edu

Absent: Michael W. <M.Kilgore@uky.edu>;

Guests :

Yelowitz, Aaron (former Director ISFE) <aaron.yelowitz@uky.edu> ; Courtemanche, Charles (interim director ISFE) <courtemanche@uky.edu> ; and Darshak Patel (Associate Director ISFE) darshak.patel@uky.edu

Background

This committee was formed by the University Senate to conduct a mid-term review ISFE based on the motion passes at the time the ISFE was formed as a University Center. Specifically:

Recommendation for approval of the academic status of the institute and also require at the halfway point of Foundation support (September 2019) a review by the University Senate in collaboration with the Provost of the program's progress in scholarship and its mandate to safeguard academic freedom.

Based on the discussion recorded in the minutes of the October 19, 2016 Senate Meeting the majority of the faculty approved establishment of the Free Enterprise Institute. However, there were significant concerns expressed by many Senators, based on reports from past experiences at other universities, that outside stakeholders may seek influence policy and faculty hires in violation of principles of academic freedom embraced by the University. Furthermore, there was a concern that the Institute would be an advocacy group for free enterprise rather than an institute for studying free enterprise. Hence, the recommendation for a mid-term review was tied to the approval.

The original director of the Institute was John Garen. He was succeeded by Aaron Yelowitz. During Aaron's term, part of the funds committed to the ISFE were returned to one of the donors (Schnatter). The Institute continued based on support from the Koch Foundation. In 2019 a new donor was found to help fund the Institute. In August of 2019 Charles (Chuck) Courtemanche became director. The ad hoc committee had begun its review in Spring 2019 and did not complete its work before the summer. In view of the significant and recent changes, the committee began its review process again to include the recent changes in the review.

October 17 meeting of the ad hoc committee

Meeting of this ad hoc review committee began with introductions followed by a question and answer session about the institute from the committee members to the interim Director, Chuck Courtemanche.

Chuck had previously provided some materials about the budget and other aspects of the Center. He has been director for only two months on an interim basis but is being considered to be the permanent director. He led the discussion about ISFE, however since he has only been the director since August 2019, he relied heavily on Aaron for descriptions of past activities. Chuck indicated that he did not have plans to depart from the previous practices.

He described support of funds for faculty. Currently there are two faculty supported entirely with funds from the Institute. These faculty were hired in the Department of Economics. A third faculty member was hired as a lecturer, but that position is currently vacant. It may be filled but there is currently no action on this. There are plans underway to search for a third Institute supported faculty member in Economics. The original plan called for 5 faculty members but due to funding, the fifth faculty hire may not occur.

The process for hiring faculty members into the institute appeared to be conducted according to standard University procedures. No committee members were outside the university and no advice was sought from non-academic individuals outside the department.

Consultation with faculty member affiliates has been done informally in the past when Aaron was director. Chuck indicated that is the approach he has been using since coming on in August. There are no written rules for how to consult or when to consult with affiliates or with the university advisory committee. The Institute has awarded research funds for small projects to individuals within and without the University. Aaron described an efficient method for evaluating proposals and making awards that had been used in the past. However, the process is established by discretion of the director with informal consultation with other affiliates who would not be applying for the funds.

There was some discussion about the scope of ISFE, specifically does its membership and outreach within the University of Kentucky extend beyond the Gatton Business College. Aaron Yelowitz indicated that there only one affiliate from outside the college (Department of Philosophy) but there had been some participation by a few faculty members in other programs. However, absence of more faculty participation from other departments such as history, political science and Agricultural Economics was a concern for the program administrators and the committee members.

The initial proposal for the Institute proposed two advisory boards, one in the University and one including stakeholders. The University Advisory committee is comprised of two individuals who are affiliates with the Institute and one who is not. The committee does not meet but rather advises the director in an ad hoc fashion. The Stakeholder committee has never been established.

Following our discussion, the committee thanked the guests, who then left. The committee deliberated shortly and formulated the following plan.

1. From the information provided by the guests, there was no appearance of outside influence on faculty hires or formulation of the institute policy. Essentially, the institute appears to function as an academic entity for investigation of Free Enterprise rather than an advocacy group for Free Enterprise.
2. The ad hoc policy of consultation appears to have been effective due to the leadership style of Aaron Yelowitz. However, the absence of written rules of procedure for determining faculty

affiliates, determining institute policy, mentoring graduate students and making research awards could create problems in the future under other directors. We may recommend they formulate a rules-of-procedure in our final report.

3. To obtain information from others to independently assess the information from the directors, Chris Bollinger will make up a set of questions that we could use to interview the chairs, search committee members, award recipients and affiliates regarding the processes followed in hiring new faculty, making research awards and in determining policy. The committee will edit the questions before inviting responses.
4. We may ask individuals to provide written responses to the questions.
5. We would share the results with the committee and communicate by email.
6. We may meet to discuss preparation of the final report.

Prepared by Ernie Bailey and edited by committee members 10/25/2019

JOSEPH W. CRAFT III FOUNDATION

February 28, 2019

Mr. D. Michael Richey, VP for Philanthropy and Alumni Engagement
 University of Kentucky
 100 Sturgill Philanthropy Building
 Lexington, KY 40506

Dear Mike:

The Joseph W. Craft III Foundation (the "Donor") is happy to provide grant funds (all or part of such funds are referred to as the "Contributed Amount(s)"), to the University of Kentucky (the "University") for the benefit of the Institute for the Study of Free Enterprise according to the terms of this letter agreement. The University shall deposit the Contributed Amounts in the University's segregated and restricted fund known as "The ISFE-CKF Fund," which was established by an agreement between the University and the Charles Koch Foundation dated December 15, 2015 (the "CKF Agreement"), attached to this letter agreement as Appendix A.

The University shall use the Contributed Amounts solely to support the Institute Programs, as that term is defined in the CKF Agreement. The University shall not use the Contributed Amounts for overhead. Overhead includes, but is not limited to, insufficiently specified and/or insufficiently detailed overhead costs (e.g., a requirement that a fixed percentage of a grant amount be dedicated to grant administration). If the CKF Agreement is terminated, the Donor has the right, in its sole and absolute discretion, to direct the University to return to the Donor any Contributed Amounts not expended or otherwise committed.

The University shall submit an annual written proposal according to the schedule below to the Donor for the Donor's consideration (the "University Grant Request") and an accounting of the expenditure of any Contributed Amounts previously received. If the Donor approves the University Grant Request, the Donor shall make a contribution up to the amount listed in the below schedule to the University, and the University agrees to accept such Contributed Amount as stated in the below schedule. If the Donor, in its sole discretion, does not approve the University Grant Request, the Donor is under no obligation to contribute any funds to the University.

University Grant Request Date	Donor Response and Proposed Contribution Date	Contributed Amount
Not applicable	Within thirty (30) days of both parties signing this letter agreement	Up to \$1,000,000
December 15, 2019	On or about January 15, 2020	Up to \$1,000,000
December 15, 2020	On or about January 15, 2021	Up to \$1,000,000
Total Maximum Aggregate Contributed Amount:		\$3,000,000

This letter agreement supersedes all prior oral or written agreements and understandings between the University and the Donor and constitutes the entire agreement between the University and the Donor with respect to the matters contained in this letter agreement. This letter agreement cannot be modified or amended except by a writing executed by the University and the Donor.

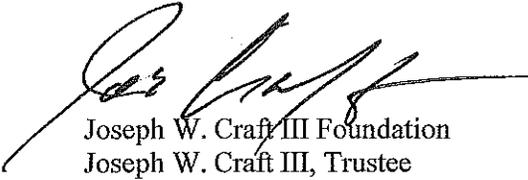


JOSEPH W. CRAFT III FOUNDATION

Please indicate the University's agreement to this letter agreement by returning a countersigned copy of this letter agreement to the following address:

Joseph W. Craft III Foundation
Attn: Deborah Lackey
1717 South Boulder Ave., Suite 400
Tulsa, OK 74119

Sincerely,



Joseph W. Craft III Foundation
Joseph W. Craft III, Trustee

Agreed to by an Authorized Representative of the University of Kentucky

By: D. Michael Richey

Print Name & Title: D. MICHAEL RICHEY Vice-President for Philanthropy and Alumni Engagement.

Date: March 1, 2019



MEMORANDUM

To: The John H. Schnatter Family Foundation and the Charles Koch Foundation
From: John Garen, Director, John H. Schnatter Institute for the Study of Free Enterprise
Date: July 22, 2016

RE: Report on activities and budget request for the John H. Schnatter Institute for the Study of Free Enterprise

This report reviews the activities and expenses of the Schnatter Institute since January 2016 and presents a budget request for anticipated expenditures through August 2017. Part I is the review of activities and part II is the anticipated budget.

I. Review of Activities and Expenses

This section provides an update of our efforts thus far. Since January 2016, we have moved forward with six major initiatives and others are still in planning stages. They are significant in laying groundwork for the Schnatter Institute and are outlined below. A summary table of expenditures follows.

Faculty research support. This spring, a number of faculty research grants were awarded for summer 2016 by the Schnatter Institute. These cover a variety of noteworthy topics pertinent to the Institute, including:

- effects of the Affordable Care Act in Kentucky
- the effects of the Sarbanes-Oxley Act in distorting firms' investments
- corporate taxation and firms' offshore cash holdings
- Federal Reserve policy during the Great Depression
- how unregulated hedge funds govern themselves to attract investors
- the failure of government to induce competitive bidding for road contracts

Budget implications.

Three grants of \$25,000, one grant of \$30,000, and one grant of \$15,000 were awarded. The total expense is \$120,000 plus 11.25% benefits load. This totals \$133,500. One half of this was paid out on June 30, 2016. The other half is expected to be paid out by August 31, 2016.

(Note: other research grants were made from other funds.)

Graduate student support.

2016-2017 Fellowships

Awards for graduate student fellowships for 2016-2017 have been determined. Each of the student awardees is pursuing dissertation research that aligns with issues of interest to the Schnatter Institute. These include:

- the effect of the Affordable Care Act on independent physician practices
- the influence state laws to counter the effect of the Kelo decision (regarding takings of private property) on real estate markets and home ownership

- understanding how life insurance markets deal with imperfect information about customers' risk of fatality
- the association of the historical decline in citizen trust in government and with the expansion of government

Also, we plan to support for early-stage research for a less advanced graduate student.

Budget Implications.

Gray Forlines will receive a fellowship for fall 2016 and spring 2017. The Institute pays a stipend of \$8,500 per semester. The Department of Economics will pay tuition and health insurance for both semesters. This totals \$17,000 for August 2016 – May 2017.

Rob Perez has a University fellowship that pays for half year of stipend, tuition, and health insurance for the 2016-2017 school year. The Institute will award him a fellowship for the other half of the school year, paying a stipend of \$8,500. The Department of Economics pays the other half of tuition and health insurance. Total Institute expense is \$8,500 for August 2016 – May 2017.

(Note: support for other students is augmented by other sources.)

Summer 2016 Graduate Student Research Support

In April 2016, four graduate students were awarded summer research stipends. Two are for early-stage student to explore topics of potential dissertation interest and two are for more advanced students. Three awardees are in economics, one in finance.

Budget Implications.

Three awards for \$3,000 and one award for \$1,800 were made. With the benefits load, this totals \$11,718. This will be paid out entirely by August 15, 2016.

Entrepreneurship. We are beginning the process of evaluating entrepreneurship efforts at UK and designing a cohesive program. Preliminary plans are to include the following components:

- coursework regarding the key inter-relationships of entrepreneurship and free enterprise
- coursework involving business skills and tools, especially related to start-ups
- participation in business plan and pitch competitions
- internships with entrepreneurs and entrepreneurial organizations
- opportunities for involvement, interactions, and networking with the entrepreneurial business community

Budget Implications.

No expenses to date.

Faculty recruiting. Search is underway and continuing for a senior faculty member in economics who is both a distinguished scholar and is committed to the mission of the Schnatter Institute. Regarding junior faculty hiring, the academic labor market for junior faculty is on a more structured timing that begins in mid-fall. We now are making preparations for our fall junior faculty recruiting efforts.

Budget implications.

Expenses for a seminar presentation in May 2016 by a potential candidate was funded by Schnatter Institute funds; approximately \$800.

Philosophy, Politics, and Economics (PPE) program. A proposal for development of a PPE program is currently in the process of review by relevant parties at UK. The PPE program presents students with fundamental ideas and a broad background regarding issues in political philosophy, the role of the public and private sectors, and economic and political organization, each from historically important perspectives. Students will take a required course each from Philosophy, Political Science, and Economics, as well as an elective from each, and will earn a UK certificate from doing so. We anticipate attracting many students from a wide variety of backgrounds who will benefit from and value examining deep issues with a balanced approach.

Budget Implications.
No expenses to date.

Undergraduate Discussion/Event Group; Undergraduate Scholarships. Plans are in place for the Schnatter Institute to form the Kentucky Junto, primarily aimed at undergraduates. Named for the original Junto began by Benjamin Franklin in 1727, the purpose of the Kentucky Junto is to explore ideas and issues regarding the intersection of business, economics, and policy. The Junto will function with both student and faculty guidance and will consider a host of topics and points of view. The organizing focus is consideration of market-based ways of dealing with various economic and social issues vis-à-vis use of more centrally directed or government-based means. The Junto will do so through a variety of means. There is a tremendous assortment of interesting material that is available, from books and literature, newspaper columns, articles, and webpages to visual media such as videos and films. Junto leadership will plan and provide material and topics for the group to review and discuss for each meeting. We also will co-host related events such as outside speakers, forums, and social activities. The group will meet formally 6 to 8 times per semester.

The Schnatter Institute, in conjunction with the Gatton College's BB&T Program, will seek applicants for an Undergraduate Scholar Awards. Scholars will participate in and help organize activities for the Kentucky Junto. Undergraduate Scholarships come with a financial award of \$400 for the semester. Additionally, any books or materials needed for the group is provided. Awardees are expected to be full and vigorous participants in Junto activities.

Budget Implications.

Ten scholarships are expected to be awarded for the 2016-2017 year at \$400 per semester. The Schnatter Institute will pay for half, totaling \$4,000 per year. Other related expenses for speakers, materials, and faculty time for the 2016-2017 year are considered in part II.

Miscellaneous.

Associate Director. Professor Aaron Yelowitz has been named as Associate Director of the Schnatter Institute. This appointment began July 1, 2016. The expense for his stipend is \$2,083.33 per month and will be paid monthly starting July 31, 2016. Through August 2016, this totals \$4,166.66.

Director. The Director received a stipend of \$3333.33 per month from January 2016 to June 2016 for a total of \$20,000. Beginning July 31, 2016, he will receive a monthly stipend of \$3,666.67 (with an additional benefits charge of 27% or \$990 per month). Through August 2016, this totals \$29,313.34.

Travel. At this point two professional trips have been funded for approximately \$1,500 per trip for a total of \$3,000.

Planning. Planning has continued for staff hiring, website construction, and fall events.

Summary of Expenditures Through August 2016

<u>Item</u>	<u>Anticipated Expenditures Through August 2016</u>
Summer 2016 faculty research awards	133,500
Graduate fellows	to be incurred after 8-2016
Summer 2016 graduate student awards	11,718
Entrepreneurship program	0
Philosophy, Politics, and Economics program	0
Undergraduate Schloars (Junto)	to be incurred after 8-2016
Faculty recruiting	800
Associate director	4,166.66
Director	29,313.34
Professional travel	3,000
Total	\$182,498

II. Budget for September 2016 through August 2017

This section describes and summarizes anticipated expenditures for the 2016-2017 academic year and summer 2017. A table follows that presents all the expected expenses.

Recruiting

Senior Position in Economics. As noted above, recruiting is underway for this position and will continue. There is a possibility that this could begin in January of 2017 and we budget for this. The January 2017 – August 2017 salary and benefits are in the budget as a prorated share of the full year salary and benefits as in the original budget document.

Senior Lecturer in Entrepreneurship. Plans are being formulated to recruit for this position. There also is the possibility that position could start in January 2017. Thus, we budget for this as above: the January 2017 – August 2017 salary and benefits are in the budget as a prorated share of the full year salary and benefits as in the original budget document.

Other Tenure-Track Recruiting. Plans are being formulated regarding recruiting for these positions. It is very unlikely these would begin before Fall 2017, so no salary and benefits are budgeted for through August 2017.

Summer Grants for New Hires. We provide budget item in the event we provide summer support a senior hire that arrives in January 2017.

Faculty recruiting expenses, moving expenses for new faculty, and start-up expenses for new faculty on budgeted as in the original budget document.

Research Grants and Support

Summer 2017 faculty research grants for business and economics faculty are budgeted as in the original budget document.

Research grants for 2017 for external faculty are budgeted as in the original budget document.

Doctoral Student Support

Doctoral Fellowships, 2016-2017. As noted in the previous section, we budget for the two fellowships we awarded for the upcoming academic year.

Doctoral Student Support, Summer 2017. We budget for summer 2017 support replicate the support be provided for summer 2016.

Doctoral Student Conference Travel. We budget for this as in the original budget document.

Doctoral Summer Reading Program. We budget for this as in the original budget document.

Undergraduate Programs

Undergraduate Scholars and Reading Group (Junto). We budget for this as in the original budget document. This will include scholarship payments to students, cost of materials, and related expenses.

Development of a course in Philosophy, Politics, and Economics (PPE). We budget for this as in the original budget document. The PPE proposal is currently in the review process. We anticipate that it may be advisable to develop an additional course for this program.

Entrepreneurship. Development of this program will continue, but no expenditures are anticipated before Fall 2017.

Community, Industry, and Academic Outreach

Speaking Events. We budget for this as in the original budget document.

Academic Policy Conference/Forum. This was originally budgeted for 2018, but we anticipate the possibility of moving this to May 2017. Thus, aside from moving the time forward, we budget for this as in the original budget document.

Institute Administration

Institute Director. We budget for this as in the original budget document.

Associate Director. We budget for this as in the original budget document.

Institute Administrator. We anticipate hiring for this position for Fall 2016 and budget for this as in the original budget document.

Administrative Assistant. We anticipate hiring for this position for Fall 2016 and budget for this as in the original budget document.

Operating Expenses. Development of a website is a high priority. Other assorted expenses are anticipated. We budget for this as in the original budget document.

Summary of Anticipated Budget, September 2016 – August 2017

<u>Item</u>	<u>Anticipated Expenditures, 9/ 2016 – 8/2017</u>	<u>Comments</u>
<u>Faculty positions</u>		
senior position in economics	169,537.33	possible start in Jan. 2017 (8/12ths of amt. as previously budgeted)
senior lecturer in entrepreneurship	86,464	possible start in Jan. 2017 (8/12ths of amt. as previously budgeted)
<u>Research grants and support</u>		
summer research grants for new hires	33,375	for possible arrival of new faculty in Spring 2017
Business and econ. faculty summer 2017 research grants	133,500	as previously budgeted
external faculty research grants	40,000	as previously budgeted
faculty travel	9,000	as previously budgeted
<u>Doctoral student support</u>		
doctoral fellowships, 2016-2017	25,500	Described above in activities
doctoral student support, summer 2017	12,000	to replicated summer 2016
doctoral student conference travel	3,000	as previously budgeted
doctoral summer reading program	11,000	as previously budgeted
<u>Undergraduate programs</u>		
undergraduate scholars and reading group (Junto)	13,000	as previously budgeted
Development of course in philosophy, politics, and economics	10,000	as previously budgeted
<u>Community, Industry, and Academic Outreach</u>		
speaking events	25,000	as previously budgeted
academic policy conference/forum	35,000	as previously budgeted, but move to 2017
<u>Institute administration and other faculty support expenses</u>		
center director	80,000	as previously budgeted
associate director	25,000	as previously budgeted
Center administrator	86,345	as previously budgeted
Administrative assistant	46,494	as previously budgeted
Faculty recruiting expenses	32,000	as previously budgeted
Moving expenses for new faculty	40,000	as previously budgeted
Start-up expenses for new faculty	20,000	as previously budgeted
Operating expenses	15,000	as previously budgeted
Total	951,215.33	

Funding for September 2016 – August 2017 Activities

Anticipated Expenditures, September 2016 – August 2017: \$951,215.33

Expenditures, January 2016 – August 2016: \$182,498.00

Total Previously received: \$500,000

Net New Funding: \$633,713.33

**Schnatter Institute for the Study of Free Enterprise
Annual Report of Activities, Expenditures, Future Plans, and Funds Request
July 2017**

I. Review of Activities from July 2016-August 2017

This section provides an update on activities since July 2016. A summary of expenditures follows in Part II.

Faculty Positions

Senior Economics Professor

We invited five senior candidates to campus and brought in three for a campus visit. Given a lack of consensus of the economics faculty, we did not make an offer to any of the three finalists. We are re-evaluating the search strategy before the next recruiting season.

Tenure-Track Finance Professor

We brought two finalists to campus to interview for the position. We made an offer to the leading candidate, but the offer was turned it down. The other leading candidate turned down a subsequent offer. The search continues.

Tenure-Track Economics Professor

We had planned to recruit tenure-track economics faculty by using a newly hired senior faculty member as an attraction. Given we were unable to hire for the senior position, we are revisiting the entire recruiting strategy for economics faculty hires before the next recruiting cycle.

Senior Lecturer in Entrepreneurship

We did not hire for this position because the applicant pool was weak. We are reevaluating the hiring strategy before the next recruiting cycle.

Staff Positions

We have hired an assistant director (research associate). With the appointment of a new director we are evaluating the amount of overhead in the grant proposal. We are considering cost sharing of administrative positions with other units in the college with capacity in order to divert more resources directly to the Institute mission. Thus, we are putting further staff hires on hold until we formulate a new strategy for administrative support for the Institute.

Assistant Director

We hired Angela Erickson as assistant director in April 2017. She has a masters' degree in public policy from the University of Chicago and previously worked at the Institute for Justice and Cato Institute in Washington, DC. As mentioned in the original proposal, Angela will edit or write faculty research abstracts and summaries for consumption by the public, help faculty produce "white paper" versions of their academic papers, help develop and co-author stand-alone white papers and op-eds, play an important role in communicating faculty research and Institute initiatives to the public, and assist in identifying ideas and people for Institute events, among other duties.

Research Support

2016 Faculty Summer Awards

Nine faculty research grants were awarded for summer 2016 by the Schnatter Institute. From these grants, some papers have been posted on our website (<http://schnatter.uky.edu>) and the others will be rolled out over the next few months.

The awards for summer 2016, with their present status, are summarized below. Each project, though often on a specialized topic, speaks to an aspect of the Schnatter Institute's mission.

- 1) Aaron Yelowitz, Associate Professor of Economics, "How Did the ACA Affect Health Insurance Coverage in Kentucky?" an exploratory/descriptive paper targeted to a policy audience via a Schnatter Institute policy papers series. Yelowitz' research examines issues related to health insurance coverage for Kentuckians before and after the ACA.
- 2) Kristine W. Hankins, Garvice D. Kincaid Endowed Associate Professor of Finance, "Understanding Precautionary Cash at Home and Abroad," presently in working paper form but to be submitted to *Review of Financial Studies*, *Journal of Financial Economics*, or *Journal of Finance*. Hankins investigates the role of the U.S. tax system relative to other factors that affect foreign and domestic cash holdings and finds that lower corporate income tax rates abroad contributes substantially to foreign-held cash.
- 3) Frank Scott, Gatton Endowed Professor of Economics, "Single Bidders and Tacit Collusion in Highway Procurement Auctions." A revised version is currently being prepared for submission to the *Journal of Industrial Economics*. Scott explores the nature of bidding in highway procurement auctions to determine if tacit collusion seems likely in these markets and considers steps governments might take to structure the bid process to prevent it.
- 4) Will Gerken, Assistant Professor of Finance, "Hedge Fund Boards and the Market for Independent Directors," accepted for publication by the *Journal of Financial and Quantitative Analysis*. Gerken's analysis enables a better understanding of how private, competitive organizations set up their governance to serve their investors and clients without government regulation.

- 5) James Fackler, Professor of Economics, “Interwar Price Level Targeting,” submitted to the *Journal of Money, Credit, and Banking*. Fackler’s work provides a careful econometric analysis of the Fed hypothetically following a monetary rule during the early 1930s compared to actual policy of a severe monetary contraction.
- 6) Leonce Bargeron, Assistant Professor of Finance, “The Buffering Effect of Brands for Companies Facing Legislative Homogenization: Evidence from the Introduction of Sarbanes-Oxley,” revision invited by the *Journal of Marketing*. Some have suggested the Sarbanes-Oxley Act may affect investment in R&D projects that are inherently risky. Bargeron investigates this and finds that firms’ investments in R&D falls relative to “safer” marketing expenditures after the passage of Sarbanes-Oxley.
- 7) David Ziebart, PWC Professor of Accountancy, “Transaction Complexity and the Movement to Fair Value Accounting,” to be submitted to the *Journal of Accounting Research*. Ziebart’s work considers the desirability of using market-based valuations to fulfill the need for financial reporting rather than “accountant derived” values resulting from the application of complex rules.
- 8) John Garen, BB&T Professor of Economics, “Educational Test Scores and Education Spending: A Look Across States, 1992-2013,” presented at the 2016 Southern Economic Association conference and the 2017 Association of Private Enterprise Education conference. It is being written to target an education policy journal. Garen’s work examines K-12 spending and student performance data across states since the 1990s and finds that there is little association between the two.
- 9) David Bradshaw, Professor of Philosophy, “Modern Politics and the Passions,” accepted for publication by *Touchstone*. Bradshaw considers the implicit “passions” that underlie the writings of philosophers such as Locke and Rousseau, how these views may breed cynicism among the public, and what modern institutions might do about it.

2017 Faculty Summer Awards

We anticipate awarding 9 internal research grants during summer 2017, and 10 external grants (to faculty at other institutions). Internal grants will average \$15,000 but will vary in size depending on quality and fit with Schnatter Institute. External grants will average \$8,000 but will vary in size depending on the quality and fit with Schnatter Institute. The external grants (outside of University of Kentucky) will start in summer 2017.

2016-2017 Faculty Travel

An important part of research dissemination is presenting academic work at conferences, and learning about the overall current state of research. In the past academic year, Schnatter Institute affiliates have attended conferences hosted by The Association of Private Enterprise Education, The Southern Economic Association, and Mercatus Center. Participants included John Garen, Aaron Yelowitz, Darshak Patel, and Angela Erickson.

Doctoral Student Support

2016-2017 Graduate Fellowships

Schnatter Institute fellowships were awarded to four students during the 2016-2017 academic year. Each was supported for one semester, with support for the other semester coming from other sources. The following students supported.

- 1) [REDACTED]: The support was primarily for him to continue his work on gaining deeper understandings of life insurance markets.
Dr. [REDACTED] has defended his dissertation and will be an assistant professor at Illinois State University starting in Fall 2017.
- 2) [REDACTED]: He was supported for his dissertation work on inter-related aspects of earmarks, lobbying for earmarks, and issues in trust in government and government growth.
Dr. [REDACTED] has defended his dissertation. He received two academic job offers in 2016-2017, but decided for family reasons to explore further jobs next year.
- 3) [REDACTED]: [REDACTED] was supported for his work at the beginning stages of his dissertation on housing markets, eminent domain, and the Kelo decision. *Mr. [REDACTED] will be a fifth-year student in the economics Ph.D. program in 2017-2018.*
- 4) [REDACTED]: [REDACTED] support is for his initial research on two topics in his dissertation regarding healthcare issues, including Medicaid fraud and acquisitions of independent physician practices by hospitals. *Mr. [REDACTED] will be a fifth-year student in the economics Ph.D. program in 2017-2018.*

2017-2018 Graduate Fellowships

Awards for graduate student fellowships for 2017-2018 have been determined. Each of the student awardees is pursuing dissertation research that aligns with issues of interest to the Schnatter Institute. These include:

- 1) [REDACTED] (Fifth-year student): the effect of the Affordable Care Act on independent physician practices
- 2) [REDACTED] (Fifth-year student): the influence state laws to counter the effect of the Kelo decision (regarding takings of private property) on real estate markets and home ownership
- 3) [REDACTED] (Fourth-year student): the impact of Medicare Part D on mortality

Summer 2016 Graduate Student Research Support

The purpose of the summer stipends is to allow inexperienced students to become immersed in the research process/faculty interactions and to seed their growth in thinking about interesting research topics. For summer 2016, the following students were awarded summer fellowships.

- 1) [REDACTED] (\$3,000, economics); Faculty mentor: Dr. Aaron Yelowitz; Topic: *To examine the impact of Medicare Part D, the drug program for senior citizens, on life expectancy.*

- 2) ██████████ (\$3,000, finance); Faculty mentor: Dr. Kristine Hankins; Topic: *To investigate managerial motives for share repurchases.*
- 3) ██████████ (\$3,000, economics); Faculty mentor: Dr. John Garen; Topic: *To consider electronic medical records (EMR) as a case study for information shocks in public vs. private institutions.*
- 4) ██████████ (\$1,800, economics); Faculty mentor: Dr. Frank Scott; Topic: *To study the effect of legal policies on start-ups by entrepreneurs in the craft brewing industry.*

Summer 2017 Graduate Student Research Support

In May 2017, seven graduate students were awarded summer research stipends:

- 1) ██████████ (\$3,000, accounting); Faculty mentor: Dr. Brian Bratten; Topic: *The effect of regulatory changes on the firm value effects and decision usefulness of voluntary disclosures using evidence from the Environmental Protection Agency's 2009 MRGG expansion*
- 2) ██████████ (\$3,000, economics); Faculty mentor: Dr. Aaron Yelowitz; Topic: *Pre-existing conditions and insurance coverage in the Affordable Care Act*
- 3) ██████████ (\$3,000, economics); Faculty mentor: Dr. Aaron Yelowitz; Topic: *Understanding the impact of state pension deficits*
- 4) ██████████ (\$3,000, economics); Faculty mentor: Dr. John Garen; Topic: *Occupational licensing and effects on social welfare*
- 5) ██████████ (\$3,000, economics); Faculty mentor: Dr. Frank Scott; Topic: *Efficiencies and market power from mergers in craft beer brewing*
- 6) ██████████ (\$3,000, economics); Faculty mentor: Dr. Ana Herrera; Topic: *Resource misallocation in China*
- 7) ██████████ (\$3,000, finance); Faculty mentor: Dr. Kristine Hankins; Topic: *Market effects of bank regulation using evidence from the municipal bond market*

Lunchtime Graduate Discussion Series

During the spring 2017 semester, the Schnatter Institute organized a series of catered lunches for Ph.D. students and Institute affiliates. The seminars typically had 10 or more students, including the students who received funds in summer 2016. Each affiliate of the Institute took time to choose a policy topic, assemble readings – both scholarly and popular ones – and prepare a discussion with significant back-and-forth with the students. Topics and affiliates included:

- 1) Health care reform (led by Aaron Yelowitz)
- 2) The sharing economy (led by John Garen)
- 3) Credit markets and payday lending (led by Jim Fackler)
- 4) Law and economics (led by Frank Scott)
- 5) Prohibitions and legalizations (led by Jeff Miron of Harvard University and Cato Institute, via Skype)

Undergraduate Programs

Kentucky Junto (student reading group)

We formed the Kentucky Junto in the fall of 2016. Named for the original Junto began by Benjamin Franklin in 1727, the purpose of the Kentucky Junto is to engage with undergraduates in exploring ideas and issues regarding the intersection of business, economics, and policy.

In conjunction with the Kentucky Junto, the Schnatter Institute and BB&T Program established Undergraduate Scholar Awards. Scholars participate in and help organize activities for the Kentucky Junto. The Junto meets about eight times per semester and also participates in the Schnatter Institute speaking events. The Junto's readings included:

- 1) Adam Thierer's monograph, [*Permissionless Innovation*](#)
- 2) Joseph Schumpeter, "The Process of Creative Destruction."
- 3) Rosenberg, Nathan and Birdzell, Lee, *How the West Grew Rich*, selected sections.

During spring 2017, a variety of student-suggested topics were discussed in Junto sessions:

- 1) Economic development of low income countries
- 2) Fairness in issues in markets
- 3) How to organize college sports
- 4) Issues in school choice
- 5) Pharmaceutical regulation

Entrepreneurship Program

With the change in leadership for the Schnatter Institute, we believe it is important to revisit the vision for an entrepreneurship program during a strategic planning meeting in July 2017. By involving all stakeholders, this will in turn will help shape the recruiting process for a senior lecturer in entrepreneurship during 2017-2018.

Philosophy, Politics, Economics (PPE) Program

We have completed a draft proposal for the program that has been approved by the Departments of Philosophy and Political Science. We plan to move this initiative through the University Senate process in academic year 2017-2018.

Community/Industry/Academic Outreach

Speakers and Forums for Academic Year 2016-2017

- Alex Tabarrok, George Mason University, "Democracy and Voting in a Free Society: Some Economics of Politics."
- John Schnatter, Papa John's Pizza, "Building a Business Slice by Slice."
- Russell Roberts, Hoover Institution, "Adam Smith, Free Trade, and Human Dignity."

- Forum: “Environmental Regulation and Use of Benefit-Cost Analysis by Policymakers” with Ilya Shapiro (Cato Institute), William Hoyt (University of Kentucky, Economics), Michael Healy (University of Kentucky, Law School), Frank Scott (University of Kentucky, Economics); Moderator was John Garen
- Forum: “What’s Next for Kentucky Schools? The Outlook for K-12 under President Trump” with Ron Zimmer (University of Kentucky, Martin School), Wayne Lewis (Kentucky Education and Workforce Development Cabinet), Joseph Waddington (UK, College of Education), John Garen (UK, Economics); Moderator was Aaron Yelowitz

Planned Speakers and Forums for Academic Year 2017-2018

- A to-be-announced speaker and forum on tax reform.
- Support of Associate Dean Ken Troske’s effort in bringing J.D. Vance (author of Hillbilly Elegy) to campus.
- We plan to work with the UK Federalist Society to support an event on eminent domain and the Kelo Supreme Court decision.
- We are collaborating with Stephan Gohmann of the University of Louisville’s Schnatter Center to arrange for Matt Ridley to visit UK and U of L in 2018 (<http://www.mattridley.co.uk/biography/>). His recent books include The Evolution of Everything and The Rational Optimist.

II. Report on Grants Received and Expenditures

Schnatter Institute for the Study of Free Enterprise					
Total Receipts, Expenditures and Commitments by Fiscal Year (June 30 year-end)					
Period	Grants Received	Expenditure Purpose	Expenditure	Encumbrance	Balance
FY 2016 (January-June 2016)	500,000.00				500,000.00
FY 2016 (January-June 2016)		Total expenditures	93,527.00		406,473.00
FY 2017	633,713.33				1,040,186.33
FY 2017		Total expenditures	269,576.13		770,610.20
FY 2018 (Jul-Aug 2017)		Total encumbrances		332,887.42	437,722.78
Total	1,133,713.33		363,103.13	332,887.42	437,722.78

Schnatter Institute for the Study of Free Enterprise					
Receipts, Expenditures and Commitments for Charles Koch Foundation Grants by Fiscal Year (June 30 year-end)					
Period	Grants Received	Expenditure Purpose	Expenditure	Encumbrance	Balance
FY 2016 (January-June 2016)	200,000.00				200,000.00
FY 2017	253,485.33				453,485.33
FY 2017		Staff salaries and benefits	19,947.87		433,537.46
FY 2017		Staff recruiting expense	6,000.00		427,537.46
FY 2017		Operating/office expense	135.00		427,402.46
FY 2018 (Jul-Aug 2017)		Staff salaries and benefits		18,533.70	408,868.76
FY 2018 (Jul-Aug 2017)		Operating/office expense		120.00	408,748.76
Total	453,485.33		26,082.87	18,653.70	408,748.76

Schnatter Institute for the Study of Free Enterprise					
Receipts, Expenditures and Commitments for Schnatter Family Foundation Grants by Fiscal Year (June 30 year-end)					
Period	Grants Received	Expenditure Purpose	Expenditure	Encumbrance	Balance
FY 2016 (January-June 2016)	300,000.00				300,000.00
FY 2016 (January-June 2016)		Director/Associate Director stipend and benefits	22,200.04		277,799.96
FY 2016 (January-June 2016)		Faculty research grants and benefits	66,600.00		211,199.96
FY 2016 (January-June 2016)		Faculty/staff travel	2,161.48		209,038.48
FY 2016 (January-June 2016)		Guest speakers	780.49		208,257.99
FY 2016 (January-June 2016)		Meals	586.79		207,671.20
FY 2016 (January-June 2016)		Operating/office expense	1,198.20		206,473.00
FY 2017	380,228.00				586,701.00
FY 2017		Operating/office expense	4,544.55		582,156.45
FY 2017		Director course buyouts and benefits	21,190.95		560,965.50
FY 2017		Faculty/staff travel	14,426.24		546,539.26
FY 2017		Director/Associate Director stipend and benefits	75,900.00		470,639.26
FY 2017		Faculty research grants and benefits	66,000.00		404,639.26
FY 2017		Faculty recruiting expenses	11,167.23		393,472.03
FY 2017		Guest speakers	2,500.00		390,972.03
FY 2017		Meals	5,571.91		385,400.12
FY 2017		Doctoral fellowships	25,500.00		359,900.12
FY 2017		Doctoral summer research grants and benefits	13,092.38		346,807.74
FY 2017		Undergraduate scholarships	3,600.00		343,207.74
FY 2018 (Jul-Aug 2017)		Director/Associate Director stipend and benefits		14,833.33	328,374.41
FY 2018 (Jul-Aug 2017)		Faculty research grants and benefits		150,187.50	178,186.91
FY 2018 (Jul-Aug 2017)		External research grant program		136,000.00	42,186.91
FY 2018 (Jul-Aug 2017)		Doctoral summer research grants and benefits		8,962.89	33,224.02
FY 2018 (Jul-Aug 2017)		Travel		1,250.00	31,974.02
FY 2018 (Jul-Aug 2017)		Operating/office expense		3,000.00	28,974.02
Total	680,228.00		337,020.26	314,233.72	28,974.02

III. Planned Expenditures, September 2017-August 2018

September 2017 - August 2018		
Expense	Amount	Comments
Faculty Positions		
Tenure track position in financial economics	\$198,865.00	Possible start in Jan. 2018 (8 mons. compensation)
Research Grants and Support		
Summer research grants for new hires	\$51,612.00	for possible new faculty finance in Jan. 2018
Summer 2018 Competitive Grants for Gatton College	\$150,188.00	An average, \$15k each for 9 grants (plus 11.25% benefits)
Summer 2018 Competitive Grants for external authors (outside of UK)	\$80,000.00	On average, \$8k for 10 grants
Faculty Travel	\$9,000.00	as previously budgeted
Asst. director/research associate compensation	\$110,670.00	salary and benefits
Doctoral Student Support		
Doctoral fellowships, 2017-2018	75,000.00	as in original budget
Doctoral student support, summer 2018	21,000.00	to build upon previous successes
Doctoral student conference travel	4,500.00	as previously budgeted
Doctoral summer reading program; lunchtime program	11,000.00	as previously budgeted
Undergraduate Programs		
Undergraduate scholars and reading group (Junto)	13,000.00	as previously budgeted
Community, Industry, and Academic Outreach		
Speaking events	30,000.00	speaking fees, expenses
Academic policy conference/forum	35,000.00	focus on the 3 Schnatter centers
Outreach for competitive summer grants	36,000.00	On average, \$4k each for 9 grants
Outreach for grants for external authors (outside of UK)	20,000.00	On average, \$2k for 10 grants
Institute Administration and Other Faculty Support Expenses		
Institute director	\$80,000.00	as previously budgeted
Institute director course buyout	\$13,700.00	
One-third of program coordinator	\$28,395.00	Use existing infrastructure within college
Expand and enhance Schnatter Affiliate network	\$30,000.00	
Operating expenses (data, publications, supplies, etc.)	\$15,000.00	as previously budgeted
Faculty recruiting expenses (\$2,500 per candidate visit + advertising costs)	\$40,000.00	16 recruiting visits @\$2,500 each
Moving expenses for new faculty members	\$10,000.00	as previously budgeted
Start-up expenses for new faculty members (computers, data, etc.; \$5,000 per faculty member)	\$5,000.00	as previously budgeted
Summary		
Total	\$1,067,929.5	

Faculty Positions and Recruiting

This remains a high priority, i.e., obtaining top-notch scholars who share the vision of building The Schnatter Institute and its brand.

- 1) Tenure-Track Position in Finance. Recruiting for this will continue as per the prior process. Due to the continuity of this process, there is a possibility that position this could begin in January of 2018. We budget for this by including the January 2018 – August 2018 salary and benefits on a prorated basis. Recruiting expenses are budgeted as well.
- 2) Faculty recruiting expenses are under the final category of Schnatter Institute administration and other faculty support services. We are recruiting for up to five positions and budget for 16 campus visits at \$2,500 each, for a total of \$40,000. This is inclusive candidate travel, advertising, and other recruiting expenses.
- 3) Moving and start-up expenses also are budgeted in this category for a possible January 2018 hire in finance.
- 4) Senior Position in Economics. Recruiting will continue for this position following a revised recruiting strategy. We anticipate recruiting expenses for this position during this time period (see discussion below), but compensation expenses would not ensue until Fall, 2018.
- 5) Tenure-Track Position(s) in Economics. The same comments apply as to those for the senior position; compensation expenses would not ensue until Fall, 2018.
- 6) Senior Lecturer in Entrepreneurship. Recruiting for this position will continue, with a start date of Fall, 2018. Thus, only recruiting expenses are budgeted.

Research Grants and Support

- 1) Summer Grants for New Hires. We budget for a 2/9^{ths} summer research stipend in the event of a finance hire by January 2018.
- 2) 2018 Faculty Summer Awards. We anticipate funding 9 internal awards. Internal grants will average \$15,000 but will vary in size depending on quality and fit with Schnatter Institute.
- 3) 2018 External Summer Awards. We anticipate funding 10 external awards. External grants will average \$8,000 but will vary in size depending on the quality and fit with Schnatter Institute.
- 4) Faculty travel is as previously budgeted.
- 5) Assistant Director/Research Associate. We budget salary and benefits for the newly hired assistant director. This position is important in moving forward several strategic initiatives over the next year. These include: bringing the research of the scholars to the public in an effective way; further developing our public presence by working with faculty on op-eds and white papers; continuing efforts to cultivate and build our brand of rigorous scholarship and scholars who can speak with gravitas on important issues related to free enterprise.

Doctoral Student Support

- 1) Doctoral Fellowships, 2017-2018. We budget for this as in the original budget document.

- 2) Doctoral Student Support, Summer 2018. Given the success of this program, we are continuing this funding.
- 3) Doctoral Student Conference Travel. We budget for this as in the original budget document.
- 4) Doctoral Summer Reading Program. We budget for this as in the original budget document.

Undergraduate Programs

- 1) Undergraduate Scholars and Reading Group (Junto). We budget for this as in the original budget document.

Community, Industry, and Academic Outreach

- 1) Speaking Events. We have an extensive slate of speaking events and potential speakers and panels for the upcoming year. Some are expected to have significant fees. We budget \$30,000 for this category, to include all expenses. These events are another part of the strategic goal of establishing The Schnatter Institute's public presence as having serious and noteworthy intellectual events.
- 2) Academic Policy Conference/Forum. We are developing plans for a conference for May 2018. This present plan being formulated is to host a conference including faculty at the three Schnatter centers (UK, Louisville, and Ball State), as well as other significant scholars in free enterprise research and policy. We budget \$35,000 for this.
- 3) Outreach for competitive summer grants. We budget \$36,000 (an average of \$4,000 per award) for outreach and dissemination. This includes presenting at conferences, editing, marketing of studies, "white papers" or "short papers", podcasts, interviews, etc.
- 4) Outreach for grants for external authors (outside of UK). We budget \$20,000 (an average of \$2,000 per award) for outreach and dissemination. This includes presenting at conferences, editing, marketing of studies, "white papers" or "short papers", podcasts, interviews, etc.

Institute Administration

- 1) Institute Director. We budget for this as in the original budget document.
- 2) Institute Director Course Buy-Out. We budget \$13,700 for a course buy-out for the director.
- 3) Associate Director. *With the change in leadership, this position has been eliminated. The administrative savings is now translated into expanded research grants.*
- 4) Program Coordinator. *After careful consideration, we believe we can accomplish the goals of a program coordinator with a "fractional" administrative employee and shifting of workload to the assistant director. Thus, there is a two-thirds saving in administrative cost which is now translated into additional research grants.*
- 5) Expand and enhance Schnatter Affiliate network. With the savings from the elimination of the associate director and two-thirds of a program coordinator, we budget \$30,000 to expand the set of Schnatter affiliates in the Gatton College and create an internal advisory board. Moving forward, explicit benefits and expectations related to affiliation will be laid out; affiliates who receive greater amounts of funding will be expected to provide greater service. Service includes attendance at events, organization of events, op eds, media

outreach, outreach to undergrads, mentoring of graduate students, advising the Schnatter Institute leadership. We currently have 5 affiliates (Garen, Scott, Fackler, Yelowitz, Blackwell), we hope to add up to 5 more in July 2017. Both existing and new affiliates will be encouraged to apply (along with others in the Gatton College) for summer 2018 internal grants.

- 6) Operating Expenses. We budget for this as in the original budget document.
- 7) Faculty recruitment, moving, and start-up costs are as noted above.

IV. Grant Request

As shown in the table above we plan to spend an additional \$1,067,929.50 on activities from September 1, 2017 through June 30, 2018. Given expenditures and encumbrances through August 2017, we expect an unencumbered balance of \$437,772.78 on August 31. Thus, we request a total of \$630,206.80 to cover Schnatter Institute activities through June 30, 2018.

For ease of accounting, funds to date have not been spent in the proportion between the foundations as specified in the grant agreements. Thus, we request \$378,124 from the Schnatter Family Foundation and \$252,083 from the Charles Koch Foundation. By the end of FY 2018, the expected total expenditures of the Schnatter Institute from inception will have been funded 40 percent by the Charles Koch Foundation and 60 percent by the Schnatter Family Foundation, as specified in the grant agreements.



Report on activities 2017/2018

Overview

We are concluding a very successful academic year, one which leaves us well positioned for future success. This report highlights the accomplishments and activity of the *John H. Schnatter Institute for the Study of Free Enterprise at University of Kentucky* over the past year, formalizes our budget request for the 2018/2019, and outlines our vision (and challenges) moving forward.

As with many new centers focusing on free enterprise on university campuses, we face competing challenges. I became director of the Schnatter Institute in July 2017, after the founding director stepped down. Although the Schnatter Institute was established in December 2015, we had not yet made measureable progress on faculty hiring, in part due to the difficulties of finding candidates who met the rigorous standards of both the academic department and the Schnatter Institute. Over the past year, we have more than doubled our capacity. At the start of the 2017/2018 academic year, we had five academic affiliates; we will have thirteen affiliates as of July 2018 both by broadening our reach on campus and through faculty hiring. During the 2017/2018 academic year, we successfully filled three of the five academic lines in the donor agreement (one each in economics, finance and entrepreneurship).

Our outreach – mainly through public events and website activity – has increased dramatically. We hosted or co-sponsored ten major events, compared with five from the previous academic year. This included a panel discussion on tax policy (featuring Dr. Art Laffer) and The Schnatter Entrepreneurship and Free Enterprise Research Conference (bringing together the four centers with gifts from the John H. Schnatter Family Foundation). The Schnatter Institute continues to mentor Ph.D. students in economics and other disciplines, and we are adapting to lower graduate enrollments by expanding our presence in undergraduate activities and measuring our impact. We currently have published ten working papers on our website with executive summaries, with another seven being rolled out over summer 2018. Many of those studies have been presented at academic conferences. Schnatter affiliates have had their research and expertise mentioned by numerous media outlets, including Lexington Herald Leader, Kentucky Educational Television, The Lane Report, KCBS Radio out of San Francisco and WKYT news.

On behalf of myself, those affiliated with the Schnatter Institute, the Gatton College of Business and Economics, and the University of Kentucky, we thank the John H. Schnatter Family Foundation and the Charles Koch Foundation for their continued support. Given our existing balances and anticipated expenditure, we are requesting \$604,224.24 between JHSFF and CKF.

Best regards,



Aaron Yelowitz
Director, Schnatter Institute

Expanding Our Capacity

Over the past academic year, we have significantly expanded our capacity through successful hiring of faculty and staff, growing our network of affiliates on University of Kentucky's campus, expanding our interaction with other institutions, and through career advances of current affiliates.

Our formal gift agreement called for hiring in five faculty positions: three tenure-track positions in economics, one tenure-track position in finance, and one senior lecturer position in entrepreneurship. Three of the five positions have been filled, and we will continue searching for the remaining two (tenure-track positions in economics, with a focus on public finance and industrial organization) over the upcoming academic year.

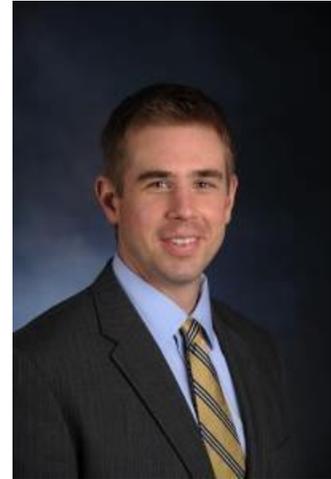
We have also expanded our overall capacity through a series of external research grants where the studies will ultimately be disseminated on our website, as well as a holding events in conjunction with other organizations, such as the [Political Influence and Benefits](#) academic session coordinated in conjunction with UC Irvine's "Program on Corporate Welfare" at the 2018 *Public Choice Society* meeting.

Finally, our affiliates continue to advance professionally. Dr. David Blackwell became Provost of University of Kentucky in early 2018, and Dr. Aaron Yelowitz was recently promoted to full professor. We will continue to provide support for the professional development of affiliates who advance the mission of the Schnatter Institute.

New Faculty Hires

Senior Economics Professor

The economics department hired [Charles Courtemanche](#) from Georgia State University as an associate professor. He received his Ph.D. from Washington University in St. Louis. He is a health economist and applied microeconomist with particular research interest in the economics of obesity, public policies to expand insurance coverage, and big box retailers.



Biography: Dr. Courtemanche is an Associate Professor of Economics in the Andrew Young School of Policy Studies at Georgia State University. His research has been published in a variety of journals including the *Economic Journal*, *Journal of Public Economics*, *Journal of Health Economics*, *Journal of Urban Economics*, *Journal of Economic History*, and *Journal of Policy Analysis and Management*. He has received funding from the National Institutes of Health, United States Department of Agriculture, and Food and Drug Administration. Dr. Courtemanche serves on the editorial boards of the *Journal of Policy Analysis and Management*, *Southern Economic Journal*, and *Economics and Human Biology*. He is also a Research Associate in the Health Economics Program at the National Bureau of Economic Research and a Research Affiliate with the Institute for the Study of Labor (IZA).

Tenure-Track Finance Professor

The finance department hired [Grant Clayton](#) from Northwestern Kellogg School of Management as an assistant professor. His Ph.D. is in Finance and his research focuses on empirical corporate finance, emphasizing its connections with corporate strategy, industry structure, and the labor market.



Biography: Grant Clayton is a Ph.D. candidate in Finance at the Kellogg School of Management at Northwestern University.

In his job market paper, he studies how a firm's pricing strategy affects its financial leverage in the retail industry. Retailers vary in pricing strategy, ranging from low markup no-frills retailers to high markup retailers that offer extensive service. The choice of strategy affects the firm's risks and opportunities and, therefore, debt capacity. The high-end strategy, for example, exposes the firm to price wars and freeriding by discount rivals that could drive it into financial distress. His paper utilizes changes in the legality of discount pricing strategies to identify their effect on leverage. In various U.S. states and years, manufacturers could use resale price maintenance (RPM) to set the minimum price a retailer can charge. The results show that allowing RPM leads discount retailers to reduce leverage and other retailers to increase it. The implication is that firms choose a financial structure closely tied to their product market strategy.

Prior to his doctoral studies at Kellogg, Grant received a master's degree in applied mathematics from Texas A&M University. Before graduate school, he worked in valuation

and dispute consulting with Duff & Phelps. His work there focused on financial reporting and litigation in the energy industry. He is a CFA charterholder.

Senior Lecturer in Entrepreneurship

The Gatton College hired [Adam Evans](#) for the lecturer position in entrepreneurship. Adam formerly taught a wide variety of courses at Transylvania University (also in Lexington, KY) including Entrepreneurship, International Business, Marketing Leadership, Organizational Behavior, Business Technology, Virtual Reality, Managerial Decision Making, Ethics, Market Research, Human Capital, Consumer Behavior, and Independent Studies. Adam received Ph.D. from Capella University.



Bio: Adam Evans bounces around a lot. Whether it is growing up as a military kid and moving 18 times before graduating high school, or being involved on campus as a professor, advisor for Phi Kappa Tau fraternity and founder of the Transylvania Volleyball Club – he’s always on the run. But one surefire way to get him to sit still is his lifelong love for video games. In 1985 his parents bought him a Nintendo, and he hasn’t stopped playing since. What began as a hobby has carried over into his academic work. He is helping his business students stay current with the rise of virtual reality, getting them hands-on experience with the exciting new medium. He has turned his office into a VR lab, allowing students to create and test games and applications for local developers.

New Staff Hire

Assistant Director

The Schnatter Institute hired Assistant Director, Rebecca Kegebein, in November 2017.

Rebecca graduated from the University of Kentucky with a Fine Arts and Art Education degree. She has worked for the University for the past nineteen years. Before working in the Schnatter Institute, Rebecca was the Executive Assistant to Dean Blackwell. She brings a wealth of knowledge of not only the college, but also the University.



New Faculty Affiliates

Ken Troske, Associate Dean for Graduate Programs and Outreach

Dr. Troske served as a member of the Congressional Oversight Panel whose task was to assess the existing condition of America's financial markets and the regulatory system as well as to closely monitor the actions of the Treasury Department and financial institutions to determine if their actions are in the best interest of the American economy. He is also a member of the Federal Reserve Bank of Cleveland Lexington Business Advisory Council. His primary research areas are labor and human resource economics.



Dr. Troske has authored a number of widely-known papers utilizing employer-employee matched data on topics such as education, productivity, technology, and discrimination. His most recent work has focused on evaluating various aspects of the Workforce Development System in the U.S., the role of human capital in promoting the economic growth of a region and the impact of tax incentives on the creation of jobs in a region. His papers have appeared in many leading journals in economics including the *Journal of Political Economy*, *Quarterly Journal of Economics*, *Journal of Labor Economics*, *Journal of Human Resources*, *Review of Economics and Statistics*, and the *American Economic Review*.

Darshak Patel, Director of Undergraduate Studies, Lecturer

Darshak has been a lecturer in Economics since August 2015. His field of specialization is Labor Economics, Economics of Education, Post-Secondary Education, Industrial Organization and Economics of Innovation.



Wendy Liu, Senior Lecturer

Wendy has been a senior lecturer in the Department of Finance and Quantitative Methods since July 2014. She actively participates in graduate and undergraduate program administration, curriculum and learning outcome assessments, student advising, and student enrichment activities. She has taught corporate finance and international finance at the graduate and undergraduate levels.



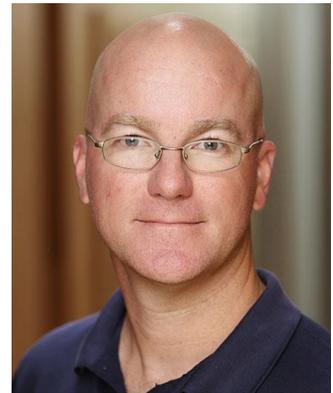
David Bradshaw, Professor of Philosophy

David's research focuses on the ways that ancient Greek philosophy shaped medieval philosophy and religious thought, and how these, in turn, contributed to the formation of modernity. Most of his work to date has been on the philosophical roots of the division between the Greek-speaking (eastern) and Latin-speaking (western) branches of Christianity. From the standpoint of modern philosophy, Eastern Christian thought represents largely unexplored territory. It shares the same classical and Biblical sources as medieval western philosophy, but its conclusions were often sharply different from those of the same period in the West.



Scott Hankins, Lecturer

Scott has been a senior lecturer in the Department of Finance and Quantitative Methods since July 2015. He has been published in *The Journal of Human Resources*, *The Review of Economics and Statistics*, and *Health Services Research*.



Research Grants and Support

2017 Internal Faculty Summer Awards

Seven internal faculty research grants were awarded for summer 2017. The awards for these grants, with their present status, are summarized below. Each project, though often on a specialized topic, speaks to an aspect of the Schnatter Institute's mission. The working papers and executive summaries will be rolled out over the summer, and *we will hold the second annual "Schnatter Research Day" conference on Friday, September 7, 2018 to disseminate the findings.*

1. Will Gerken and Chris Clifford, Associate Professors in Finance, "Investment in Human Capital and Labor Mobility: Evidence From a Shock to Property Rights" presented at Georgia Institute of Technology, 2017 Market Counsel Summit, Kelso Fellows Workshop, Elon University, SFS Cavalcade, Mitsui Labor and Finance Conference, Professional Asset Management Conference, Western Finance Associate and European Finance Association.
2. Frank Scott, Gatton Endowed Professor in Economics, "Wal-Mart Supercenters and the Rate of "Inflation": The Effect of Wal-Mart Entry into Local Grocery Markets on the Consumer Price Index"
3. James Fackler, Professor in Economics, "Empirical Alternatives to Current Monetary Policy Rules: Nominal GDP and Price Level Targets"
4. Felipe Benguria, Assistant Professor in Economics, "Dissecting the Impact of Trade on U.S. Inequality"
5. Mark Liu, Associate Professor in Finance, "Can Mergers and Acquisitions Internalize Positive Externalities in Funding Innovation?"
6. SuZanne Troske, Research Associate, and [REDACTED], PhD student in Economics "Ambulance Service Ownership and Management: How it Affects Efficiency of Service Delivery for Medicare Patients", presented at the H2D2 Conference at the University of Michigan and blog post at <https://cedikentucky.wordpress.com/2018/02/23/regional-differences-in-ambulance-service-ownership-and-management/>
7. Igor Cunha, Assistant Professor in Finance, "Can Credit Rating Agencies Affect Election Outcomes?", presented at conferences: European Finance Association Annual Meeting, University of Washington Summer Finance Conference, Carnegie Mellon Conference on the Economics of Credit Rating Agencies, Annual Conference on Taxation, Annual HEC Paris Workshop, Copenhagen Business School Conference on Financial Frictions, Portuguese Economic Journal Annual Meeting and Portuguese Finance Network Conference and following seminars: Koc University, London Business School, Stockholm School of Economics, Universidade de Sao Paulo, University of Delaware, University of Kentucky, University of Melbourne, and Kent State University.

2017 External Faculty Grants

During the 2017/2018 academic year, we awarded external grants to the following recipients:

- **Charles Courtemanche** (Georgia State University; effective academic year 2018/2019, University of Kentucky): *Do Health Insurance Expansions Really Save Lives?*
- **James Marton** (Georgia State University): *The Impact of Network Size on Health Care Utilization, Spending and Outcomes*
- **Abdullah Al-Bahrani** (Northern Kentucky University): *Online and In-person Differences in Mortgage Loan Prices and Rejection Rates for Minority and Majority Borrowers*
- **Joseph Benitez** (University of Louisville; effective academic year 2018/2019, University of Kentucky): *The Effects of Medicaid Expansion on Source of Hospital Care*
- **Timothy Harris** (Illinois State University): *How will State-Run Auto-IRAs Impact Workers?*

As the studies progress, the final versions will be disseminated on the Schnatter Institute website, and outreach to the public will commence.

2018 Faculty Summer Awards

We are in the process of finalizing contracts on up to eight internal summer grants for summer 2018; the proposals were reviewed by a team of three Schnatter affiliates. We solicited research proposals that fits with the goal of the Schnatter Institute. The size of internal grants will range from \$5,000-\$15,000 depending on the quality of fit with the Schnatter Institute's mission. All awardees – in addition to the dissemination – will present at the “Third Annual Schnatter Research Day” in fall, 2019.

2017-2018 Faculty Travel

This past academic year, Schnatter Institute affiliates have attended conferences hosted by Southern Economic Association, ASSA, The Public Choice Society, The Association of Private Enterprise Education, and the State Policy Network (SPN) Annual Meeting. Participants included Aaron Yelowitz, John Garen, Darshak Patel, Steve Gordon and Angela Erickson.

2017-18 Graduate Fellowships
Gray Forlines

Gray recently completed his Ph.D. studies in economics and beginning July 2018, he will be starting as a Health Economist with RTI International. His research interests include healthcare competition and organizational structure, health policy, industrial organization, law and economics, and labor economics. His current research focuses on physician-hospital (vertical) integration, anti-fraud activity in health care, and Medicare and Medicaid policy.



Katie Toran

Katie is expected to graduate in [REDACTED]. Her field of concentration is in Health Economics. Her dissertation is “Does Medicare Part D Extend Lives?” She has been the primary instructor in Principles of Economics I: Microeconomics Principles Economics and Business Statistics and was a grading assistant in Advanced Microeconomic Theory.



Summer 2017 Graduate Student Research Support: Update

In May 2017, seven graduate students were awarded summer research stipends. For a number of students, the summer funding had led into dissertation proposals that will fit in with the mission of the Schnatter Institute. Specifically, the dissertations of Mr. Ingram and Mr. McGlothlin include chapters/topics related to their 2017 summer funding. Some of the others are now rising third year students, and there is a possibility that the support will also lead to dissertation topics.

- 1) [REDACTED] (\$3,000, accounting); Faculty mentor: Dr. Brian Bratten; Topic: *The effect of regulatory changes on the firm value effects and decision usefulness of voluntary disclosures using evidence from the Environmental Protection Agency's 2009 MRGG expansion*
- 2) [REDACTED] (\$3,000, economics); Faculty mentor: Dr. Aaron Yelowitz; Topic: *Pre-existing conditions and insurance coverage in the Affordable Care Act*
- 3) [REDACTED] (\$3,000, economics); Faculty mentor: Dr. Aaron Yelowitz; Topic: *Understanding the impact of state pension deficits*
- 4) [REDACTED] (\$3,000, economics); Faculty mentor: Dr. John Garen; Topic: *Occupational licensing and effects on social welfare*
- 5) [REDACTED] (\$3,000, economics); Faculty mentor: Dr. Frank Scott; Topic: *Efficiencies and market power from mergers in craft beer brewing*

- 6) ██████████ (\$3,000, economics); Faculty mentor: Dr. Ana Herrera; Topic: *Resource misallocation in China*
- 7) ██████████ (\$3,000, finance); Faculty mentor: Dr. Kristine Hankins; Topic: *Market effects of bank regulation using evidence from the municipal bond market*

2018 Graduate Student Fellowships and Research Support

As discussed in the “challenges” section below, incoming enrollments into the economics Ph.D. program have been declining over the past few years. This had led to a shortage of candidates – at least for the time being – that have research interests that align with the Schnatter Institute. A number of students with promising profiles accepted RA positions with other entities within the Gatton College, although the Schnatter Institute may be in a position to “top off” their existing stipends.

As promising students emerge in economics (or other disciplines), we will proactively try to recruit them. However, the declining enrollments in the economics Ph.D. program for incoming classes presents serious issues moving forward.

Undergraduate Programs

Kentucky Junto (student reading group)

We formed the Kentucky Junto in the fall of 2016. Named for the original Junto began by Benjamin Franklin in 1727, the purpose of the Kentucky Junto is to engage with undergraduates in exploring ideas and issues regarding the intersection of business, economics, and policy. The organizing focus is consideration of market-based ways of dealing with various economic and social issues vis-à-vis use of more centrally directed or government-based means. The Junto is co-sponsored with the BB&T Program for the Study of Capitalism.



In conjunction with the Kentucky Junto, the Schnatter Institute and BB&T Program established Undergraduate Scholar Awards. Scholars participate in and help organize activities for the Kentucky Junto. Students are selected competitively based on academic and extracurricular records and commitment to the ideals of the Junto. We are very fortunate and pleased with the excellent students who have won these awards.

Fourteen students were selected to participate in the 2017/2018 and received a \$400 scholarship. Students range from freshmen to seniors in all majors. The Junto meets about eight times per semester and participates in the Schnatter Institute speaking events.

Academic year readings include:

Economic Analysis, Moral Philosophy, and Public Policy [selected readings], 3rd Edition, Daniel Hausman, Michael McPherson, and Debra Satz

“Econ 101 and the Minimum Wage,” RUSS ROBERTS, Café Hayek, APRIL 8, 2013.

“No, raising the local minimum wage doesn’t hurt local businesses,” Jared Bernstein and Ben Spielberg, The Washington Post, February 26, 2016.

“Life-Saving Incentives: Consequences, costs and solutions to the organ shortage,” Alexander Tabarrok, 2009, Library of Economics and Liberty.

“Buying and Selling Organs Would Create an Economic Class War,” Katrina A. Bramstedt, 2014, The New York Times.

“Should University Health Coverage Be the Federal Government’s Responsibility,”

Intelligence Squared Debate, 2017. URL:

<https://www.intelligencesquaredus.org/debates/universal-health-coverage-should-be-federal-governments-responsibility>

Tax Reform as a Discovery Process, J. R. Clark and Dwight R. Lee, Excerpt from Adam J. Hoffer and Todd Nesbit, eds., For Your Own Good: Taxes, Paternalism, and Fiscal Discrimination in the Twenty-First Century. Arlington, VA: Mercatus Center at George Mason University, 2018.

Is Bitcoin Intrinsically Worthless? William J. Luther, AIER Sound Money Project Working Paper No. 2018-07.

Testimonials from Junto students:

“The University of Kentucky Junto has been an excellent experience for academic, social, and personal growth. Readings are intriguing and thought-provoking, allowing for lively discussion regarding a variety of economic discussion over topics both age-old and pressing today. Meetings are fun and interpersonal, complete with pizza to top it all off.” - Madan Subheeswar

“This was my first year really being involved with Junto, and I enjoyed having a time and space to discuss economic philosophies and current economic events with others. It was refreshing to debate points with others who have differing viewpoints in an educated and respectful manner. I look forward to continuing with Junto next semester!” – Shelby Buckman

Sponsorship of Undergraduate Activities



Economics Society

Mike Scholtman, Kroger CFO and Gatton Graduate

- **Schnatter Institute co-sponsored Gatton FinTech Challenge (see events)**
- **Schnatter Institute sponsored Gatton’s first Stock Pitch competition (see events)**

Community / Industry/ Academic Outreach

Speakers and Forums for 2017 – 18 Academic Year

The goal of the Schnatter Institute is to have open and civil discourse on economic issues topical to the Commonwealth of Kentucky. Our events are *transparent* in that we publicize them widely and then film all proceedings and disseminate them on our website. Our events always bring in leading experts, and when appropriate, provide open dialogue from experts with diverse viewpoints. The events are highlighted below.

1. [The Schnatter Entrepreneurship and Free Enterprise Research Conference](#)



Friday Night

Mr. John Schnatter, special guest
Charles Courtemanche, keynote speaker



Saturday Conference

Faculty Research Session
Student Poster Session
Business Entrepreneur Panel

2. [Tax Policy and Economic Growth in Kentucky: A Panel Discussion](#)



Art Laffer

Bill Hoyt – Gatton Professor

Chris Bollinger – Gatton Professor

Jason Bailey – Executive Director,
Kentucky Center for Economic Policy

3. [Hidden Debt, Hidden Deficits: How Pensions Promises are Swallowing Government Budgets, and What Can Be Done](#)



Joshua Rauh, Professor of Finance at
Stanford

4. [What's Ahead for Bitcoin: A Panel Discussion](#)



William Luther, Assistant Professor of
Economics at Kenyon College

Shane Hadden, Lecturer in Finance at
Gatton

Jon Chait, Lecturer in Finance at Gatton

5. [Fixing the Organ Donation Market](#)



Ike Brannon, President of Capital Policy Analytics

6. [Understanding and Improving the U.S. Organ Donation Market: A Look at Allocation and the Introduction of Exchange](#)



Keith Teltser, Assistant Professor at University of Louisville

7. [Victims of Communism](#)



Murray Bessette, Director of Academic Programs at the Victims of Communism Memorial Foundation

8. [The Little Pink House, Kelo vs. New London: Movie Premiere and Panel Discussion](#)



Susette Kelo

Courtney Balaker, Director

John Kramer, Institute for Justice; Vice President for Communication

9. [Schnatter Research Day](#)



Those who presented:

Leonce Barger, Assistant Professor in Finance

David Bradshaw, Professor in Philosophy

James Fackler, Professor in Economics

John Garen, Professor in Economics

Will Gerken, Associate Professor in Finance

Kristin Hankins, Professor in Finance

Frank Scott, Professor in Economics

Aaron Yelowitz, Professor in Economics

Dave Ziebart, Professor in Accountancy

10. Schnatter Institute co-sponsored Gatton FinTech Challenge

First place winner:
Brian Carlson



Second place winner:
Haley Meek & Jacob Pawlak



11. Schnatter Institute sponsored Gatton's first Stock Pitch competition

Eric Winker
Tyler Harris





Tyler May
Camden Booker



Connor McKee
Graham Sparks



Nick Harker
Grant Deaton
Clayton Stovall

Moving Forward into 2018/2019: Possibilities and Challenges

We want to continue to build on our success moving forward into the upcoming academic year. Some of the more important priorities include:

- **Faculty hiring and building capacity** – hiring the remaining two faculty members in economics; expand our affiliate network on campus; support the professional advancement of affiliates of the Schnatter Institute.
- **Programming** – build on our activity from the 2017/2018 academic year
- **Scholarly research** – continue to support and disseminate the important research being done by our affiliates (as well as those awarded external grants). Continue to receive media attention for our findings, and create a podcast series where affiliates discuss current economic issues and their relation to free-enterprise.
- **Undergraduate activity** – expand our support for undergraduate programming related to free enterprise (and our affiliates who engage with undergraduates). Enhance our measurement of the impact of such programs on the students.
- **Financial education** – one important theme emerging in a number of market-oriented institutes is the role of financial literacy in economic decision making. We will actively explore the possibility of incorporating this into the Schnatter Institute.

In looking at the initial gift agreement, we face a number of challenges that we hope to address with our increased capacity:

- **Entrepreneurship Program:** We have now hired Adam Evans as a lecturer in Entrepreneurship. We hope to work with him to move the undergraduate certificate in entrepreneurship forward.
- **Philosophy, Politics, Economics (PPE) Program:** During this past academic year, David Bradshaw (from Philosophy) became an affiliate of the Schnatter Institute. We hope to work with him and John Garen to move the PPE program forward in 2018/2019.
- **Development of Executive Education Program in Free Enterprise:** We hope to enroll affiliates in developing an executive education program. A number of our affiliates have taught MBAs and could be in a position to do so.
- **Graduate Fellowships and Support:** As mentioned, incoming classes for the Economics Ph.D. program have declined in size over the last few years. This decline was not anticipated at the time of the gift arrangement; we will identify and work with promising students when their research aligns with the Schnatter Institute; another possibility is expanding our reach in undergraduate programming.

Report on Grants Received and Expenditures

Table 1 – overview of grants received and expenditures, in total and by CKF and JHSFF sources (note: numbers reflect updated fiscal-year end expenditures for all years, as of 6/28/2018)

Schnatter Institute for the Study of Free Enterprise Combined John H. Schnatter Family Foundation and Charles Koch Foundation					
Period	Grants Received	Expenditure Purpose	Expenditure	Encumbrance	Balance
FY 2016 (January-June 2016)	\$ 500,000.00				\$ 500,000.00
FY 2016 (January-June 2016)		Total Expenditures	\$ 93,674.99		\$ 406,325.01
FY 2017	\$ 633,713.33				\$ 1,040,038.34
FY 2017		Total Expenditures	\$ 290,392.60		\$ 749,645.74
FY 2018	\$ 630,207.00				\$ 1,379,852.74
FY 2018		Total Expenditures	\$ 411,179.41		\$ 968,673.33
FY 2018		Total Encumbrances		\$ 33,295.19	\$ 935,378.14
FY 2019 (July-August 2018)		Total Encumbrances		\$ 118,623.29	\$ 816,754.85
Total	\$ 1,763,920.33		\$ 795,247.00	\$ 151,918.48	\$ 816,754.85

Receipts, Expenditures and Commitments for CKF Grants by Fiscal Year (June 30 year-end)					
Period	Grants Received	Expenditure Purpose	Expenditure	Encumbrance	Balance
FY 2016 (Jan - June 2016)	\$ 200,000.00				\$ 200,000.00
FY 2016 (Jan - June 2016)		Total Expenditures	\$ -		\$ 200,000.00
FY 2017	\$ 253,485.33				\$ 453,485.33
FY 2017		Total Expenditures	\$ 26,202.97		\$ 427,282.36
FY 2018	\$ 252,083.00				\$ 679,365.36
FY 2018		Total Expenditures	\$ 118,342.57		\$ 561,022.79
FY 2018		Total Encumbrances		\$ -	\$ 561,022.79
FY 2019 (July - Aug 2018)		Total Encumbrances		\$ 110,146.43	\$ 450,876.36
Total	\$ 705,568.33		\$ 144,545.54	\$ 110,146.43	\$ 450,876.36

Receipts, Expenditures and Commitments for JHSFF Grants by Fiscal Year (June 30 year-end)					
Period	Grants Received	Expenditure Purpose	Expenditure	Encumbrance	Balance
FY 2016 (Jan - June 2016)	\$ 300,000.00				\$ 300,000.00
FY 2016 (Jan - June 2016)		Total Expenditures	\$ 93,674.99		\$ 206,325.01
FY 2017	\$ 380,228.00				\$ 586,553.01
FY 2017		Total Expenditures	\$ 264,189.63		\$ 322,363.38
FY 2018	\$ 378,124.00				\$ 700,487.38
FY 2018		Total Expenditures	\$ 292,836.84		\$ 407,650.54
FY 2018		Total Encumbrances		\$ 33,295.19	\$ 374,355.35
FY 2019 (July - Aug 2018)		Total Encumbrances		\$ 8,476.86	\$ 365,878.49
Total	\$ 1,058,352.00		\$ 650,701.46	\$ 41,772.05	\$ 365,878.49

Table 2 – Overview of expenditures for FY 2018 and July/August 2018

Category/Expense	July 1, 2017-June 30, 2018 Expenses	
	Amount	Description
Research Grants and Support		
2017 Summer Research Grants	\$ 76,594.44	Faculty - Salary/Benefits and Proofreader assistance
Faculty Travel	\$ 21,468.55	Yelowitz, Garen, Gordon, Patel, Erikson
Directors Summer Research Stipend	\$ 7,500.00	Yelowitz
Total	\$ 105,562.99	
Doctoral Student Support		
Doctoral Fellowships	\$ 33,413.42	Gray Forlines and Katie Toran
Summer Fellowships	\$ 21,564.08	Williamson, Chen, Ingram, McGlothlin, Tester, Painter, Le
Grad student travel	\$ 463.70	Gray Forlines (Southeastern Health Economics Study Group)
Doctoral Reading Program	\$ 392.50	Jimmy Johns for meetings held on 7/11/17; 7/26/17; 8/1/17; 8/15/17
Paper submission fee	\$ 100.00	S. Gordon
Total	\$ 55,933.70	
Undergraduate Programs		
Junto Club Scholarships	\$ 11,654.50	
Meals for Junto Club meetings (students)	\$ 625.25	Papa John's Pizza
Meals for organizers	\$ 54.50	Jimmy Johns
Stipend for Junto Club Organizer	\$ 740.41	Steve Gordon, Ph.D.
Total	\$ 13,074.66	
Community, Industry & Academic Outreach		
Tax Policy & Economic Growth in KY, Art Laffer	\$ 13,648.76	Thursday, September 7, 2017
Kroger CFO, Mike Schlotman	\$ 500.00	Thursday, October 5, 2017
Pension discussion with Josh Rauh	\$ 9,380.35	Wednesday, October 18, 2017
Victims of Communism, Murray Bessette	\$ 1,080.00	Monday, October 23, 2017
Fixing the Organ Donation Market, Ike Brannon	\$ 3,000.40	Thursday, November 30, 2017
The Little Pink House, Kelo vs New London	\$ 4,634.15	Thursday, April 26, 2018
Organ Donation discussion, Keith Teltser	\$ 1,389.44	Thursday, March 8, 2018
What's Ahead for Bitcoin, Will Luther	\$ 5,942.13	Wednesday, February 7, 2018
Lamar Wilson (informational meetings)	\$ 105.00	n/a
Schnatter Entrepreneurship & Free Enterprise Conference	\$ 22,629.83	Saturday, April 14, 2018
FinTech Competition	\$ 1,550.00	Tuesday, April 11, 2017
Schnatter Research Day	\$ 718.50	Friday, September 1, 2017
Total	\$ 64,578.56	
Institute administration & other faculty support expenses		
Institute Director	\$ 62,725.08	Yelowitz stipend and fringe benefits
Professional Admin	\$ 78,738.07	Kegebein, Erickson
Faculty recruiting expenses	\$ 20,589.83	For economics, finance and entrepreneurship searches
Faculty start up expense	\$ 2,844.97	Startup computer - Courtemanche
Promotional items	\$ 2,893.09	Polo's, pizza cutters, handouts – for guest speakers, VIPs
Subscriptions	\$ 537.00	GoTo Meeting and The Associate of PR
Supplies	\$ 1,726.02	
Schnatter Retreat/Business meals	\$ 1,128.14	August 2017 retreat
Communications	\$ 540.00	
Environmental charges	\$ 307.30	
Total	\$ 172,029.50	
Grand Total for FY 2018		
	\$ 411,179.41	
Encumbered Expenses July 1, 2018-August 31, 2018		
New faculty positions and administrator salaries and grants		
Salary and Benefits	\$ 118,623.29	Salary, others costs for Courtemanche, Clayton, Evans, Yelowitz, Kegebein
External Grants, stock pitch competition	\$ 33,295.19	
Total	\$ 151,918.48	
Grand Total for Encumbered		
	\$ 151,918.48	

Table 3 – Overview of planned expenditures September 2018-August 2019

September 2018 – August 2019		
Category/Expense	Amount	Description
Faculty Positions		
Senior tenured position in economics, Charles Courtemanche	\$280,911.40	Salary and Benefits
Tenure track position in financial economics, Grant Clayton	\$280,911.40	Salary and Benefits
Lecturer in Entrepreneurship, Adam Evans	\$108,533.95	Salary and Benefits
Total	\$670,356.75	
Research Grants and Support		
Summer research grants for tenure track faculty hires	\$87,569.00	Summer ninths for new hires
Business and economics faculty summer research grants	\$48,000.00	On average, \$8k for 6 grants
External faculty research grants	\$40,000.00	On average, \$8k for 5 grants
Faculty/Staff travel to professional or academic conferences	\$25,000.00	Expanded based on growth in affiliates
Total	\$200,569.00	
Doctoral Student Support		
Doctoral Fellowships/Research Assistant	\$155,000.00	as in original budget
Conference travel (\$1,500 per year per student)	\$6,000.00	as in original budget
Doctoral summer regarding program	\$11,000.00	as in original budget
Total	\$172,000.00	
Undergraduate Programs		
Undergraduate reading group	\$13,000.00	as in original budget
Undergraduate research program	\$12,000.00	as in original budget
Undergraduate enhanced support	\$10,000.00	see description below
Total	\$35,000.00	
Community, Industry & Academic Outreach		
Speakers	\$40,000.00	see description below
Total	\$40,000.00	
Institute administration & other faculty support expenses		
Institute Director	\$44,500.00	Reduced from original budget
Institute Director Course Buyout	\$19,263.68	
Assistant Director	\$74,389.66	Reduced from original budget
Expand and enhance Schnatter Affiliate network	\$50,000.00	see description below
Operating expenses (data, publications, supplies, etc.)	\$15,000.00	as in original budget
Faculty recruiting expenses	\$20,000.00	8 recruiting visits @\$2,500 each
Moving expenses for new faculty members	\$24,900.00	Based on market conditions
Startup expenses for new faculty members	\$55,000.00	Based on market conditions
Total	\$303,053.34	
Total Planned Expenditure	\$1,420,979.09	

Planned Expenditures, September 2018-August 2019

This section describes anticipated expenditures for this time period. Table 3 summarizes upcoming budget. The following discusses these expenses and their fit into our plans for moving the Schnatter Institute forward.

Faculty Positions and Recruiting

This remains a high priority, i.e., obtaining top-notch scholars who share the vision of building The Schnatter Institute and its brand.

- 1) Tenure-Track Position in Finance (Grant Clayton): Salary and fringe benefits.
- 2) Senior Position in Economics (Charles Courtemanche): Salary and fringe benefits.
- 3) Lecturer in Entrepreneurship (Adam Evans): Salary and fringe benefits.
- 4) (see administration) Faculty recruiting expenses are under the final category of Schnatter Institute administration and other faculty support services. We are recruiting for two positions and budget for 8 campus visits at \$2,500 each, for a total of \$20,000. This is inclusive candidate travel, advertising, and other recruiting expenses.
- 5) Tenure-Track Position(s) in Economics. Recruiting will continue for two positions in economics. We anticipate recruiting expenses for this position during this time period, but compensation expenses would not ensue until fall 2019.

Research Grants and Support

- 1) Summer Grants for New Hires. We budget for a 2/9ths summer research stipend for the tenure-track hires.
- 2) 2019 Faculty Summer Awards. We anticipate funding 6 internal awards. Internal grants will vary in size from \$5,000-\$15,000 depending on quality and fit with Schnatter Institute.
- 3) 2019 External Summer Awards. We anticipate funding 5 external awards. External grants will average \$8,000 but will vary in size depending on the quality and fit with Schnatter Institute.
- 4) Faculty travel is larger than previously budgeted with the growth in the number of affiliates; the original business plan allocated \$13,500.

Doctoral Student Support

- 1) Doctoral Fellowships/Research Assistantships, 2018-2019. We budget for this as in the original budget document. This may include summer support, research assistantships, and “top off” funding as well when the student has another source of funding.
- 2) Doctoral Student Conference Travel. We budget for this as in the original budget document.
- 3) Doctoral Summer Reading Program. We budget for this as in the original budget document.

Undergraduate Programs

- 1) Undergraduate Scholars and Reading Group (Junto). We budget for this as in the original budget document.
- 2) Undergraduate Research Program. We budget for this as in the original budget document.

- 3) Undergraduate support. Given the lower than expected enrollment in the Ph.D. program, we plan on increasing our presence in undergraduate activities, including sponsoring speakers and undergraduate travel.

Community, Industry, and Academic Outreach

- 1) Speaking Events. We have an extensive slate of speaking events and potential speakers and panels for the upcoming year. Some may have significant speaking fees. We budget \$40,000 for this category, to include all expenses. These events are another part of the strategic goal of establishing The Schnatter Institute's public presence as having serious and noteworthy intellectual events. The original business plan allocated \$25,000.

Institute Administration

- 1) Institute Director. We budget for \$44,500; significantly lower than in the original budget document.
- 2) Institute Director Course Buy-Out. We budget \$19,263.68 for a course buy-out for the director.
- 3) With various cost-savings elsewhere (e.g., in administration, competitive internal grants, etc.), we will expand and enhance Schnatter Affiliate network. We budget \$50,000 to enhance the service activities and professional standing of Schnatter affiliates in the Gatton College. Service includes attendance at events, organization of events, op-eds, media outreach, outreach to undergrads, mentoring of undergraduate and graduate students, advising the Schnatter Institute leadership. Professional standing could include pursuing editorship opportunities at top academic journals.
- 4) Operating Expenses. We budget for this as in the original budget document.
- 5) Faculty recruitment expenses are noted above.
- 6) Moving expenses and start-up funds for new hires are allocated based on current market conditions.

Summary

A summary of new expenditure, previous expenditure, and funds received is below.

- 1) Total new expenditure: \$1,420,979.09
- 2) Total previous expenditure: \$947,165.48
- 3) Previous funds received: \$ 1,763,920.33
- 4) Net new funds requested: \$604,224.24

Grant request

As shown in Table 3 above we plan to spend an additional \$1,420,979.09 on activities from September 1, 2018 through June 30, 2019. Given expenditures and encumbrances through August 2018, we expect an unencumbered balance of \$816,754.85 on August 31. Thus, we request a total of \$604,224.24 to cover Schnatter Institute activities through June 30, 2019.

We request this in proportion to the gift pledges; \$362,534 from the John H. Schnatter Family Foundation and \$241,690.24. As of August 31, 2018, our expected spending of \$947,165.48 is still tilted towards the JHSFF gift (73.1%), while the intended proportion is 60%. During the upcoming academic year, we will continue to shift expenditure to better align the two. With the turnover in the assistant director position (and the decline in salary and gap in service), the spending on the CKF give was not as high as expected.



Institute for the
Study of Free Enterprise

2018 – 2019 Annual Report

From the Director



With the challenges we faced, the Institute for the Study for Free Enterprise accomplished a great deal during this past academic year. We continued our long-standing excellence in programming, including public presentations on capitalism (by former CEO, Mr. Andy Puzder), occupational licensing (by Dr. Dick Carpenter and Mr. Lee McGrath from The Institute for Justice), and optimism and innovation (by Sir Matt Ridley). Our public events reached more than 500 students and are memorialized on our website through professional video recordings.

We also mentored undergraduate students through our thriving Junto book club in the Gatton College of Business and Economics, and provided research fellowships to Ph.D. students in economics. Some of our most talented undergraduates are now working at the regional Federal Reserve Banks or studying abroad at the London School of Economics, while one of our graduating Ph.D. students will soon begin her career at the U.S. Food and Drug Administration. Our affiliates continued a steady flow of peer-reviewed research, with 22 publications or revisions since 2018. They also presented research at conferences and generously used their time to outreach to the public.

Our academic year started with a monumental challenge. Fresh from successfully hiring for three academic positions, we faced unprecedented uncertainty with the loss of a gift from one of our major donors in July 2018. That uncertainty hampered many bold initiatives that we had planned and froze hiring for the remaining faculty lines. We are grateful for the generous gifts during this year, and appreciate the faith of the Craft family, the Ramsey family, and the Charles Koch Foundation in ISFE's mission. The donors' generosity means that ISFE can proceed forward with the ambitious initiatives that we had envisioned for this past year.

ISFE is certainly in a stronger position starting the 2019/2020 academic year. I am grateful for the unwavering support of Rebecca Kegebein, who will soon be moving on from her position as assistant director of ISFE to her dream job as a teacher in the local community. I am eternally thankful for the opportunity to lead ISFE as director over the past two years. I will be moving on as well, returning to my full-time faculty position in the economics department. There are many exciting opportunities ahead for ISFE to transform the lives for students on University of Kentucky's campus and the future is bright.

Respectfully,

A handwritten signature in black ink that reads "Aaron Yelowitz". The signature is written in a cursive, slightly slanted style.

Aaron Yelowitz
Director, Institute for the Study of Free Enterprise

Overview

This annual report is arranged into four sections, which aligns with our key spending areas. The first section outlines student initiatives for both undergraduate and graduate students. The second section overviews our public programming. The third section highlights our funded research. The final section outlines selected activity of our faculty affiliates.

During the course of the academic year, we continuously update our website (<http://isfe.uky.edu/>) in each of these areas.

Undergraduate Junto Book Club (Fall 2018)

We selected 13 students to participate in the fall 2018 reading group. Students range from freshman to seniors in all majors. The club met 5 times during the fall semester.

During the course of the year, faculty affiliates volunteered to lead sections on topics related to market-based behavior, often using cutting-edge research in the process.



Section leaders for Fall 2018 for Junto meetings

Sam Ingram (Ph.D. student, Economics) – Occupational Licensing

John Garen (Professor, Economics) – Markets & Morality

Aaron Yelowitz (Professor, Economics) – Behavioral Economics & Public Policy

Jim Fackler (Professor, Economics) – Payday Lending

Chuck Courtemanche (Associate Professor, Economics) – Free Market Solutions to Health Care

Selected readings from Fall 2018

- Zumbun, Josh. 2016. “Occupational Licensing May Be Bad for the Economy, But Good for Workers Who Have Them – Real Time Economics,” Wall Street Journal.
- Mellow, William and Dick Carpenter, 2016. “Bottleneckers.”
- Kleiner, Morris, 2000. “Occupational Licensing,” The Journal of Economic Perspectives.
- Clark, J.R., and Dwight Lee, 2011. “Markets and Morality,” Cato Journal.
- Carden, Art. “Not Feeling the Bern,”
- Thaler, Richard H. and Cass Sunstein. 2003. Behavioral Economics, Public Policy, and Paternalism, Libertarian Paternalism, American Economic Review.
- Epstein, Richard A. 2018. “The False Allure of Libertarian Paternalism,” Hoover Institution.
- Boudreaux, Donald. “Libertarian Paternalism?”
- Marton, James, Aaron Yelowitz, and Jeffrey Talbert, 2017. “Medicaid Program Choice, Inertia and Adverse Selection,” Journal of Health and Economics.
- Caskey, John P., 2012. “Payday Lending, New Research and the Big Question”, Oxford Handbook of the Economics of Poverty.
- “United States Health Care Reform, Progress to Date and Next Steps”
- “Free Market Solutions the Key to Health Care Reform”
- “After Repeal of Obamacare: Moving to Patient-Centered, Market-Based Health Care”
- “Health care reform: A free-market solution works in other countries”

Undergraduate Junto Book Club (Spring 2019)

We selected 15 students for the spring 2019 reading group. Students range from freshman to seniors in all majors. The club met 6 times during the spring semester.

During the course of the year, faculty affiliates volunteered to lead sections on topics related to market-based behavior, often using cutting-edge research in the process.



Section leaders for Spring 2019 for Junto meetings

John Garen (Professor, Economics) – The Meaning of Ownership and Using it to Understand Comparative Economic Systems and Managerial Economics

Darshak Patel (Lecturer, Economics) – Movement of Resources in Sports

Frank Scott (Professor, Economics) – Law and Economics

Andy Puzder (Former CEO, Carl's Jr./Hardee's) – The Capitalist Comeback

Ken Troske (Professor, Economics) – Gender Pay Gap in the U.S.

Sam Ingram (Ph.D. student, Economics) – Specialization, Robots, and the Velocity of Regulation

Selected readings from Spring 2019

- Alchian, Armen A., “Property Rights”, The Library of Economics and Liberty
- Garen, John. 2019. “Discussing Comparative Economics System (and Managerial Economics) in the Context of the Allocation and Division of Property Rights”
- Rappaport, Jordan and Chad Wilkerson “What Are the Benefits of Hosting a Major League Sports Franchise?”
- Coates, Dennis and Brad Humphreys, 2018. “Do Economists Reach a Conclusion on Subsidies for Sports Franchises, Stadiums, and Mega-Events?”
- Cook, Cody, Rebecca Diamond, Jonathan Hal, John List, John, Paul Oyer, “The Gender Earnings Gap in the Gig Economy: Evidence from over a Million Rideshare Drivers.”
- Using Coase to resolve property disputes: Smelly cattle and flies
- Doing business in an environment where legal enforcement of promises cannot be counted on—exchanging hostages: Modern hostage exchanges.
- Do you think that Exxon-Mobil learned anything from BP’s earlier experience doing business in Russia?
- Puzder, Andy. The Capitalist Comeback; Chapter 8
- Wakabayashi, Daisuke. 2019. “Google Finds It’s Underpaying Many Men as It Addresses Wage Equity,” New York Times.
- Wolla, Scott A. “Will Robots Take Our Jobs? Senior Economic Education Specialist.
- West, Darrell M., 2018. “Will Robots and AI take your job? The Economic and political consequences of automation,” Brookings.

Undergraduate Student Highlights

Emily Dunlap – An undergraduate student working under Dr. Yelowitz, she was accepted to the study abroad program at the London School of Economics for her senior year. Emily is employed at the Federal Deposit Insurance Corporation for Summer 2019.



Shelby Buckman – An active member of the Junto book club, Shelby majored in Economics & Mathematics, and graduated in Spring 2019. Shelby received the James Martin Award, which is for the most outstanding student in economics. Shelby has begun employment at the San Francisco Federal Reserve Bank and plans on pursuing a Ph.D. in Economics.

In February 2019, 3 Junto book club students attended the Institute for Humane Studies discussion colloquium in Louisville, KY.

- Jack Boarman (undergraduate senior, Accounting & Finance)
- Josiah Wolf (undergraduate junior, Finance & Management)
- Whitley Horning (undergraduate senior, Accounting & Economics)

Summer of 2019 Undergraduate Research Assistants

- Adam Blevins
- Alton Chancy
- Chris Adams
- Emily Dunlap
- Carol Moseley

Undergraduates and ISFE Programming!



Graduate Student Highlights

Katherine “Katie” Toran is graduate student of Dr. Yelowitz’s who will defend her Ph.D. dissertation in July 2019, and will begin employment at the U.S. Food and Drug Administration in August 2019.



Nicholas Graff is a rising second year student in the Economics PhD program at the University of Kentucky. For several years, he has been interested in free markets and public choice. His primary research interests are in health and environmental economics, and he is interested in applying free market ideas to these topics.

Marissa Hartsoe is a rising second year student in the Economics PhD program at the University of Kentucky. Her primary research interest is in health economics, particularly the role of policy in influencing practitioner markets in medically underserved areas and in fertility decisions.



Samuel Ingram is a fifth year PhD candidate in economics at the University of Kentucky. His research focuses on improving labor market efficiency, with recent work investigating occupational licensing policies in the United States. He is currently a graduate research fellow at the UK Census Restricted Data Center and hosted the Junto Book Club during the fall and spring semester.

Daniel Pitts is an active-duty officer in the US Air Force, currently pursuing a master’s degree in economics at the University of Kentucky. Upon graduation, he will be a member of the faculty at the US Air Force Academy. His interests are at the intersection of public and labor economics, particularly the application of free market principles to Department of Defense problems.



Graduate Student Highlights (Continued)

Summer of 2019 Graduate Research Fellowships

- Nicholas Graff
- Marissa Hartsoe
- Daniel Pitts
- Samuel Ingram

Conference Travel – 2019 Public Choice Outreach
Summer Conference at George Mason University

- Nicholas Graff
- Marissa Hartsoe
- Daniel Pitts



Conference Travel – 2019 Association of Private Enterprise Education in Bahamas

- Samuel Ingram

Programming (Fall 2018)

Speakers and Forums for 2018-19 Academic Year

The goal of the Institute for the Study of Free Enterprise is to have open and civil discourse on economic issues topical to the Commonwealth of Kentucky. Our events bring in leading experts and provide open dialogue and debate from experts with diverse viewpoints.

Faculty Research Day

Attendees: 60 (20 students, 40 faculty)

Presenters Included

- **Will Gerken & Chris Clifford**, Associate Professors in Finance, [Investment in Human Capital and Labor Mobility: Evidence From a Shock to Property Rights](#)
- **Frank Scott**, Professor in Economics, Wal-Mart Supercenters and the Rate of “Inflation”: The Effect of Wal-Mart into Local Grocery Markets on the Consumer Price Index.
- **Jim Fackler**, Professor in Economics, [Empirical Alternatives to Current Monetary Policy Rules: Nominal GDP and Level Targets](#)
- **Felipe Benguria**, Assistant in Economics, [Dissecting the Impact of Trade on U.S. Inequality](#)
- **Mark Liu**, Associate Professor in Finance, [Can Mergers and Acquisitions Internalize Positive Externalities in Funding Innovation?](#)
- **Su Troske, Sooki Chaudhary**, Research Assistant, PhD Student in Agricultural Economics, [Ambulance Service Ownership and Management: How it Affects Efficiency of Service Delivery for Medicare Patients](#)
- **Igor Cunha**, Assistant Professor in Finance, [Can Credit Rating Agencies Affect Election Outcomes?](#)



Programming (Fall 2018)

Occupational Licensing: The Need to Reform Kentucky

Attendees: 130 (100 students, 25 community, 5 faculty)

Guest Speakers:

Dr. Dick Carpenter, Director of Strategic Research for the Institute for Justice

Mr. Lee McGrath, Senior Legislative Counsel & Managing Attorney for the Institute for Justice



Optimism and Innovation

Attendees: 150 (130 students, 15 community, 5 faculty)

Guest Speaker:

Matt Ridley, Journalist and businessperson best known for his writings on science, environment, and economics.



Programming (Spring 2019)

Tax Reform at One Year: Are We Wealthier or Healthier?

Attendees: 140 (120 students, 10 community, 10 faculty)

Panelist Include:

David Agrawal, Assistant Professor in the Martin School of Public Policy & Administration and an Assistant Professor in Economics at the University of Kentucky

Grant Clayton, Assistant Professor in Finance at the University of Kentucky

Charles Courtemanche, Associate Professor in Economics at the University of Kentucky

Bill Hoyt, Endowed Professor in Economics at the University of Kentucky

Aaron Yelowitz (Moderator), Professor in Economics at the University of Kentucky

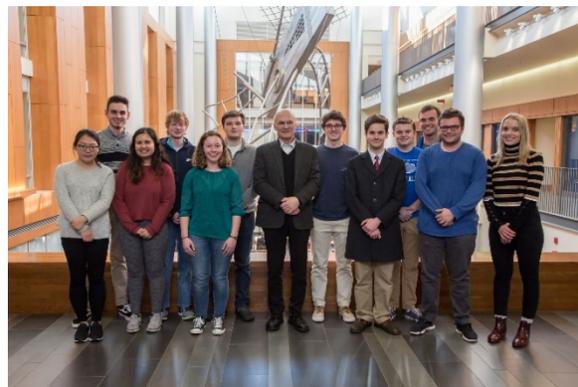


Why Millennials Should Embrace Capitalism and Reject Socialism

Attendees: 120 (100 students, 15 community, 5 faculty)

Guest Speaker:

Andy Puzder, former CEO of CKE Restaurants Holdings, Inc.



Mixed Reality in the Classroom: A New Vision for Computing and Learning

Attendees: 45 (42 students, 3 faculty)

Guest Speaker:

Anson Ho, Product Manager at Microsoft Education



2018 ISFE Internal Research Grants

2018 Internal Faculty Summer Awards

- Leonce Barger, Ashland Oil Associate Professor in Finance, “CEO Compensation and Corporate Acquisitions.”
 - Presented at MTSU in March
- Chris Clifford and Will Gerken, Associate Professors in Finance, “Financial Advisory Fees and Misconduct.”
 - Third paper in a series of paper regarding financial advisors and misconduct in the industry
 - Presented paper at Virginia Tech, Finance Research Association Early Ideas Session and at University of Tennessee at the Smokey Mountain Conference
 - Will present summer 2019 at Frontiers In Finance (University of Alberta and Western Finance Association
- John Garen, BB&T Professor in Economics, “The Allocation and Exchange of Property Rights”
- Russell Jame, Assistant Professor of Finance and Garvice D. Kincaid Faculty Fellow, “The Democratization of Investment Research”
 - The [FARS Mid-Year Accounting Conference](#) (2019), The [Midwest Finance Association](#) (2019), The [Smokey Mountain Finance Conference](#) (2019), The [UConn Finance Conference](#) (2019), The [SFS Cavalcade](#) (2019), The [Western Finance Association](#) (2019), University of Kentucky (2018), Middle Tennessee State (2018), Auburn (2019)
- Kristine Hankins, William E. Seale Associate Professor of Finance, “Taxes and Hedging”
- Darshak Patel, Lecturer of Economics, “Can Financial Literacy Predict the Participation and Attachment to Government Assistance Programs?”
- Jeff Payne, KPMG Professor in Accountancy, Russell Williamson, PhD student in Business Administration with a Concentration in Accounting, “Relationship Bonding and Audit Quality: Evidence from Client CFO and Audit Firm Relations”
 - Under review at the Journal of Accounting and Public Policy
 - Presented at workshop at the University of Kentucky, Von Allmen School of Accountancy

2018 ISFE External Research Grants

2018 External Research Grants

- Courtemanche, Charles, Associate Professor of Economics at University of Kentucky – “Do Healthcare Insurance Expansions Really Save Lives?” (awarded as faculty member at Georgia State University)
 - Presented at University of Michigan
- Benitez, Joseph, Assistant Professor at University of Kentucky, Health Management & Policy - “The Effects of Medical Expansion on Source of Hospital Care.”
- Marton, James, Professor in Economics at Georgia State University - “The Impact of Network Size on Health Care Utilization, Spending and Outcomes.”
- Harris, Timothy, Assistant Professor at Illinois State University - “How will State-Run Auto IRA’s Impact Workers?”
 - Published in *Journal of Retirement*
 - Featured in the *Orange County Register*, *Cato Blog*, and *Reading Eagle*

ISFE Faculty Affiliate Professional Recognition

- Courtemanche, Charles
 - Rated by Research Papers in Economics (RePEc) as #1 economist in Kentucky over past 10 years (<https://ideas.repec.org/top/top.usa-ky.html>) and #10 across all years (<https://ideas.repec.org/top/top.usa-ky.html>)
- Yelowitz, Aaron
 - Rated by Research Papers in Economics (RePEc) as #10 economist in Kentucky over past 10 years (<https://ideas.repec.org/top/top.usa-ky.html>) and #5 across all years (<https://ideas.repec.org/top/top.usa-ky.html>)
- Liu, Wendy
 - UK Alumni Association [2019 Great Teacher Award](#)
- Patel, Darshak
 - Gatton College Award for Teaching Excellence, 2019
 - Gatton College Faculty of the Year, 2019

ISFE Faculty Affiliate Professional Service

- Courtemanche, Charles
 - Co-Editor-in-Chief, Economics and Human Biology
 - Co-Editor, Southern Economic Journal (until June 30, 2019)
 - Editor-in-Chief, , Southern Economic Journal (July 1, 2019 onward)
 - Co-Editor, Journal of Policy Analysis and Management
- Yelowitz, Aaron
 - Editorial board, Journal of Labor Research
 - Editorial board, Public Finance Review
 - Editorial review board, Inquiry

ISFE Faculty Affiliate Student Mentorship

- Courtemanche, Charles
 - ██████████ (Economics), Ph.D. student, committee chair, in progress.
 - ██████████ (Agricultural Economics), Ph.D. student, committee member, in progress (passed dissertation proposal 2019).
- Yelowitz, Aaron
 - ██████████ (Economics), Ph.D. student, committee member, in progress.
 - ██████████ (Agricultural Economics), Ph.D. student, committee member, in progress (passed dissertation proposal 2019).
 - ██████████ (Economics), Ph.D. student, committee chair, in progress.
 - ██████████ (Economics), Ph.D. student, committee member, in progress
- Scott, Frank
 - ██████████ (Economics), Ph.D. student, committee chair
 - ██████████ (Economics), Ph.D. student, committee chair
 - ██████████ (Economics), Ph.D. student, committee member
- Garen, John
 - ██████████ (Economics), Ph.D. student, committee chair
- Fackler, James
 - Spring 2019 – Economic Society
- Liu, Wendy
 - Originated and facilitated over a dozen of internships and jobs in finance, economics, and other disciplines
 - Connected students with alumni and friends of University of Kentucky
 - Launched the first investment banking club in spring 2019
 - The Finance Society, under Dr. Liu direction, won “2018 Best Student Organization of the Year” and current sees 460 members on the email list
 - Organized the second UK stock pitch competition in spring 2019
 - Pelissier Wall Street Experience: 10 selected each year in 2017, 2018 and 2019 with impressive placement records for almost all participants
 - Offered resume and advising help to dozens of students
 - Engaged in other mentoring activities across campus, including mentoring ~10 freshmen and met dozens of students through LLP and various student organizations/groups
 - Launch the first FAST workshop for underrepresented high school juniors.
- Patel, Darshak
 - Three independent studies Spring 2018
 - ██████████ – Data Visualization in the Sporting Industry
 - ██████████ – Overview of the role of Economics of Education
 - High School Independent Study – Economic Impact of hosting World Cup
 - Mentored 9 students on Conversations of Cultures: The goal was to start a yearly culture of conversations.

ISFE Faculty Affiliate Highlights

Recent Publications & Revisions (2018 onward)

ISFE affiliates (sometimes collaboratively) have at least 22 papers that have been published, forthcoming, or are under revision at peer-reviewed journals from 2018 onward.

- **Courtemanche, Charles**, Rusty Tchernis, and Xilin Zhou. “Maternal Employment and Childhood Obesity: Evidence Using Instrumental Variables Related to Sibling School Eligibility.” Forthcoming, *Journal of Human Capital*.
- **Courtemanche, Charles**, Augustine Denteh, and Rusty Tchernis. “Estimating the Associations between SNAP and Food Insecurity, Obesity, and Food Purchases with Imperfect Administrative Measures of Participation.” Forthcoming, *Southern Economic Journal*.
- **Courtemanche, Charles**, Art Carden, Xilin Zhou, and Murugi Ndirangu. “Do Walmart Supercenters Improve Food Security?” Forthcoming, *Applied Economic Perspectives and Policy*.
- **Courtemanche, Charles**, James Marton, Ben Ukert, **Aaron Yelowitz**, and Daniela Zapata (2019). “Effects of the Affordable Care Act on Health Behaviors after Three Years.” *Eastern Economic Journal*, 45: 7-33 (lead article).
- **Courtemanche, Charles**, James Marton, Ben Ukert, **Aaron Yelowitz**, and Daniela Zapata (2018). “Early Effects of the Affordable Care Act on Health Care Access, Risky Health Behaviors, and Self-Assessed Health.” *Southern Economic Journal*, 84(3): 660-691 (lead article).
- **Courtemanche, Charles**, Rusty Tchernis, and Ben Ukert (2018). “The Effect of Smoking on Obesity: Evidence from a Randomized Trial.” *Journal of Health Economics*, 57: 31-44.
- **Courtemanche, Charles**, Ishtiaque Fazlul, James Marton, Ben Ukert, **Aaron Yelowitz**, and Daniela Zapata (2019). “The Three Year Impact of the ACA on Disparities in Insurance Coverage.” *Health Services Research*, 54: 307-316.
- **Courtemanche, Charles**, James Marton, Ben Ukert, **Aaron Yelowitz**, and Daniela Zapata (2018). “Effects of the Affordable Care Act on Health Care Access and Self-Assessed Health after Three Years.” *Inquiry: The Journal of Health Care Organization, Provision, and Financing*, 55: 1-10.
- **Courtemanche, Charles**, Andrew Friedson, Andrew Koller, and Daniel Rees. “The Affordable Care Act and Ambulance Response Times.” Revised and resubmitted to *Journal of Health Economics*.
- Wehby, George, Carol Guarnizo-Herreno, and **Charles Courtemanche**. “Contextual Economic Changes over the Past Decade and the Rise in Children’s Obesity.” Revised and resubmitted to *Maternal and Child Health*.
- **Courtemanche, Charles**, Andrew Friedson, and Daniel Rees. “Association of Ambulance Utilization in New York City with the Implementation of the Affordable Care Act.” Revised and resubmitted to *JAMA Network Open*.
- Clark, J.R., **John Garen**, and Steven Gordon, “The Growth of Government, Trust in Government, and Evidence on Their Coevolution,” *Journal of Economics and Finance*, forthcoming

- **Patel, Darshak**, “Assignments to Engage Students in Economics Study Abroad Programs” *Perspectives on Economic Education and Teaching*. Forthcoming
- Al-Bahrani, Abdullah, Jamie Weather, and **Darshak Patel**. 2018. “Racial Differences in the Return to Financial Literacy Education” *The Journal of Consumer Affairs*.
- Al-Bahrani, Abdullah, Whiteny Douglas-Buser, and **Darshak Patel**. 2018 “Does Math Confidence Matter? How Student Perceptions Create Barriers To Success In Economics Classes” *Journal of Economics and Finance Education*. Forthcoming
- Luis Gonzalez, Marco Castaneda, and **Frank Scott**, “Solving the Simultaneous Truel in The Weakest Link: Nash or Revenge?” *Journal of Behavioral and Experimental Economics*, forthcoming.
- Barrus, David, and **Frank Scott**, “Single Bidders and Tacit Collusion in Highway Procurement Auctions,” second revision submitted to *Journal of Industrial Economics*.
- Harris, Timothy, **Kenneth Troske**, and **Aaron Yelowitz**, “How Will State-Run Auto-IRAs Affect Workers?” *The Journal of Retirement*, Fall 2018, 6(2): 27-33.
- Harris, Timothy and **Aaron Yelowitz**, “Life Insurance Holdings and Well-Being of Surviving Spouses,” *Contemporary Economic Policy*, July 2018, 36(3): 526-538
- Harris, Timothy and **Aaron Yelowitz**, “Racial Climate and Homeownership,” *Journal of Housing Economics*, June 2018, 40: 41-72.
- Apostolova, Maria and **Aaron Yelowitz**, “Health Insurance, Fertility, and the Wantedness of Pregnancies: Evidence from Massachusetts,” *Contemporary Economic Policy*, January 2018, 36(1): 59-72.
- Harris, Timothy and **Aaron Yelowitz**, “Racial Disparities in Life Insurance Coverage,” *Applied Economics*, 2018, 50(1): 94-107.

ISFE Faculty Affiliate Highlights

Public Outreach, Media, and Commentary

- Garen, John, “Civility is Important, But We Really Need ‘Agreement-Without-Conformity,’” Foundation for Economic Education, December 10, 2018, <https://fee.org/articles/civility-is-important-but-we-really-need-agreement-without-conformity/>.
- Garen, John, “Civility is Good, But Politics Sparks Rancor,” Lexington Herald-Leader, November 15, 2018, <https://www.kentucky.com/opinion/op-ed/article221729345.html>.
- Garen, John, “More Funding Has Not Helped Performance of Kentucky Schools,” Lane Report, September 7, 2018, <https://www.lanereport.com/105202/2018/09/opinion-more-funding-has-not-helped-performance-of-kentuckys-schools/>
- Garen, John, June 11, 2018 - Panelist, KET’s Kentucky Tonight, “The Economy and Trade” https://www.ket.org/episode/KKYTO_002523/
- Courtemanche, Charles, “Do Walmart Supercenters Improve Food Security?” MarketWatch: <https://www.marketwatch.com/story/does-cheap-food-at-walmart-really-help-families-2018-06-26>
- Courtemanche, Charles, New York Post.com: https://nypost.com/2018/06/26/living-near-walmart-improves-food-security-increases-obesity/?utm_source=url_sitebuttons&utm_medium=site%20buttons&utm_campaign=site%20buttons
- Courtemanche, Charles, Bloomberg: <https://www.bloomberg.com/opinion/articles/2018-06-28/walmart-shoppers-are-supporting-poor-americans>
- Courtemanche, Charles, Afternoons with Rob Breakenridge: <https://omny.fm/shows/afternoons-with-rob-breakenridge/how-walmart-helps-reduce-food-insecurity-for-lower>
- Courtemanche, Charles, “The Affordable Care Act and Ambulance Response Times” New York Times.com: <https://www.nytimes.com/2018/10/01/upshot/uber-lyft-and-the-urgency-of-saving-money-on-ambulances.html?rref=collection%2Fissuerecollection%2Ftoday-s-new-york-times>
- Fackler, James, 2019, Wall Street Journal letter: [SAT Equality: Give Everyone the Same Score](https://www.wsj.com/letters/sat-equality-give-everyone-the-same-score-2019-05-10)
- Yelowitz, Aaron, Reading Eagle, May 9, 2019, “Retirement Proposal Could Do Real Harm” <https://www.readingeagle.com/apps/pbcs.dll/article?avis=RE&date=20190510&category=NEWS&lopenr=305119996&Ref=AR>
- Yelowitz, Aaron, CQ Researcher, February 15, 2009, “Will Calorie Counts Lead to Healthier Customer Choices?” <http://library.cqpress.com/cqresearcher/document.php?id=cqresrre2019021506>
- Yelowitz, Aaron, Timothy Harris, Kenneth Troske, Orange County Register, January 25, 2019, “CalSavers works on paper, but saddles workers with debt” <https://www.ocregister.com/2019/01/25/calsavers-works-on-paper-but-saddles-workers-with-debt/>
- Yelowitz, Aaron, MedPageToday, January 14, 2019, “Report Rips Arkansas Medicaid Work Requirement – Thousands lost healthcare coverage, but is the work requirement really to blame?” Written by Shannon Firth <https://www.medpagetoday.com/publichealthpolicy/medicaid/77425>

Report on Grants Received and Expenditures

Table 1 – overview of grants received and expenditures, in total and by CKF, Joe Craft, and Jeff and Jill Ramsey sources (note: numbers reflect updated fiscal-year end expenditures for all years, as of 6/28/2019).

Combined John H. Schnatter Family Foundation, Charles Koch Foundation, Joe Craft & Ramsey

Period	Grants Received	Expenditure Purpose	Expenditure	Encumbrance	Balance
FY 2016 (January - June 2016)	\$ 500,000.00				\$ 500,000.00
FY 2016 (January - June 2016)		Total Expenditure	\$ 93,674.99		\$ 406,325.01
FY 2017	\$ 633,713.33				\$1,040,038.34
FY 2017		Total Expenditure	\$ 290,392.60		\$ 749,645.74
FY 2018	\$ 630,207.00				\$1,379,852.74
FY 2018		Total Expenditure	\$ 411,179.41		\$ 968,673.33
FY 2018		Total Encumbrances		\$ 33,295.19	\$ 935,378.14
FY 2019 (July - August 2018)		Total Encumbrances		\$ 118,623.29	\$ 816,754.85
FY 2019 (adjustments)				\$ (149,110.66)	\$ 965,865.51
FY 2019	\$ 2,036,365.00				\$3,002,230.51
FY 2019		Total Expenditure	\$ 974,764.35		\$2,027,466.16
FY 2019		Total Encumbrances		\$ 74,462.07	\$1,953,004.09
Total	\$ 3,800,285.33		\$1,770,011.35	\$ 77,269.89	\$1,953,004.09

Receipts, Expenditures and Commitments for CKF Grants by Fiscal Year (June 30 year-end)

Period	Grants Received	Expenditure Purpose	Expenditure	Encumbrances	Balance
FY 2016 (Jan - June 2016)	\$ 200,000.00				\$ 200,000.00
FY 2016 (Jan - June 2016)		Total Expenditure	\$ -		\$ 200,000.00
FY 2017	\$ 253,485.33				\$ 453,485.33
FY 2017		Total Expenditure	\$ 26,202.97		\$ 427,282.36
FY 2018	\$ 252,083.00				\$ 679,365.36
FY 2018		Total Expenditure	\$ 118,342.57		\$ 561,022.79
FY 2018		Total Encumbrances		\$ -	\$ 561,022.79
FY 2019 (July - Aug 2018)		Total Encumbrances		\$ 110,146.43	\$ 450,876.36
FY 2019 (adjustments)				\$ (109,875.88)	\$ 560,752.24
FY 2019	\$ 986,365.00				\$1,547,117.24
FY 2019		Total Expenditure	\$ 569,651.89		\$ 977,465.35
FY 2019		Total Encumbrances		\$ 74,462.07	\$ 903,003.28
Total	\$ 1,691,933.33		\$ 714,197.43	\$ 74,732.62	\$ 903,003.28

Receipts, Expenditures and Commitments for JHSFF Grants by Fiscal Year (June 30 year-end)

Period	Grants Received	Expenditure Purpose	Expenditure	Encumbrances	Balance
FY 2016 (Jan - June 2016)	\$ 300,000.00				\$ 300,000.00
FY 2016 (Jan - June 2016)		Total Expenditure	\$ 93,674.99		\$ 206,325.01
FY 2017	\$ 380,228.00				\$ 586,553.01
FY 2017		Total Expenditure	\$ 264,189.63		\$ 322,363.38
FY 2018	\$ 378,124.00				\$ 700,487.38
FY 2018		Total Expenditure	\$ 292,836.84		\$ 407,650.54
FY 2018		Total Encumbrances		\$ 33,295.19	\$ 374,355.35
FY 2019 (July - Aug 2018)				\$ 8,476.86	\$ 365,878.49
FY 2019 (Adjustments)				\$ (39,234.78)	\$ 405,113.27
FY 2019		Total Expenditure	\$ 405,112.46		\$ 0.81
Total	\$ 1,058,352.00		\$1,055,813.92	\$ 2,537.27	\$ 0.81

Receipts, Expenditures and Commitments for Craft Gift by Fiscal Year (June 30 year-end)

Period	Grants Received	Expenditure Purpose	Expenditure	Encumbrances	Balance
FY 2019	\$ 1,000,000.00				\$1,000,000.00
Total	\$ 1,000,000.00				\$1,000,000.00

Receipts, Expenditures and Commitments for Ramsey Gift by Fiscal Year (June 30 year-end)

Period	Grants Received	Expenditure Purpose	Expenditure	Encumbrances	Balance
FY 2019	\$ 50,000.00				\$ 50,000.00
Total	\$ 50,000.00				\$ 50,000.00

Table 2 – Overview of expenditures for FY 2019 (July 1, 2018-June 30, 2019)

Faculty Positions

Charles Courtemanche	\$ 240,620.53	Salary & Benefits
Grant Clayton	\$ 270,741.34	Salary & Benefits
Adam Evans	\$ 108,165.64	Salary & Benefits
Total	\$619,527.51	

Faculty Research Grants and Support

Internal Faculty Research Grants (Summer 2018)	\$ 45,003.77	Bargeron, Clifford/Gerken, Garen, K. Hankins, Jame, Patel/Weathers/Al-Bahrani, Payne/Williams
External Faculty Research Grants (Summer 2018)	\$ 32,405.71	Al-Bahrani, Benitez, Courtemanche, Harris, Marton
Summer Ninth(s) or Grants: Grant Clayton (June 2019)	\$ 30,018.57	including benefits
Summer Ninth(s) or Grants: Charles Courtemanche (June 2019)	\$ 13,172.02	including benefits
Summer Ninth(s) or Grants: Aaron Yelowitz (July 2018, June 2019)	\$ 16,132.65	including benefits (July 18 & June 19)
Faculty Travel	\$ 9,230.85	Courtemanche, Garen, Yelowitz
Total	\$145,963.57	

Undergraduate and Doctoral Student Support

Grad Student Travel	\$ 3,674.89	Public Choice conference, APEE, interview
Junto Club Scholarships and other incentives	\$ 8,230.00	
Meals for Junto Club meetings	\$ 1,438.18	
Research Assistants	\$ 4,500.69	
Total	\$ 17,843.76	

Community, Industry & Academic Outreach

Faculty Research Day (August 2018)	\$ 420.72	
Occupational Licensing, Dick Carpenter & Lee McGrath	\$ 4,644.48	
Optimism and Innovation, Matt Ridley	\$ 17,360.92	
Tax Reform at One Year, Panel Discussion	\$ 3,820.78	
Why Millennials Should Embrace Capitalism & Reject Socialism, Andy Puzder	\$ 10,481.59	
Mixed Reality in the Classroom, Anson Ho	\$ 321.03	
Faculty Research Day (September 2019)	\$ 811.66	Flight/hotel for J.Marton

Venezuela (October 2019)	\$ 269.44	Flight for Murray Bessette
FASTrack (July 2019)	\$ 296.10	Books for students
Bill Gale, Fiscal Therapy (September 2019)	\$ 392.60	Flight for Bill Gale
Total	\$ 38,819.32	
Institute administration & other faculty support expenses		
Institute Director	\$ 45,886.10	
Professional Admin	\$ 77,564.64	
Faculty Start up expenses	\$ 4,707.57	Courtemanche/Evans
Faculty Moving expenses	\$ 12,835.31	
Staff Travel	\$ 1,402.01	
Proofreader	\$ 3,385.00	
Business meals	\$ 475.10	
Subscriptions	\$ 550.86	GoToMeeting/APPAM
Supplies	\$ 4,526.89	
Communications	\$ 1,080.00	
Environmental Charges	\$ 196.71	
Total	\$152,610.19	
Total Amount Spent in 2018/19	\$974,764.35	

Appendix 9

Questions and Groups for Reviewing ISFE

Department Chairs (Bill Hoyt (whoyt@uky.edu) and Chris Clifford (chris.clifford@uky.edu)/Paul Childs (paul.childs@uky.edu)):

- (1) What procedures were followed in hiring affiliates to ISFE?
- (2) What influence did ISFE have on hiring and was there influence?
- (3) Was there influence by others either inside or outside the university?
- (4) What process was followed for appointments to director and associate director? Was the processes similar to other institutes/centers?

Affiliates (David Bradshaw (David.bradshaw@uky.edu), Grant Clayton (grant.clayton@uky.edu), James Fackler(eco134@email.uky.edu), John Garen (jgaren@email.uky.edu), Scott Hankins (shott.hankins@uky.edu), Wendy Liu (wendy.liu@uky.edu), Darshak Patel (darshak.patel@uky.edu), Frank Scott (fscott@uky.edu), Ken Troske (ktroske@email.uky.edu), Aaron Yelowitz (aaron.yelowitz@uky.edu), David Blackwell (David.blackwell@uky.edu)

- (1) How are you consulted about activities of the ISFE?
- (2) What role do you play in the Institute?
- (3) How did you become an ISFE affiliate? Why did you choose to be an affiliate?
- (4) What processes are in place for you to have input into the operations of the Institute?

Grant Recipients (See accompanying list)

- (1) How did you learn about this opportunity?
- (2) Why did you apply?
- (3) What processes was followed in selecting (or not selecting?) your project?
- (4) What process was followed in administration of your project and what was required of your final report?

Faculty Hiring/Search Committee members

- (1) What process did you (do you) follow in identifying candidates for the position?
- (2) What process did you follow in selecting individuals to bring to campus?
- (3) What process did you follow in selecting who to make offers to?

Appendix 10

ISFE Grant Awardees

Grant Awardees (across 2017-2019): bold indicates from outside Gatton

Will Gerken (finance): <http://gatton.uky.edu/faculty-research/faculty/gerken-william>

Bill Hoyt (economics): <http://gatton.uky.edu/faculty-research/faculty/hoyt-william>

Rajeev Darolia (Martin School): <http://rajeevdarolia.com/>

Chris Clifford (finance): <http://gatton.uky.edu/faculty-research/faculty/clifford-chris>

Brian Bratten (accounting): <http://gatton.uky.edu/faculty-research/faculty/bratten-brian>

Russell Jame (finance): <http://russelljame.com/index.html>

PhD student in finance: <http://gatton.uky.edu/phd-students/tian-giu>

Darshak Patel (economics; ISFE affiliate):

http://gatton.uky.edu/sites/default/files/faculty_cv/CV_Current_Patel_UK_Website.pdf

Leonce Bargeron: <http://gatton.uky.edu/faculty-research/faculty/bargeron-leonce>

John Garen (economics; ISFE affiliate and former director):

<http://gattonweb.uky.edu/Faculty/garen/index.html>

Kristine Hankins (finance): <http://gattonweb.uky.edu/faculty/hankins/>

Jeff Payne (accounting): <http://gatton.uky.edu/faculty-research/faculty/payne-jeffery>

Joe Benitez (public health, at UofL at the time):

http://cph.uky.edu/sites/cph.uky.edu/files/josephbenitez_cv_june2019.pdf

Chuck Courtmanche (economics; was at Georgia State at the time)

Felipe Benguria (economics): <http://felipebenguria.weebly.com/>

Jim Fackler (economics, now retired): eco134@email.uky.edu

Igor Cunha (finance): <http://gatton.uky.edu/faculty-research/faculty/cunha-igor>

Frank Scott (economics; ISFE affiliate): <http://gattonweb.uky.edu/Faculty/scott/index.html>

Ken Troske (economics, ISFE affiliate): <http://gattonweb.uky.edu/faculty/Troske/>

James Marton (economics, Georgia State): marton@gsu.edu

Appendix 11

Chair ISFE

Chairs in the Gatton College of Business and Economics associated with ISFE

Bill Hoyt (whoyt@uky.edu)

Chris Clifford (chris.clifford@uky.edu)

Paul Childs (paul.childs@uky.edu)

Bill Hoyt (Chair Economics)

Questions:

- (1) Briefly, what procedures were followed in hiring faculty who were identified as future affiliates to ISFE?

Our procedure was essentially the same as for any other faculty position. A discussion by the entire faculty on what we were looking for in position (rank/field) that is used to draft an advertisement and forms our recruiting strategy. I then appoint a recruiting committee to handle the determination of candidates to interview at our annual meetings or, if senior, to invite directly to campus. The upper administration is informed of our choices for campus interviews in order to schedule interviews with the Dean.

After a campus visit, the faculty meets to vote on the candidate. On some occasions, the recruiting committee may offer its own perspective and nominate a candidate to be considered as a candidate. Other times they defer to a nomination from the faculty. Following a vote on the preferred candidate, the Chair, Dean, and in the case of ISFE meet to discuss salary and other aspects of the offer.

- (2) What influence did ISFE have on hiring and was there influence?

We have ensured that the ISFE Director has been on the search committee. No further influence than that.

- (3) Was there influence on the search by others, either inside or outside the university?

No.

- (4) What process was followed for appointments to director and associate director? Were the processes similar that used for other institutes/centers?

For the appointment of Aaron Yelowitz as Director, the ISFE affiliates were consulted as was the Chair of Economics (his home department). No consultation of either ISFE affiliates nor the Chair of Economics were made for the appointment of Chuck Courtemanche. It is my understanding that there was no consultation of either ISFE affiliates, the ISFE Director, nor the Chair of Economics on the appointment of Darshak Patel as Associate Director. The appointment was made by the Dean.

The processes are not similar but the other relevant institutes/centers associated with Economics, the Center for Business Research (CBER), and the UK Center on Poverty Research are in the Department of Economics; ISFE is a college-level institution.

Chris Clifford (Chair of Finance)

Interview with Chris Clifford, Chair of Finance

He has been chair since July 1, 2019 and not responsible for earlier interactions with ISFE. He has received some grants in support of his own research. He regards ISFE as a valuable resource for financial support of various activities in his role as a department chair.

He is unaware of outside influence on recruitments associated with the ISFE. They have ensured the Director served on the committees. He served on the first search that resulted in the hiring of Grant Clayton. Garen served on that committee but did not make specific suggestions on who to recruit or on who to hire beyond that as a regular committee member.

He is unaware of the procedures used to hire directors. He understands the current director is interim and appointed by the Dean with departure of Yelowiz.

Paul Childs: Former chair of Finance: No response

Reponses of Affiliates to Set Questions:

Affiliates

David Bradshaw (David.bradshaw@uky.edu), Grant Clayton (grant.clayton@uky.edu), James Fackler(eco134@email.uky.edu), John Garen (jgaren@email.uky.edu), Scott Hankins (scott.hankins@uky.edu), Wendy Liu (wendy.liu@uky.edu), Darshak Patel (darshak.patel@uky.edu), Frank Scott (fscott@uky.edu), Ken Troske (ktroske@email.uky.edu), Aaron Yelowitz (aaron.yelowitz@uky.edu), David Blackwell (David.blackwell@uky.edu)

Questions:

- 1) How are you consulted about activities of the ISFE?
- 2) What role do you play in the Institute?
- 3) How did you become an ISFE affiliate?
- 4) Why did you choose to be an affiliate?
- 5) What processes are in place for you to have input into the operations of the Institute?

David Bradshaw

- 1) How are you consulted about activities of the ISFE?

The director has consulted me several times on events of common interest. In particular, we worked together on hosting a speaker from the Victims of Communism Memorial Foundation (an event initiated by me but co-sponsored by ISFE), and more recently I helped him locate speakers for the public forum on the current situation in Venezuela.

- 2) What role do you play in the Institute?

I provide advice and support for events that have a connection to the humanities, such as those mentioned above. I also was a recipient of a summer research grant in 2016 and presented the results at a 2017 research symposium.

- 3) How did you become an ISFE affiliate?

I believe I was recommended to Prof. Yelowitz by Prof. John Garen, who is a mutual friend.

- 4) Why did you choose to be an affiliate?

I regularly teach courses in political philosophy dealing with market-related issues. Affiliation with the Institute is a helpful way to keep abreast of current thinking on such issues in other fields such as Economics.

5) What processes are in place for you to have input into the operations of the Institute?

I provide advice as requested by the director, such as with the two events mentioned above.

Grant Clayton

1) How are you consulted about activities of the ISFE?

I keep in touch with the head of ISFE (was Aaron Yelowitz, now Chuck Courtemanche), and I watch out for emailed announcements. Also, the ISFE website is kept up to date and lets us know about upcoming events.

2) What role do you play in the Institute?

I'm an Assistant Professor in finance as well as an affiliate. My role is focused on my research and producing and ultimately publishing my working papers. My role has also been to shape the events of ISFE. In particular, one of my current working papers "Changing Tax Incentives, Firm Value, and Expected Leverage Response" used as an empirical shock the Tax Cuts and Jobs Act of 2017. I have since added a second working paper using the TCJA. Due to my interest in it, Aaron suggested a TCJA at One Year event, which occurred in January of this year. I presented as part of a panel, along with other faculty here at UK.

So, my role is primarily continuing my own research agenda, which often intersects with topics of interest to ISFE. The institute's events also offer me a chance to showcase some topics related to my own research and be exposed to topics outside my normal research area.

3) How did you become an ISFE affiliate?

As part of my hiring here, I was made an affiliate of ISFE. I joined in Summer 2018, just weeks before the institute changed from the former Schnatter Institute to ISFE.

4) Why did you choose to be an affiliate?

First of all, I was very excited to join Gatton as faculty, and the offer included ISFE as part of that. But even apart from the bundling of the offer, I was and remain excited to be able to be in an institute that is interested in research areas very similar to my own. As I mention above under my role in the institute, this hope has already seen fruition in the tax cut event. I'm already thinking about some future topics for events that, even if they were not in my immediate expertise, would be of great interest to me. For example (and this is very early stage brainstorming), I think an event presenting evidence and different views on "Inequality and Redistribution in a Free Market System" would be very timely and interesting. The key thing would be to include researchers from diverse perspectives as well as making the content accessible as possible to students and the general community.

5) What processes are in place for you to have input into the operations of the Institute?

We have had formal meetings before, and Chuck is also getting us together in the coming weeks for another one. I recall the very productive meetings before the Tax Cuts at one year event. But beyond formal meetings, email communications has been another avenue.

James Fackler, Emeritus Professor, Department of Economics

- 1) How are you consulted about activities of the ISFE? *Since its beginning, I have typically seen the director and associate director several times a day. As needed, we talk about ISFE activities. We also have periodic lunches for those associated with the institute.*
- 2) What role do you play in the Institute? *I have been an affiliate since its conception. I have reviewed research proposals, have been the emcee at an event about bitcoin and other cryptocurrency, and have attended all the programs offered.*
- 3) How did you become an ISFE affiliate? *When the founding director was in the process of seeking the funding to establish the institute, we would often talk about the process. I was and continue to be a believer in markets as the best approach to freedom and so just naturally gravitated to the institute and its mission.*
- 4) Why did you choose to be an affiliate? *See answer to 3 above.*
- 5) What processes are in place for you to have input into the operations of the Institute? *I have just retired, so I no longer seek to have a formal role. I am happy to support the institute as I am needed.*

John Garen

1. *As director, an affiliates meeting was held on a semi-regular basis or as needed. Issues and activities were discussed and plans made. There would be specific topics to discuss and all had input. Part of the meetings were free form and brainstorming on activities that would be of interest to us and to the campus and community, as well as being academically robust. Also, an open door policy was maintained where affiliates or other interested parties are welcome to drop in and provide input. Moreover, the director often "made the rounds" to affiliates and other relevant parties (e.g., the department chair) to consult regarding activities. In the course of planning events, affiliates were called upon to assist in various ways, e.g., meet with speakers, help with scheduling, informing students of events, and so on. These polices have continued with subsequent directorships.*

2. *I am presently an affiliate of the ISFE and, as noted above, am consulted regarding issues and activities.*
3. *As noted above, I am the founding director and then transitioned to an affiliate.*
4. *As founding director, this should be evident.*
5. *See my answer to question 1. Both the formal meetings and informal discussions are the processes*

Frank Scott

- 1) How are you consulted about activities of the ISFE?

I interact with the director and other affiliates on a daily basis, and whenever anything concerning ISFE comes up, it becomes a topic of conversation.

- 2) What role do you play in the Institute?

I am an active participant in most of the institute's activities.

- 3) How did you become an ISFE affiliate?

The initial director, John Garen, involved me in getting the institute up and going, and asked me to be an affiliate at the beginning.

- 4) Why did you choose to be an affiliate?

As a strong believer in the value of positive economic analysis to the well-being of society, I see the institute to be a vehicle for injecting rationality into many of the discussions that occur on university campuses.

- 5) What processes are in place for you to have input into the operations of the Institute?

Both of the first two directors of ISFE, John Garen and Aaron Yelowitz, regularly consulted with affiliates and others when planning and carrying out the institute's activities. It was part of their genetic make-up as academics. The current director, Chuck Courtemanche, is new to the job, but seems to have the same value system as his predecessors.

Wendy Liu

- 1) How are you consulted about activities of the ISFE?

Answer: The previous directors and current director contacts me (and other affiliates) to ask for our input on what activities to plan, which speakers to invite, and other matters that may be of interest to the students and the community. We are also asked to meet with Junto students and help (when time allows) in sharing with students news of events, talks, opportunities for the

students to meet with speakers, student participation and presentation at conferences, internship applications, etc.

2) What role do you play in the Institute?

Answer: The Institute has sponsored a number of the activities. I served as the organizer or a co-organizer, including the first UK stock pitch competition in 2018 that provided an opportunity for dozens of students to engage in equity research and present in front of a panel of experts, and the Finance Accounting Success Track (FASTtack) in 2019, an accounting and finance workshop to help recruit underrepresented minority students to the university and to educate high school students on accounting and finance careers. I also mentor some of the Junto students and participate in other events when schedule allows.

3) How did you become an ISFE affiliate?

Answer: To the best of my recollection, I was invited to join when the institute was formed.

4) Why did you choose to be an affiliate?

Answer: I believe in academic freedom and the value of high impact learning. I choose to be an affiliate of the Institute because the Institute provides good opportunities on both. Since I joined the Institute, I have interacted with and mentored hundreds of students on career development. The continuing support of the Institute will enable me to help more students through high impact learning such as Stock Pitch Competition and other activities.

5) What processes are in place for you to have input into the operations of the Institute?

Answer: Open discussions and meetings have collected input from affiliates including me.

Darshak Patel

1) How are you consulted about activities of the ISFE?

Under Aaron: He would reach out different affiliates asking our advice on any event that's being posted. Aaron and I conversed more in general to think about undergraduate student interests on any event that ISFE may be planning. Once an event is determined, I'd work a lot with Aaron to help ISFE get students to the events, engage with speakers, etc.

2) What role do you play in the Institute?

I help in assisting current and planning of future events. I'm heavily involved with the Junto Book club (solicit applications every year, arrange meeting times and dates, plan on readings, etc). Due to lots of changes in the ISFE admin side, different affiliates have stepped in to discuss different topics with students. This year, I pushed for more student leadership where two students are leading the reading of Milton Friedman: Capitalism and Freedom. Students

from all colleges across the university are encouraged to apply and we haven't turned anyone down. The goal of the club is to have a diversity of thought and engagement. I assist the director in advertising events, engaging with speakers, attending events, etc. I also help the institute on its outreach to undergraduate students.

3) How did you become an ISFE affiliate?

Aaron reached out to me to see if I was interested in being an affiliate.

4) Why did you choose to be an affiliate?

Several reasons: I was already engaging in events outside the university that were related to the mission of ISFE. More importantly, I focused on innovative teaching methods. Before ISFE was formed, BB&T and John Garen supported my pedagogy research and covered some of my conference travel. ISFE has also been very supportive of any student related events that I sponsor –EconGames, Student research, speaker invitation through Economics Society that I advise, etc. ISFE were happy to sponsor a reception when Economics Society invited Kroger CFO Micheal Schlotman to speak to the college. They also supported to prize money for the first Stock Pitch competition of which I was the co-organizer. I am mostly involved to provide scholarship to students in as many ways I can and ISFE is very supportive of that. My colleague from NKU and I have also been working separately with the Koch Foundation to help us with our data camp to enrich students research skills.

5) What processes are in place for you to have input into the operations of the Institute?

This year I am accepted the position of associate director of the Institute for the Study of Free Enterprise (ISFE). The primary focus of this role is on the undergraduate initiatives of the Institute. However, we have had our hands full due to several changes and haven't managed to have an official meeting with all affiliates. The new director Charles and I have discussed on creating an advisory board and including non affiliates as well to have an input in all events that we plan. The goal is to also have bi-weekly meetings to keep everyone up to date on all actives and collect any information in return. We are in the middle of hiring a new admin assistant that should help us get in the back of swing soon.

Ken Troske

After serving as an administrator for 14 years at UK, I have given up all of my administrative responsibilities and am on sabbatical for the academic year and am avoiding responding to anything that looks like administration. Currently I'm visiting a research institute in Germany and will be here until the middle of December. While here I'm focusing on my research and do a bit of traveling, so I'm slow to respond to any emails. I just want you to know that I fully support the consensus of the other center affiliates. You should also be aware, for the last couple of years the Center director reported to me as the Associate Dean for Outreach in the College, so my primary role was more administrative than as a typical affiliate, so I don't believe my experience would be particularly relevant. Finally, I received an email from Melinda Wilson

asking about funding from ISFE. Just to clarify, I never received any funding from the Institute. Other people on a project I was involved in did receive funding, but they applied for the funding separately from me and I played no role in either applying for the funding or deciding on any funding they, or anyone else received that year.

Feel free to email me if you have any other questions, but as I said previously, I may be slow in responding.

David Blackwell

Given my involvement as an administrator in getting the institute going, I will abstain from the process and defer to my faculty colleagues.

Scott Hankin

I was asked by Aaron Yelowitz to join when the ISFE was first started. I had hoped to contribute in some ways, but my schedule and my family have prevented me from participating in any of the academic or planning activities.

Appendix 13

ISFE awarded grants from mini-research projects. The following questions were posed to recipients of the awards.

- (1) How did you learn about the funding opportunity?
- (2) Why did you apply?
- (3) What process was followed in selecting your project?
- (4) What process was followed in the administration of your project and what was required for your final report?

Will Gerken

1. I learned about it via an e-mail with call for papers that was sent to all faculty at Gatton College of Business and Economics.
2. Research funding
3. I submitted a two page project proposal and CV. I was told that these were reviewed by multiple anonymous reviewers and the best projects were awarded the grants.
4. I presented my findings at the "Research Day". I also wrote up a shorter version intended for a general audience that was posted on the Institute's webpage.

Bill Hoyt

1. It was advertised in Gatton (not sure about where-else) via e-mail.
2. For the research support. Some compensation for myself but I have spent and will spend more on RA support on this project as it is very data intensive.
3. On this I cannot speak as I obviously was not involved in the selection process. I believe that affiliates were used as judges in the process.
4. We are not at that stage yet. I had thought I was applying for summer 2019 support but was awarded 2020 summer support.

Rajeev Darolia

Chrss Clifford

Brian Bratten

1. I learned by email about the funding opportunity from the Aaron Yelowitz in May 2019. The email was sent to all faculty in B&E.
2. I applied because I had an research project idea that was in the area that I thought would be of interest to the Institute.
3. According to the email I received in October 2019 from Charles Courtemarche, each proposal was ranked by three anonymous reviewers and my proposal was one of the ones selected.
4. I have not completed the project. It is my understanding that I will need to complete a working paper, share it with the Institute, and work with them to disseminate the findings.

Russell Jame

1. An email from the center.

2. Money. To be clear, the center has not influenced my research choices at all. I work on whatever research I want to work on, and I submit proposals if my research happens to fit well with the centers interests.
3. I submitted a two-page proposal (see attached).
4. I was required to present the paper and provide them with a two-page executive summer and a final working paper version. (See the attached summer grant letter).

- 
1. My advisors informed me about the opportunity.
 2. To cover expenses related to my research project.
 3. Each proposal was reviewed by 3 anonymous reviewers and put in rank order for funding priority. Then awards were issued to the highest-ranked proposals (subject to budget constraint).
 4. The award letter specified that a paper and a presentation were required deliverables.

Darsak Patel

Leonce Bergeron

Jon Garen

Kristine Hankins

1. I believe I received a blast email from the institute.
2. I applied to support tax policy related research.
3. While I was not involved in the project selection process, my understanding is that proposals were reviewed by academics associated with the center.
4. I had complete academic freedom with the execution of my project. In addition to a final research report, I submitted a research summary for the institute's website to disseminate the findings to the public and participated in a research presentation session with other grant recipients.

Jeff Payne

1. Internal memo
2. To receive funding
3. I believe a committee reviewed the proposals and selected the best ones.
4. It was self-administered and we submitted the working paper generated from the funding and also presented at a workshop of all award winners.

Joe Benitez

Chuck Courtmanche

1. I was on the faculty at a different university at the time so mine was an "external" award. I learned about it directly from Aaron, since he was contacting people he knew to spread the word about the opportunity. (To be clear, this was an encouragement to submit, not any sort of guarantee.)
2. I was starting a project that fit well with the institute's mission and my hunch was that the competition would not be as stiff as other sources of funding.

3. You already know about the process we currently use. I suspect the process was the same a few years ago, but I can't say for sure.
4. The deliverables were a paper (to be disseminated through the institute's working paper series) and a presentation in the Faculty Research Day. There was not a separate "final report."

Felipe Benguria

Jim Fackler

(1) I have received two summer research grants. The director sought applications so I applied.

(2) I had research projects with promising prospects so I was seeking summer support. Both projects dealt with issues in monetary policy, one on policy during the Great Depression and one on current monetary policy alternatives (which has an encouraging revise and resubmit from a professional journal).

(3) Since I have served as a reviewer on other grant applications for the institute, I assume that my awards were similarly evaluated.

(4) In each case, I produced a manuscript as a finished product. As indicated above, one is currently under revision at the request of the editor for a professional journal. The other manuscript will be submitted shortly.

Igor Cunha

Frank Scott

Ken Troske

James Marton

1. I was sent the link to the RFP posted on the institute's website.
2. I applied to receive summer funding to work on the paper I proposed so I could do research on this topic in the summer time rather than teach a summer course.
3. I can't speak to that directly, since I was an applicant not a reviewer of applications. The RFP stated: "*All submissions that pass the initial screening will be reviewed by a panel of independent reviewers who are affiliated with the Schnatter Institute. Care will be taking to only include affiliates on the panel who are impartial to the decision to avoid potential conflicts of interest.*"
4. The Institute has checked in on the progress of my project and withheld a portion of the award to be paid upon the completion of the project. In addition to turning in a final report, I will need to present my work at the Institute at their next faculty research day. My project is still in progress, so I plan to present at the research day next year.

Questions to Search Committee Members for Faculty Hires Associated with ISFE

Membership on committees

Year 1: John Garen, Tony Creane, Frank Scott, Chris Bollinger (Bill Hoyt ex officio).

Year 2: Chris Bollinger, Aaron Yelowitz, Tony Creane, LaLa Ma, (Bill Hoyt ex officio).

Year 4: Charles Courtemanche, Tony Creane, Chris Bollinger, Olga Malkova, (Bill Hoyt ex officio).

Questions:

1. What process did you (do you) follow in identifying candidates for the position?
2. What process did you follow in selecting individuals to bring to campus?
3. What process did you follow in selecting who to make offers to?

Responses:

Lala Ma (non-ISFE faculty member)

Thank you for your email. Based on my experience on the recruiting committee, there were no departures from the normal hiring process for faculty that are not affiliated with ISFE. Please find my responses to your questions below:

1) We posted an advertisement on the Job Openings for Economists (JOE) network. Interested applicants applied for the position through UK's employment site.

2) Each of us on the recruiting committee went through the applicant pool to identify the top applicants based on his or her CV and reference letters. The members of the recruiting committee then came together to discuss the applicants and identified the individuals that we would bring to campus.

3) After all campus visits concluded, the department met immediately to discuss the strengths and weaknesses of each candidate. We then voted on which candidate to make an offer to, and, in some cases, the ranking of the candidates.

Charles Courtemanche (ISFE member and acting director)

- (1) What process did you (do you) follow in identifying candidates for the position? *Ad posted, candidates reviewed by search committee, sometimes search committee or other faculty members reach out to possible candidates and encourage them to apply (but that happens with every search).*
- (2) What process did you follow in selecting individuals to bring to campus? *Multiple search committee meetings to discuss promising applicants, one meeting with the whole department where the committee's recommendations for campus visits were made and discussed, then names/CV's of candidates given to the dean for approval, and he gave some feedback but ultimately the list did not change*
- (3) What process did you follow in selecting who to make offers to? *Not yet at that stage*

John Garen (ISFE member and former director)

But the upshot is that we followed our standard procedures.

- (1) What process did you (do you) follow in identifying candidates for the position?
We followed normal procedures. Advertisements in the usual places plus encouraging faculty to identify candidates. Applicant materials were posted to a College site that all faculty have access to.
- (2) What process did you follow in selecting individuals to bring to campus?
Again, normal procedures were followed. The search committee (consisting of 5 people, named by and including the department chair) reviewed and vetted candidates. The findings were conveyed to the faculty and invitations for campus visits were made.
- (3) What process did you follow in selecting who to make offers to?
The usual process was followed. The search committee discussed its views of the candidates in a faculty meeting and made recommendations, if any. Discussion ensued. The faculty voted on whether or not to make offers. At the time of my service on the recruiting committee, the faculty did to vote in favor of any offers and none were made.

Anthony Creane (non-ISFE faculty member)

1. What process did you (do you) follow in identifying candidates for the position?

The usual (I may be forgetting steps): before the committee was formed a department meeting was held to discuss the priorities and needs the department had (specifically which fields). The chair of the dept (not a member of the IFSE) appointed a committee. A committee was formed with different faculty members with some representation from the ISFE (the current committee of 4+1 has only one who is a member of the IFSE). The committee's wording for the job advertisement is sent to the economics faculty, which is then revised based on comments. We then advertised in job opening for economist (JOE) -- the clearing house run by the American Economic Association for job candidates which is used by

economist world wide (mainly new phds) looking for jobs. Several other international advertisements were also used but the JOE basically gets all of the world wide attention (currently there are 1100+ listing). These include positions all over the world (all six inhabited continents), primarily academic ones. Originally we had applicants apply through the AEA's system which encourages the greatest number of applicants since that is what most universities use, so the cost to applicants from applying is low. I am concerned that the university requires that applicants use the university system, increasing the cost to job applicants and so perhaps discouraging good candidates. All department members were also encourage to promulgate the opening among academics and to encourage possible candidates to apply

2. What process did you follow in selecting individuals to bring to campus?

The usual: The committee then reviewed applications looking for the best available candidate who had some research in the broad area of markets and government intervention (most of applied economics). At this point, the search depended on whether a new phd was to be hired or a 'senior' (which could range from 5 to xx years past PhD). For the new phds, since there is little information beyond their recommendation letters, for one position approximately 35 candidates are interviewed at the annual meetings which are held just after new years. Again there is a convergence of x-teen-hundreds candidates from all six habitable continents. These are half-hour interviews. In addition, some skype interviews are done, usually because weather stops a candidate from arriving at the meetings. From these interviews, the best 3-4 candidates are brought to the campus.

For seniors, as they have a track record of publications, grants, papers with revision requests, citations, and reputation within the academic community, the committee creates a short list based on this including feedback from other members of the department. The members of the department are then canvased on this list. After this, the top 3-4 on the short list and then candidates were contacted to come to campus.

3. What process did you follow in selecting who to make offers to?

The department has a meeting to decide on which candidate should be made an offer. If the department asks, the committee members express their views. Usually, the committee has a consensus ordering.

Chris Bollinger (non-ISFE Faculty member)

- 1. Process differs slightly between junior and senior candidates. In all cases, we advertised the position in the Job Openings for Economists (the JOE) and collected applications. All applications were reviewed by members of the search committee (seriously we do make it a point to at least read every application). For senior hires in particular, networks and word of mouth were also used to spread information about the openings, but all candidates had to apply. In addition to the above, this year we discovered that AEA has a "job seeker" registration and we searched that as well.*

For junior positions we rely more on the JOE ad and the application process. we typically receive many applications (I think well over 100). We review all applications (CV, letters, abstracts). The

junior econ job market is well organized. The procedure is typically, "JOE Ad in the fall, first round interviews at the January meetings, campus visits in January/February). We selected 13 to interview at the meetings. Selection was based on (a) field (primarily IO, which often examines market structure, and thus fits well with ISFE), (b) letters of recommendation, (c) quick review of their research. It is not unusual to select junior candidates based on field and "type of research" and "market structure" research is not weird in any way. This year, we will review applications and do skype interviews for a first round. (two reasons for this, first, initially we had not planned on doing a junior search, but we sort of decided to add that, but none of us are going to the meetings. But also, the AEA has now come out as suggesting that the typical "hotel interview" is no longer advised. We have decided to make use of technology to do screening interviews instead, my understanding is that many departments are considering or implementing this after the AEA suggestions).

While senior positions vary somewhat in the details of how we identify candidates, the searches were very similar to other senior hires we have made.

- 2. In the first year, John Garen had identified one candidate to bring to campus who was very interested in the ISFE and had a history with similar organizations. Two others were identified through reviewing applications. In the second year, we had fewer candidates in mind a priori, but word of mouth of our search had spread and we received a fair number (I don't recall) of applications. We identified senior people based on (a) their CV having strong scholarly work (we did this before too), and (b) a history of work that examined markets of some kind (efficiency typically). We were also focused on two fields in particular: Health and IO. Three candidates were selected to bring to campus based on these criteria.*
- 3. Our typical process in the department is that after campus visits, the search committee votes to make a recommendation to the department, who then vote on the recommendation (or other motion as made). This is the procedure we followed for all offers (both junior and senior). I will say, the first year, the committee simply brought all three forward to the department without recommendation (or perhaps with equal recommendation). This was actually somewhat unusual. The department did not vote to hire anyone, the search ended. The second year, we followed the usual process. Candidates were recommended by the committee, the department voted to support those hires. Offers were made. I expect to follow that process again this year.*