

## Where Will You Live?



**D**O THE ELDERLY MOVE to avoid paying estate, inheritance, or gift taxes? Or, do state taxes on social security or pensions change the way retirees behave?

For some states, increasing the number of wealthy elderly residents has been viewed as a catalyst for economic growth, and many states have modified their tax policies in an effort to influence elderly migration. Now, research by Professor of Economics Karen Conway and co-author Jonathan Rork has shown that states may have been off the mark. “To recruit wealthy elderly residents, many states, particularly those in the southeast, have reduced or eliminated their estate, inheri-

tance, or gift (EIG) taxes,” Conway says. “Our research has found no evidence that EIG taxes have any influence on where an elderly resident chooses to live. In fact, it may be just as likely that politically active elderly residents influenced the tax policy changes within their own state.”

Conway and Rork have also studied changing state income tax policies for the elderly. “As the federal government began to tax social security benefits and reduce elderly deductions overall—in effect limiting some of the preferential tax treatment of the elderly at the federal level—states have moved in the opposite direction,” Conway says. “For example, five states completely

**Professor of Economics Karen Smith Conway specializes in applied econometrics, labor supply, public economics, and health economics.**

exempt pension income, while other states provide additional deductions and higher exemptions for the elderly.”

Lobbyists, legislators, city and state task forces, and developers cite Conway’s research in making policy and economic decisions. As the elderly population continues to grow and the Baby Boom generation reaches retirement, Conway’s research will provide important information for states and their elderly and nonelderly residents. ↻

DEAR FRIENDS,

WELCOME to *The Whittemore Wire*, your source for the latest information from New Hampshire's leading public business school.

In this inaugural issue, we're highlighting research. Whether it's important findings on workplace discrimination, new ways to capture the value of intellectual capital, or a look at the changing



dynamics of the angel market, the Whittemore School of Business and Economics is at the forefront of research activities that both inform public policy and guide corporate enterprise.

Members of the Whittemore School faculty earn distinction in teaching, research, and engagement. University of New Hampshire 2007 Teaching Excellence Award winner, Udo A. Schlenrich, is a fine example of the best of what the Whittemore School has to offer. As

director of the Rosenberg Center, home to the renowned Franchise 50 Index, he tracks the fortunes of some of the nation's largest corporations.

Also noteworthy is a new book authored by Associate Professor of Economics Michael Goldberg, whose work has been lauded by two Nobel Prize-winning economists, and which many economists believe may represent a turning point in the discipline.

Finally, we introduce you to finance and accounting major Jessica Whelan, who is a case study in success defined. There are many ways to take advantage of a Whittemore School education, and Jessica's roster of activities is a sure indicator of our students' enthusiasm and skill.

I hope that you will find this update, and those that follow, to be informative. I am excited about the Whittemore School's current success and its future opportunities, and I hope that you are as well.

Sincerely,

A handwritten signature in black ink that reads "Dan E. Innis". The signature is fluid and cursive, with a large initial "D" and "I".

DAN INNIS  
DEAN




## Angel Investors More Cautious In Uncertain Economy

According to the 2007 Angel Market Analysis released by the Center for Venture Research, the angel investor market showed mixed signs of growth. It has continued a reasonable growth path in investment activity but has exhibited little change in investment dollars from last year, according to Director Jeffrey Sohl.

Total investments in 2007 were \$26 billion, an increase of 1.8 percent over 2006. However, a total of 57,120 entrepreneurial ventures received angel funding in 2007, a robust 12 percent increase from 2006, and the number of active investors in 2007 was 258,200 individuals, an increase of 10.3 percent over 2006.

Software accounted for the largest share of investments, with 27 percent of total angel investments in 2007, followed by healthcare services/medical devices and equipment (19 percent) and biotech (12 percent). Industrial/energy accounted for 8 percent of investments, potentially reflecting an appetite for green technologies. Retail (6 percent) and media (5 percent) round out the top six investment sectors.

Angel investments continue to be a significant contributor to job growth with the creation of 200,000 new jobs in the United States in 2007, or 3.3 jobs per angel investment. However, this tracks jobs created at the time of the angel investment, and thus it is likely that this job creation of 200,000 is the minimum number of jobs created by angels in 2007. 


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## Whither the Franchise 50?

**T**HERE'S THE DOW JONES, the NASDAQ, and the S&P 500, but when it comes to franchising, it's the Rosenberg Center Franchise 50 Index that sets the standard. The index, directed by the Whittemore School's Professor Udo Schlentrich, tracks the market performance of the top 50 U.S. public franchise companies. With their performance representing 98 percent of the market capitalization of all U.S. public companies engaged in business format franchising, it's a huge market, and the "Fran 50" provides valuable data for investors.

Schlentrich and his team use the same methodology as the S&P to analyze the franchise market. Since its inception, the index has consistently outperformed the S&P 500—recently by as much as 80 percent. The Fran 50 has caught the attention of Wall Street investors, venture capitalists, and pension fund managers who are using this latest tool to balance portfolios marked by high market volatility and economic uncertainty. Since January 2000, the Rosenberg Center Franchise 50 Index is up 92 percent, while the S&P is up 9.5 percent over the same period.

The Rosenberg International Center of Franchising was the vision of franchising pioneer and Dunkin' Donuts founder William Rosenberg. Recognizing the need for a specialized center that would advance the field of franchising through relevant research and innovative teaching, his generous grant to UNH helped to launch the center in 2002. 

**Udo Schlentrich, Director,  
Rosenberg Center of  
International Franchising  
and Associate Professor of  
Hospitality Management.**

# New Findings about Discrimination in the Job Market

**G**AY MEN WORKING in management and traditional blue-collar, male-dominated jobs make less than heterosexual men. New research conducted by Economics Professor Bruce Elmslie and his co-author, Edinaldo Tebaldi, finds that gay men who live together earn 23 percent less than married men, and 9 percent less than unmarried heterosexual men who live with a woman.


The findings, published in the *Journal of Labor Research* in the article “Sexual Orientation and

Labor Market Discrimination,” cited a number of possible factors underlying the discriminatory treatment. Given their results, the authors found strong evidence indicating that most discrimination can be explained by employee-to-employee bias.

Lesbians, however, do not experience similar discrimination in the labor market.

The authors concluded that lesbians may benefit from the perception that they are more career-focused and less likely to leave the

labor market to raise children than heterosexual women. According to their study, 18.1 percent of lesbians have children, compared with 49.4 percent of straight women.

“Employers could reasonably infer that a lesbian applicant or current employee will have a stronger attachment to the labor force than will a heterosexual woman,” the authors said. 



**Professor of Economics**  
Bruce T. Elmslie specializes  
in international trade, the  
history of economic thought,  
and growth theory.



## Meet a Whittemore School Student

**Jessica Whelan '08**  
**Major: Accounting & Finance**  
**Hometown: Seabrook, N.H.**

**J**ESSICA WHELAN represents all-around Whittemore School excellence. She is an honors student, the recipient of the Distinguished Academic Achievement Award and the S. Judson Dunaway Scholarship, and is an intern at Howe, Riley & Howe in Manchester, N.H. At the Whittemore School, she serves as COO for the SIGNAL Program (Students Interested in Growth, Networking, and Leadership), and is a member of the consumer staples sector for the Atkins Investment Group, a student-run organization that maintains a portfolio with more \$50,000.

### **What influenced you to attend the Whittemore School?**

I knew that I wanted to major in business when I applied to colleges and the Whittemore School has a great reputation.

### **How did you choose your finance and accounting major?**

My father thought I would enjoy accounting and he steered me toward it.

I started seriously considering a second option in my sophomore year and chose finance to complement my accounting coursework because the two are very interdependent.

### **What experience here has been especially important to you?**

I have been a member of SIGNAL since my first year. I learned about internships, interviewing, conflict resolution, and networking from industry professionals. I became chief operating officer for the group in 2007.

I've also been a member of the Atkins Investment Group. It has been a very exciting semester to be tracking the market because of the subprime mortgage mess and subsequent credit crunch. We did a great job this fall and actually outperformed our benchmark, the S&P 500, last semester.


### **Tell us about your internship at Howe, Riley & Howe.**

Having practical knowledge and experience will definitely help me in my career. At Howe, Riley & Howe

I've had an opportunity to prepare work papers for audits, reviews, and compilations; draft financial statements and related disclosures; and work on corporate, trust, and individual income tax returns, as well as on non-profit informational tax returns.

The biggest surprise was getting used to the heavy dependence on technology. Learning how to use this technology will be an advantage for me, and I hope it will help me with classes and job searches in the future.

### **Where do you see yourself five years from now?**

I would like to have earned my graduate degree in accounting, my CPA license, and be working at a firm that I love. I'm currently unsure where I want to live after graduation and whether I'd like to stay at a smaller firm, or try to find a job with the Big Four. 

## New Book by UNH Professor Offers a New View of Economics

Associate Professor of Economics Michael Goldberg has co-authored a book that has caught the attention of more than one Nobel Prize-winning economist. The approach in *Imperfect Knowledge Economics* (IKE) rejects exact quantitative predictions of individual decisions and market outcomes in favor of mathematical models that generate qualitative predictions of economic change.

Edmund Phelps, 2006 Nobel Prize laureate in economics, writes in the foreword, "This deeply original and important book gives signs of bringing us back on track—on a road toward an economics possessing a genuine microfoundation and at the same time a capacity to illuminate some of the many aspects of the modern economy that the rational expectations approach cannot by its nature explain."

Kenneth J. Arrow, Nobel Prize-winning economist, comments that


the authors, "open new doors by a more realistic understanding of the process of forming expectations; by recognizing that universal rules are intrinsically impossible, they exhibit a more creative understanding of the recent history of foreign exchange spot and futures markets."

Economists have recognized for decades that outcomes in real-world markets depend on how individuals think about the future and how this thinking changes over time. But, because contemporary economics relies on mechanical models of individual behavior, it forces economists to largely ignore the influence of a change in knowledge, which can result in predictions that are inconsistent with actual outcomes.

IKE provides a way for economists to allow for genuine change in knowledge in their models. This new approach to economic science recognizes that no one, including

economists or even market participants themselves, can fully foresee how their knowledge might change in the future.

IKE builds this imperfection into its mathematical models and shows that once economists eschew their exact explanations, they actually learn more about the workings of capitalist economies. In financial markets, for example, IKE is able to cast light on the basic features of asset prices that extant approaches have found puzzling.

It also leads to new ways of thinking about the proper conduct of monetary policy in a world of imperfect knowledge. 



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