Anyone for cuts?

In the July issue of this Newsletter we published a feature drawing on recently published sources that were critical of the deficit reduction programmes that many countries are in the throes of implementing with great conviction. This was done partly in the hope, but certainly in the expectation, that it would trigger some debate about a controversial, topical, issue on which economists must surely have a view. The silence has been deafening. The only response (on p.18) is a letter from Vicky Chick and Ann Pettifor clarifying an issue about time lags. Where then is the economic argument for this policy? Of course, it could be that economists of the austerity persuasion are not members of the RES and do not read this Newsletter. (It obviously does not circulate at the Cato Institute?) Is it just possible, as John Van Reenen suggested in the blog referred to in the July feature, that the motivations are essentially political and without economic foundation? This is not so crazy as it seems when even Olivier Blanchard at the IMF urges caution, while the organisation for which he works praises the hardline taken by the UK government.

At first glance, fiscal austerity has little in common with climate change but an interesting article by David Henderson leaves us with the question of how it is that the policy imagination can sometimes be captured so quickly and comprehensively by ideas with shakey theoretical and empirical foundations. Budgets and their deficits also feature in Angus Deaton’s letter from America which contains some stark projections for the finances of some US states and universities.

In addition, we have a wide variety of announcements and news items from research groups and organisations — some of whom have been sending us reports for many years. But we can still find room for more.
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Next issue

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Articles, features, news items, letters, reports etc. should be sent to the Editor by:

15 December 2010

Items concerning conferences, visiting scholars and appointments should be sent to the Information Secretary by:

16 December 2010

Contributions from readers

The Newsletter is first and foremost a vehicle for the dissemination of news and comment of interest to its readers. Contributions from readers are always warmly welcomed. We are particularly interested to receive letters for our correspondence page, reports of conferences and meetings, and news of major research projects as well as comment on recent events.

Readers might also consider the Newsletter a timely outlet for comments upon issues raised in the Features section of The Economic Journal. We can normally get them into print within three months of receipt.

Visit our website at:

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Letter from America —

Dispatches from the gloom: or the moon over Texas

*In the second of this year’s letters, Angus Deaton looks at the impact of the recession on university and state finances when the administrators of both follow their own version of balancing the budget.*

There is a story about two blondes sitting on a park bench in the moonlight in Texas. ‘Which do you think is closer,’ muses one, ‘the moon, or Houston?’ ‘Duh.’ ‘What do you mean, duh?’ ‘Duh, can you see Houston from here?’ Less than ten per cent of Americans can ‘see’ any effects of the stimulus on unemployment. Republican candidates for senior office are running, apparently successfully, on platforms that promise to cure unemployment by eliminating red ink in Washington. The dismal state of American education doubtless bears some responsibility for these views, but it is hard not to identify some of the failure as ours; economics has failed to set any limits on the public debate about cause and effect in macroeconomics. Economics has become like evolution, where what people think is well predicted by their political ideology; it is not fanciful to imagine school boards in Texas legislating against the teaching of Keynesian economics, even before they get to the relative position of Houston and the moon. While I am not naïve enough to suppose that economics has a core scientific content that can be separated from politics, an outsider might wonder just what we have all been doing for the last eighty years.

Universities in the firing line

While the universities in which economists live are being hurt — something that is about to come in Britain too — they are not being hurt as much as many Americans think they deserve. At a time when unemployment is high, there is a good deal of irritation over tenure, and a lack of understanding why a bunch of academics, with short work hours and high salaries — and a notable inability to predict or handle the crisis — should somehow be exempt from the insecurities experienced by others. At a time when unemployment is high, there is a good deal of irritation over tenure, and a lack of understanding why a bunch of academics, with short work hours and high salaries — and a notable inability to predict or handle the crisis — should somehow be exempt from the insecurities experienced by others. The irritation is not mollified by the cost of university education rising much faster than the price level, nor by the stock of student-loan debt having grown larger than credit card debt. Tenured professors are about as popular as bankers. Universities have made substantial cuts, in support staff — who are not guilty but are vulnerable — and, especially outside the top tier, by accelerating the gradual replacement of tenured faculty by ‘adjuncts,’ who have heavy teaching loads, no research time, and low salaries. By some estimates, more than two-thirds of university teaching is now done by non-tenure track adjuncts. A recent study by Jeff Brown and his colleagues shows how universities responded to the last shock to their endowments, the bursting of the dot.com bubble, and argues that this likely applies again now. Universities took most of the 20th century to move out of bonds and into equities, but only twenty years to adopt the more aggressive investment strategies that were pioneered at Yale, including private equity, venture capital, and hedge funds, as well as commodities. Over the last two decades, their collective endowments exploded, from under $50 billion in 1986, to more than $350 billion on the eve of the financial crisis, with a brief interruption from 2000 to 2003. Even a 30 per cent reduction since the peak would eliminate only the previous two years returns so that, even after the crisis, the search for ‘absolute return’ has paid off handsomely for universities as a whole.

One might have thought that, with such portfolio gains, universities would have been well-placed to ride out the financial storm. After all, why exactly was Harvard sitting on $37 billion in June of 2008? Or (say) $25 billion now? Yet there is evidence that administrators, as they did in the dot.com collapse, are more concerned to use the university to protect the endowment than to use the endowment to protect the university. Ben Bernanke, when still at...
Princeton, complained that the administration’s only concern was to make the endowment ‘as big as the moon.’

While it is far from clear what sort of rule administrators should follow in the face of financial fluctuations — no one can smooth against a random walk — it would seem reasonable for endowments to be run down further after the crash, not rebuilt. But universities typically use spending formulas that are a percentage (say five percent) of their average endowments over a number of past years. Although conservative on the way up, these rules have nevertheless generated large new expenditures in recent years, some of which are probably of low inherent value but which are hard to eliminate. As a result, even though universities are still much better off than they were only a few years ago, the spending rules cannot be re-established without cuts, and administrators (and trustees) have typically been unwilling to allow more than temporary increases in the spending rate. Indeed, setting expenditures on the basis of endowments that no longer exist has terrified many administrators, and according to Brown, the typical behaviour has been to cut the spending rate to try to rebuild the endowment, which then becomes a millstone, not a life preserver. Universities are cutting the sizes of their incoming classes, reducing financial aid, and cutting everything except the number of administrators. Some have also borrowed very large sums in order to deal with the liquidity crises induced by their private equity and venture capital activities, a possibility that appears to have been entirely unanticipated.

Outside the academic gates of Princeton is the state of New Jersey which, like most other states, is having acute problems of its own. The majority of American states are constitutionally required to balance their budgets, so that they have had no option but to fire employees as their revenues have decreased. For a while, there was help from Washington through the stimulus package, but this is now unwinding.

States ‘shooting the moon’

Desperate for cash, states, like the universities, have been seeking ‘absolute return’ through alternative investments, particularly for the pension funds that support the (still mostly defined benefit) pensions of their retired workers. Many state pensions are protected by constitutional guarantees that make them almost impossible to change or modify (and many state workers are not covered by the social security system, and so have no other source of pension income), and some — although by no means all — states are clearly going to be unable to meet their obligations. When there is almost nothing left, a high-stakes poker game (or shooting the moon?) may offer the only chance of solvency, albeit a very slim one. States are also allowed to discount their pension obligations at the projected rate of return of their investments, which once again encourages the resort to hedge funds and the like. But now the game is unwinding. Joshua Rauh has calculated that even if states obtain the eight per cent return that most are assuming, Illinois will run out of money to pay pensions eight years from now, with Connecticut, New Jersey, and Indiana only a year behind. These projections are optimistic if there is net outmigration in response to the higher taxes needed to balance the funds, or if workers retire early in an attempt to obtain at least some of their threatened benefits. They are, of course, pessimistic if the state treasurers get rich in the poker game. The current financial situation is making it almost impossible for the states to repair these problems in a prudent way, and politicians, even more than individuals, have enormous incentives to avoid pain now at the expense of much greater pain later. Illinois made its federally required contribution to its pension fund this year by borrowing the funds from the pension fund itself. The State of New Jersey was sued by the Security and Exchange Commission for securities fraud for lying about the solvency of its pension fund and other states are under investigation. Rauh calculates that when Illinois runs out of funds in 2018, and puts its pension funds on a pay-as-you-go system, the additional taxes will be more than a third of current state revenue, something that clearly is not going to happen.

Princeton and Harvard are not going to go bankrupt any time soon, and their employees are ‘safely’ — at least from the universities’ perspective — bearing the risk of their own pensions. Texas, in spite of (or perhaps because of) the moon and its school board’s views on evolution, has a pension fund that is safe until 2037. As to the prospects for macroeconomics, I must leave that to others.

Note:

The papers referred to are:


Directorship of NIESR

Following the appointment of Dr Martin Weale to the Bank of England Monetary Policy Committee, the National Institute of Economic and Social Research (NIESR) is seeking a new Director.

NIESR is one of the UK’s leading economics research institutes established in 1938. The Director is the Chief Executive and is responsible for the smooth running and strategic direction of the Institute. Candidates will have a background in a research-led institution, a good knowledge of policy issues in the UK and elsewhere and an excellent ability to communicate with stakeholders and the media.

Remuneration is negotiable according to qualifications and experience. Further particulars can be found at www.niesr.ac.uk.

To apply, please send a CV and supporting statement to Gill Clisham, Company Secretary, NIESR, 2 Dean Trench St, Smith Square, London, SW1P 3HE, email: g.clisham@niesr.ac.uk by Monday 25th October, 2010.

Houblon-Norman/George Fellowships

Applications are invited for Houblon-Norman/George Research Fellowships tenable at the Bank of England during the academic year 2011/2012. Appointments will be for full-time research on an economic or financial topic of the candidate’s choice, preferably one that could be studied with particular advantage at the Bank of England. The length of any appointment will be by agreement with successful applicants, but will not normally be less than one month, nor longer than one year. Senior Fellowships will be awarded to distinguished research workers who have established a reputation in their field.

Fellowships will also be available for younger post-doctoral or equivalent applicants, and for these, preference will be shown to British and other EU Nationals. The award will normally be related to academic salary scales.

Application forms (to be returned no later than 28 November 2010) and details are available from: http://www.bankofengland.co.uk/about/fellowships/index.htm or by emailing the Houblon-Norman/George Fund account: MA-HNGFund@bankofengland.co.uk

Postal applications should be addressed to the Secretary to the Houblon-Norman/George Fund, Bank of England, Threadneedle Street, London EC2R 8AH.

Economic Society of Australia 85th Anniversary

To commemorate the 85th anniversary of the establishment of the Economic Society of Australia, the Victorian Branch is launching an annual calendar. The first edition for the year 2011 is now available. It contains a selection of 12 of the most famous figures in the history of economic analysis and thought. Each of the figures has made a seminal contribution through starting a line of thought or analysis which carries on the present day.

Members of the Royal Economic Society may view a sample of the months of the calendar and find an order form on the website of the Victorian Branch of the Economic society of Australia at:

Economics Network

2010 National Teaching Awards

The Economics Network is pleased to announce its 2010 teaching awards:

• Outstanding Teaching Award
  Dr Andrew Hale, University of Worcester
  Commendation: Dr Duncan Watson, Swansea University

• Student Nominated Award
  Dr Judith Shapiro, LSE
  Commendation: Dr Michael McMahon, University of Warwick.

• Lifetime Achievement Award
  This year a special lifetime achievement award goes to Roy Bailey, University of Essex.

Tackling student survey results

Does your department need support in tackling student survey results? The Economics Network is pleased to announce its second Student Focus Group scheme to support departments in exploring NSS and Economics Network student survey results. From October 2010 to March 2011 the Network can provide up to 10 student focus groups free of charge to departments. These will be allocated on a first-come, first-served basis, and the groups will be fully confidential to the department.

Feedback from the 2009/10 scheme:

‘It [the student focus group] has already been exceptionally useful... there is an important and focused meeting of the department with School representatives on Thursday during which some of the themes which came up will be discussed.’

‘We have examined the data from three sources: the NSS, the Economics Network Student Survey, and the Economics Network Focus Group. Together these provide a body of evidence to identify where the key issues lie and motivate the discussion as to the way forward in addressing our students' concerns. The first step in this process is that we are hosting a workshop here …, supported by the Economics Network, to present this data and explore possible strategies for improving our assessment and feedback support.’

For more information, including application details: http://www.economicsnetwork.ac.uk/projects/surveys/focus_group

Closing date: Friday 29 October.

Departmental workshop programme 2010/11

The Economics Network is pleased to announce its Departmental Workshop Programme, covering the period November 2010 to June 2011. Workshops are tailored to department needs, ranging from topics such as assessment and feedback, embedding interactive technology in teaching to supporting international students and problem-based learning. There is no charge for these workshops, but we ask that you allow lecturers from other universities to attend (unless there are issues of confidentiality). The Network is offering 10 such workshops, which will be allocated on a first-come, first-served basis.

For more information, including application details: http://www.economicsnetwork.ac.uk/events/workshops

Closing date: Friday 29 October.

International Review of Economics Education (IREE)

Special Issue on Classroom Experiments

The Economics Network’s international peer-reviewed journal IREE aims to promote research into effective learning and teaching in economics in higher education and is published twice a year. The next issue of IREE (Vol 9.2) is a Special Issue devoted to Classroom Experiments. Experiments are an increasingly popular form of experiential learning in which students are put in a simulated real world situation in which they make economic decisions. This helps them to see the real world applications of economics. The emerging evidence suggests that experiments promote deeper learning outcomes and make learning fun, which enhances the student experience of economics education.

The Special Issue will include six papers that deal with the role of experiments and their effects on learning, as well as several studies of novel experiments that instructors could readily apply in their classes.
Climate Change Issues:
New Developments in a 20-Year Context

Regular readers will know that the Newsletter has published a number of articles in recent years looking at aspects of the climate change debate. In this one, David Henderson reviews the debate and puts new developments in perspective.

Received opinion and its basis
In relation to climate change issues, there exists a well-established body of received opinion shared by the great majority of governments and by many of their citizens. The key elements of received opinion, briefly summarised, are as follows:

- Warming caused by human activities (AGW), through rising emissions, and hence rising atmospheric concentrations, of (so-called) ‘greenhouse gases’, has already become the main influence on global average surface temperatures.
- AGW can be expected to proceed further, as emissions continue to rise as a consequence of growing world output, unless effective preventive measures are put in place.
- Such a general unconstrained rise in global temperatures would increasingly carry with it a range of serious risks, with the possibility in the longer term of developments that could be classed as catastrophic.
- Hence further prompt, sustained and world-wide governmental action is called for in order to limit the extent of warming and deal with its possible consequences. The action should chiefly take the form of ‘mitigation’ — that is, of measures designed to curb emissions of ‘greenhouse gases’ in general and CO₂ in particular.

It will be seen that all these four propositions relate to, or depend on, the properties of the climate system. All the first three, and in part the last, are statements about the physical world.

Received opinion is reflected in an official policy consensus. With few exceptions, governments across the world are firmly committed to the view that AGW constitutes a serious problem which requires prompt and continuing official action at both national and international level. Throughout the years since its adoption, this policy consensus has gone without serious political challenge. In the OECD member countries in particular, climate change issues have been the subject of close and continuing cross-party agreement.

Received opinion has now been in place for over two decades, during which time it has spread and gained further ground. Throughout, it has gone unquestioned within what may be termed the environmental policy milieu. The policy consensus, which itself goes back to the end of the 1980s, has likewise remained a fixture on the world scene and a continuing basis for action at local, national and international level. Both have acquired an aura of permanence.

How is the emergence and continued hold of received opinion to be explained? I think the answer is straightforward. From the start the main influence was, as it still is, the scientific advice provided through what I call the official expert advisory process.

That advice can and does come from many sources; but the main single channel for it, indeed the only channel of advice for governments collectively, has been the series of massive and wide-ranging Assessment Reports produced by the Intergovernmental Panel on Climate Change (IPCC). The most recent of these, referred to for short as AR4, was completed and published in 2007. Work on its successor is now under way.
Throughout the series of Assessment Reports, from 1990 onwards, what has chiefly carried weight has been the presentation of climate science in the reports from the Panel’s Working Group I. In this connection, continuing unqualified praise for the Panel’s work and role has come, not only from its member governments, but also from many scientists outside the field of climate science and from leading scientific academies across the world.

It is often claimed that there now exists a world-wide scientific consensus on climate change issues, sometimes described as ‘overwhelming’. I believe that such language is inappropriate; but I think it is correct to say that alongside the official policy consensus (which is a reality), and providing both rationale and support for it, there exists an established body of what I call prevailing scientific opinion. A spectrum of opinions

Predictably, received opinion is not universally shared. It remains subject to challenge by a varied collection of doubters, sceptics, critics and non-subscribers: I will label them collectively as dissenters. Against these, and greatly outnumbering them, are arrayed what I term the upholders of received opinion. Among economists, a clear majority of those who have expressed views on these matters can be classed as upholders.

Within both groups — and this is important to note — there are different schools thought: a whole spectrum of opinions can be identified. Each of the many subject areas, including ours and those of the different sciences involved, has a spectrum of its own. At one end of each spectrum are what may be termed strong or full-blown upholders, the dark greens so to speak. Prominent among these are Lord Stern2 and the team that worked under him to produce the Stern Review: the Review takes the position that AGW ‘presents very serious global risks and . . . demands an urgent global response’. At the other end of the spectrum, strong dissenters — the dark blues — argue that such warming, if indeed its extent can be shown to be significant, is not a cause for alarm or concern: hence measures to curb emissions should be eschewed — or discontinued, where they are now in place. In between these two far removed positions, there are upholders and dissenters who hold more limited or qualified beliefs. I count myself as a light-to-medium blue — a limited dissenter, though a firm one.

The dividing line

What is it that divides dissenters from upholders? Despite what is often suggested or presumed, the line of division is not a matter of action versus inaction. Dissenters do not necessarily reject prevailing scientific opinion and, in consequence, oppose all measures designed to curb emissions. Some of them do: those are my dark blues, and it may be that events and evidence will increasingly lend support to their views. However, I am not one of them. Given past history and the present situation, I am inclined to favour conditional action in the form of taxes (or charges) on CO₂ which would not be confined to developed countries.

Some of my fellow-dissenters, more in sorrow than in anger, have taken me to task for adopting this line. One of them, a scientist, surmised pityingly that as a person with no scientific qualifications I had felt constrained to endorse prevailing scientific opinion. He was mistaken. Equally mistaken, however, was the prominent economist-upholder who made the opposite presumption. He wrote to me, with manifest signs of incredulity: ‘You have formed the clear and strong view that what is overwhelmingly the opinion of the relevant scientific community in all of the leading countries is wrong’. Not so: I have never taken such a position. My correspondent had forgotten that there is a clear and well recognised difference between questioning and denial, between being an agnostic and being an atheist.

Among economists, the dividing line between upholders and dissenters is not a matter of policy prescription or of economic doctrine, and it falls outside the accepted limits of our subject. It concerns the choice of initial working assumptions; and this choice depends on a judgement as to what conclusions it is appropriate to draw from arguments and evidence that are scientific rather than economic. Received opinion among economists, as within governments and international agencies, takes as a point of departure what it sees as scientific evidence and conclusions that are not to be questioned: with honourable exceptions, these upholders are apt to refer to ‘the science’. I think this is a bad mistake.

In a recent paper, I presented a critique of positions taken by a range of prominent economist-upholders of varying shades of green.3 I commented there on the Stern Review; on its Australian counterpart, the officially commissioned Garnaut Report; on papers by Dieter Helm, William Nordhaus, and Martin Weitzman; and on the treatment of climate change issues by the IMF. (I could now add the World Bank, the International Energy Agency, and the OECD Secretariat). I charge this impressive array of authors and agencies with three interrelated failings: over-presumption, credulity and inadvertence:

• Over-presumption, in accepting too readily that received opinion on global warming is firmly grounded on scientific findings which can no longer be seriously questioned. In so doing, they are treating as established facts what should be viewed as no more than working hypotheses which have won considerable expert support.

• Credulity, through placing unwarranted trust in a flawed official expert advisory process, and

• Inadvertence, in that they have disregarded published evidence, evidence which they are competent to weigh and evaluate, which puts that process in serious question.4
The latter two aspects, the credulity and the inadvertence, go together. Economist upholders, both in the groves of academe and around the corridors of power, have not woken up to the ways in which the official expert advisory process, and the IPCC process as its leading element, have been revealed as professionally not up to the mark. Hence there is a missing dimension in their treatment of policy aspects: they have not caught on to the need to strengthen the basis of policy, by making the advisory process more objective and professionally watertight.

**A new beginning?**

In recent months, new developments have cast further doubt on the claims to objectivity and competence of the official expert advisory process and the environmental policy milieu more generally. Two episodes and their respective sequels are especially noteworthy.

‘Climategate’. In November 2009 there was an unauthorised release of a mass of emails, data and code from the influential Climatic Research Unit (CRU) at the University of East Anglia. These exchanges between CRU staff and fellow-scientists elsewhere, all of them closely involved in the IPCC process, revealed attitudes and practices which appeared as unprofessional. Among other things, there was a dogged determination, on one pretext after another, to continue to withhold information that should from the start have been in the public domain. To such an extreme was this propensity carried that one message proposed the deletion of emails whose content had been made subject to freedom of information requests.

These email disclosures promptly gave rise to three formal inquiries in Britain. The first, curtailed in scope by the advent of the May general election, was held by the House of Commons Select Committee on Science and Technology. The other two were commissioned by the University of East Anglia. One was conducted by a ‘Science Assessment Panel’, chaired by Lord Oxburgh. Its brief report appeared in April. A second and weightier inquiry was the ‘Climate Change Emails Review’, headed by Sir Muir Russell, whose report was published in July.

All of these three reports, while critical of some aspects of the CRU’s conduct, gave it and the scientists involved a largely clean bill of health: they offer qualified reassurance. In my opinion, however, none of them measures up to professional standards of objectivity, thoroughness and concern for the truth. In varying degrees, each in its own way, they reflect a combination of flawed procedures, defective understanding, material omissions, and flagrant bias.5

‘Glaciergate’. In January last it emerged that in the report from the AR4 Working Group II alarming statements about the melting away of Himalayan glaciers were unfounded. Further, these statements had been based on worthless non-peer-reviewed sources, while expert criticism of them in the AR4 review process had been set aside. After initial resistance, the Chair of the IPCC, Dr Pachauri, admitted these lapses and issued a formal apology for them. After some further questionable aspects of AR4 had come to light, the UN Secretary-General and Pachauri jointly requested the InterAcademy Council, a creation of science academies around the world, to appoint an expert independent review committee to report on the process and procedures of the IPCC. The resulting report was published at the end of August.6

Contrary to the predictions of some dissenters, the review committee has produced a serious and thoughtful report. Because of its careful and qualified wording, both sides of the climate change debate have been able to quote from it statements which lend support for their views: conflicting overall assessments can therefore be found.

My own main reaction to the report, shared in published comments by both Clive Crook and Ross McKitrick, is positive, for two main reasons.

- The numerous considered recommendations made for reforming the IPCC process and procedures lend strong support, albeit in diplomatic language, to what the Panel's critics have been saying to no avail for years.

- The report’s repeated stress on the need to ensure that a full range of informed views is taken into account is not consistent with any presumption that ‘the science’ is ‘settled’.

I therefore believe that the report could pave the way for significant improvements in the official expert advisory process as a whole and the IPCC process in particular.

Whether and how far such improvements will be realised depends of course on governments. The report will be officially considered by governments collectively at a plenary meeting of the IPCC in October. Meanwhile individual governments are free to voice their own reactions, though so far as I am aware no official statement has yet been made.

How governments react may well depend on whether and to what extent policies remain under the firm control of the environmental policy milieu. In that connection, and given what is at stake economically, a responsibility, so far unrecognised, rests on the central economic departments of state — on treasuries, ministries of finance and economics and, in the US, the Council of Economic Advisers.

I am myself a former Treasury official; and, much later, as head of what was then the Economics and Statistics Department in the OECD Secretariat, I had close dealings over a number of years with the central economic depart-
ments in OECD member countries. I have been surprised by the failure of these agencies to go more deeply into the evidence bearing on climate change issues, their uncritical acceptance of the results of a process of inquiry that is so obviously biased and flawed, and their lack of attention to the well-founded criticisms of that process that have been voiced by independent outsiders — criticisms which, as I think, they ought to have been making themselves. A similar lack of resource has characterised the Research Department of the IMF and the Economics Department of the OECD, both of which work in close conjunction with treasuries and finance ministries. In all these official bodies with economic responsibilities, there has been a conspicuous failure of due diligence.

It would be a real step forward if, in the light of ‘Climategate’, ‘Glaciergate’ and the report of the IAC review committee, scales begin to fall from the eyes of officials in these various departments and agencies, so that, at long last, they turn their attention to reforming the official expert advisory process and reenergising the climate change debate. The events of recent months have underlined the need for due diligence.

Notes:

1. David Henderson is a Fellow of the Institute of Economic Affairs in London, and Chairman of the Academic Advisory Council of the Global Warming Policy Foundation.

2. Lord Stern delivered the RES Annual Lecture in December 2007. See RES Newsletter, no.140, January 2008


4. Well documented evidence of this kind has come over a period of years from a number of independent commentators: in particular, the work of Stephen McIntyre, Ross McKitrick and David Holland has been outstanding, while the (2006) report of the Wegman inquiry is a key contribution.

5. Detailed and referenced evidence for this judgement can be found in two published critiques: (1) Ross McKitrick, ‘Understanding the Climategate Inquiries’, available on the author’s website; and (2) Andrew Montford, The Climategate Inquiries, published by the Global Warming Policy Foundation. A further notable source, particularly in relation to the Oxburgh report, is Stephen McIntyre’s blog at climateaudit.org.

6. Among the written submissions made to the review committee by economists, the memorandum by Gordon Hughes is especially noteworthy.
The event this year focused on The political economy of regulating the market economy and was organised by the President of Section F for 2010, Prof Avinash Persaud, well-known for his analysis of financial market regulation. The topic was treated in a broad-ranging way and other speakers were Prof Michael Moran from the Department of Political Science (Manchester University) and Dr John Rapley of the Caribbean Policy Research Institute.

**Regulation and the 2008 crisis**

Avi Persaud set the scene by describing some of the key outcomes of the global financial crisis of 2007/8. He stressed that the lessons for regulation were the focus for his analysis and he was interested in cases where there was regulatory capture. He firstly identified what he regarded as an optimal regulatory environment — namely one where the focus was on systemic risk, where the scale of regulation was proportionate to the institutional performance, one in which sufficient account is taken of the cyclical nature of risk, a framework which recognises that risk should shifted to areas where it is better managed, and finally a system that encourages liquidity through diversity and the resulting incentives to trade. He then argued that the regulatory system running up to the global crisis had been deeply flawed for a number of reasons and that it operated in a way that could be regarded as the opposite of the system just described. Specifically he pointed out that big banks with internal risk management were rewarded without any reference to the risks being taken, that Basle 2 discouraged diversity, that the system was overly complex, and that there was no reference to the economic cycle. He moved on to argue that this outcome was evidence for a rather sophisticated form of regulatory capture, where financial regulators bought in to the intellectual ideas underpinning the process of financial innovation. He also highlighted that the emphasis on international financial regulation was in favour of the banks which were taking the greatest risks. Whilst he recognised that private risks should be priced and not regulated, he also flagged that the market did not price these risks appropriately in the run-up to the crisis. He identified reasons for this: a general belief that the financial world was a safer place, that there was irrational behaviour in the markets, that there were incentives for markets to continue to misprice risks even in the face of compelling evidence to the contrary, that the procyclical nature of financial regulation reinforced the market dynamics, and that the complex nature of the financial products traded was not fully understood. Persaud then reviewed the proposed changes to Basle 2 and saw some positive developments such as the requirement for banks to hold more capital, to manage it more procyclically and for greater attention to be paid to liquidity risk. However he was still concerned that there was too much discretion allowed, and there was insufficient attention paid to the principle of allocating risks where it is most efficiently managed.

**The governance of regulation**

Whilst much of Persaud’s talk concerned the supervisory reaction to the global financial crisis the other speakers provided alternative disciplinary perspectives on the issue of market regulation. Mick Moran chose to discuss the governance of financial regulation. He started by noting that policy-makers, and specifically, Federal Reserve Governors Alan Greenspan and Ben Bernanke, clearly believed that a new financial paradigm was operating with lower risks. He agreed with Avi Persaud that this was anecdotal evidence for (intellectual) regulatory capture. Whilst many economists fell into the same way of thinking he regarded the main cause of the global crisis stemmed from the way in which financial markets were governed. Specifically he pointed out that the City of London is a privileged part of the economy. He traced this privileged position to the period of market economic policy initiated by the Thatcher administration in the 1980s in the UK, and prior to that the election of 1918. His argument for this assertion was as follows. The 1980s saw the rise of the market economy and the move to a more technocratic form of policy making. This included the rise of independent regulatory agencies. The overall business friendly approach and the need to rebalance the economy towards the service sector as a result of the collapse of UK manufacturing industry provided further impetus to the prominence of financial services. Moran’s argument concerning the importance of the 1918 election was that it was the first where the two main protagonists were Conservative and Labour. Business saw the rise of Labour as a major threat and hence organised itself to protect its
interests. An example of this was the way in which the Bank of England, under Montague Norman, became a voice of the City in Government (as well as, of course, a voice of the Government in the City). During the period of Norman's Governorship the Bank was very effective in promoting City interests and ensuring that democratically elected politicians were unable to exert significant policy influence on the way in which the City operated. Clearly this Political Economy perspective provides further insight into the way in which conditions, which created the global financial crisis, developed.

**Regulation in developing countries**

John Rapley shifted the focus away from the financial sector by turning attention to the way in which regulation operated in developing countries. He started by pointing out that there is a considerable divergence in the success of governments in managing growth during the last 30 years and that the past is not a good guide to the future. This has led to a new paradigm where the quality of institutions is seen as a critical factor in promoting growth in developing countries. Rapley flagged that it is policy choices which are a key determinant. It should be reasonable to suppose that politicians in developing countries would want to promote growth since it improves living standards for the population. However elected governments do not seem to do any better in growth terms so it does not follow that growth is a policy priority. He then referred to the idea that people feel happier when they do better in a relative sense. In such a situation it may not be in the interest of the politicians to promote growth. He referred to work he was currently undertaking which looked at a policy game between the government and the private sector. The main result he reported was that government can steer resources to themselves in situations where there is substantial political coherence while the private sector is fragmented. Hence there may emerge an 'anti-growth coalition'. The opposite characterisation of a coherent private sector with a fragmented political environment could encourage growth policies (albeit with rising inequality). Rapley then speculated whether such an approach could explain the environment which led to the global financial crisis. If the financial sector was relatively coordinated and bargaining with a fragmented policy-making sector then this could explain the intellectual regulatory capture which Persaud had used.

The session closed with some questions from the audience and there was general agreement that the event had raised interesting and fundamental questions about the way in which markets are regulated and what needs to be done to ensure that regulation is able to prevent another crisis of the type we have observed two years ago.

Next year’s festival will be held in Bradford from 10th to 15th September.
The 42nd annual conference of the Money, Macro and Finance Research Group (MMFRG) took place between 1st and 3rd September 2010 — amidst plenty of sunshine — in Lemesos at the premises of the recently established Cyprus University of Technology. The conference programme comprised a total of 44 sessions, and included keynote addresses by Charles Calomiris and Marcus Miller and invited sessions on macro-econometrics, the future of macroeconomics, financial development and European monetary policy. In addition, the conference featured a session to mark the establishment of the Department of Commerce, Finance and Shipping at the Cyprus University of Technology.

The morning of the first day featured Marcus Miller’s talk ‘When Money Matters’, which showed how introducing price and wage rigidities in the Kiyotaki and Moore model of money and liquidity can generate Keynesian demand failure, providing justification for policies of ‘quantitative easing’ to check sharp recessions. The afternoon of the same day featured talks by Badi Baltagi, Hashem Pesaran and Elias Tzavallis demonstrating the usefulness of various new econometric approaches in macroeconomics.

The morning of the second day featured a special session on the future of macroeconomics, organised and chaired by John Driffill. The speakers included Giudio Ascari, Marcus Miller, Hashem Pesaran and Richard Werner. The session provided a refreshing critique of DSGE models with the representative-agent feature of the model found the most wanting. Views from the floor suggested that a consensus is emerging that minor refinements of DSGE are unlikely to deliver a realistic way forward for macroeconomics, unless financial frictions and agents’ heterogeneity are adequately modelled. John Driffill is preparing a summary of this session for publication in the special conference issue of the Manchester School while Marcus Miller undertook to prepare a ‘Lemesos Declaration on the Future of Macroeconomics’ that may be issued by MMFRG in due course.

The afternoon of the second day featured a special session on finance and development with talks by Simon Deakin, Peter Rousseau and Panicos Demetriades. Deakin — a Professor of Law at the University of Cambridge — challenged the legal origin hypothesis using a new longitudinal data set on investor protection collected under the ESRC’s World Economy and Finance Programme. Rousseau provided new evidence on the role played by government and trade in the emergence of financial markets in 18th century England and in more modern times. Demetriades’ talk focused on African financial underdevelopment, providing new insights into the functioning of African credit markets.

The afternoon of the final day of the conference featured a special session on monetary policy organised and chaired by Athanasios Orphanides. The speakers included Jose Manuel Gonzales-Paramo, member of the executive board of the ECB, Seppo Honkapohja of the Bank of Finland and Jan Qvigstad of the Bank of Norway. The speakers outlined their views of the lessons learnt from the crisis for monetary policy. While all three speakers provided fascinating insights into current thinking among central bankers, academics in the audience detected that central bankers are so comfortable with the status quo that they are unlikely to be at the forefront of any new thinking on the future of macroeconomics. Gonzales-Paramo, among other things argued that central bankers ‘saved the world’ in 2008 — where did we hear this before? — and saw no need for changing the monetary policy's framework's focus on price stability. All speakers, including the chair of the session, saw instead a need for de-politicising the overall fiscal stance to help ensure sustainable
public finances. Comments from the audience, however, suggested that MMFRG academics remained rather sceptical. The example of the ‘independence’ of the UK’s new Office for Budgetary Responsibility (OBR), which the central bankers thought was a good idea, was particularly unconvincing.

Delegates commented favourably about the excellent infrastructure and facilities of the newly established Cyprus University of Technology, which include refurbished buildings dating back to the colonial period carefully restored to their former glory to house teaching and library facilities. A welcome reception on the first evening was held on the pier of the Elias Beach hotel, where most delegates were staying, against the backdrop of the gentle waves of the Mediterranean. The conference dinner was held on the terrace of the Amathus Beach hotel — an excellent seaside setting to enjoy the company of fellow delegates, with only a minor interruption for the customary thank you talk by MMFRG Chairman Peter Smith.

The icing on the cake was of course the seaside location: early risers were able to enjoy the warm waters of the southern Mediterranean before the sessions while the rest of us did the same before the evening’s social events. In all, the 42nd annual conference of the MMFRG was one of the most memorable ever.

Further details:
The programme chair was Panicos Demetriades of the University of Leicester, who is also a member of the governing board of the Cyprus University of Technology. The local organiser was Professor Andreas Savvides of the Cyprus University of Technology. The conference was sponsored by www.com, the Central Bank of Cyprus and the *Journal of Applied Econometrics*.

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**Middle class voters and cuts in public spending**

Given the current mystery as to ‘who supports the cuts?’ (see p. 1 above), a recent issue of the *Economic Journal* contains a very interesting article that shows the strength of middle class antipathy to public spending in the nineteenth century. Extensions of the voting franchise to the middle classes in England in the latter half of the nineteenth century led to growing pressures for retrenchment in public spending.

That is the central message of research by Toke Aidt, Martin Daunton and Jayasri Dutta, a finding that goes against conventional wisdom that the middle classes generally benefit most from public spending and will therefore typically support it.

Their study, published in the *Economic Journal* (vol. 120, no.547, Sept 2010), suggests that in English cities where franchise extension moved political power away from the local elite to ‘penny-minding’ middle class voters, the result was retrenchment. But in other cities, where local elites maintained control, retrenchment turned to expansion and urban improvement.

Co-author Toke Aidt makes a comparison with the current debate about spending cuts:

‘Today, in contrast, the political elite is at the epicentre of the cry for retrenchment, and it will be interesting to see if the cry survives the predictable opposition to cuts from today’s middle classes.’

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**RES 2011 Training School (Easter)**

The twenty-first Easter School organised by the Royal Economic Society, with financial support from the Economic and Social Research Council, will be held at the

**University of Birmingham**

**Sunday 27th March 2011 - Thursday 31st March 2011**

The School is intended primarily for advanced postgraduate students doing doctoral research but is also open to members of the teaching and research staff. The purpose is to enable participants to become acquainted with the latest developments in the selected fields of economics, to have the opportunity for study and discussion with an internationally renowned expert in the topics covered, and to meet other young researchers.

In 2011, the subject of the school will be

**Fiscal Policy**

and the lecturer will be

**Professor Fabio Canova**

(University Pompeu Fabra, Barcelona).

Places are available for 25 resident participants. Accommodation and meals will be provided for the duration of the course. Nominations must be made through the applicant’s Head of Department and should be supported by a short CV, a reference, and a note on the applicant’s research interests.

Applications should be submitted no later than **Friday, 14th January 2011** by post to the Royal Economic Society Easter School Secretary, Department of Economics, The University of Birmingham, Edgbaston, Birmingham, B15 2TT or by email: easterschool@contacts.bham.ac.uk. Successful applicants will be informed in February 2011.
Institute for Economic Modelling

George Soros and James Martin agree to fund a new Oxford research centre.

The Institute for Economic Modelling is a new research centre at Oxford University, funded by generous donations of US$5 million from each of George Soros and the Oxford-Martin School to support the Institute’s first five-year programme of research. The Institute will be part of the Oxford-Martin School, and is also affiliated with the Institute for New Economic Thinking (INET), which was founded by George Soros in 2009 to facilitate creative thought and open discourse in economics and policy worldwide. The first director is Professor Sir David Hendry, Professorial Fellow at Nuffield College, and former head of the Department of Economics.

The 21st century has begun with the largest global economic and financial crisis since the Great Depression 80 years ago. Many factors have been blamed for this disastrous outcome, but a failure to forecast its onset combined with poor initial policy responses are partly at fault. The present financial crisis is far from being the first unanticipated major change that has had deleterious effects globally on economies, with many millions becoming unemployed, losing their homes, and suffering serious losses. It is also unlikely to be the last, as economies continually evolve, and sometimes experience dramatic abrupt changes. This feature of economies has crucial implications that must be researched if economic analyses, policies and forecasts are to be well based for the rest of the century.

The new Institute’s five-year programme of research will investigate the implications of abrupt unanticipated shifts in economic conditions on four main research areas. First, macroeconomic analysis, the formation of expectations and learning about uncertain environments (Professors David Vines and Peyton Young). Second, economic policy and financial regulation (Dr Ian Goldin, who is also director of the Oxford-Martin School). Third, econometric modelling, forecasting, and the appraisal of empirical evidence (Professor Sir David Hendry with Drs Jennifer Castle, Jurgen Doornik and Bent Nielsen). Fourth, the distributions of income and wealth, and the consequences of changes in them (Professor Sir Tony Atkinson). The aims of each research program are to understand the impacts of sudden changes, and to develop methods that remain viable when such shifts occur.

“We are excited by the establishment of a new research centre in Oxford for analyzing and modelling economic behaviour in a rapidly changing world. The reality is that economies are intermittently subject to large shocks that alter previous relationships and lead to poor forecasts, so the Institute will play a key role in advancing research to confront such issues’

Professor Sir David Hendry

The new Institute will undertake collaborative research with the Central European University, and also develop master classes and lecture courses, as well as consider curriculum development related to its research findings.

Nobel prize fund suffers from market upheavals

At the time of going to press, the award of the Nobel prize for economic sciences was still to be announced. However, a glance at the foundation’s website suggests that this year’s laureates should not expect any great increase in the monetary value of the prize. That has remained unchanged since 2001. This means that this year’s winners will receive the lowest prize money in real terms for nearly a decade.

Since 2001 the prize fund has been fixed at SKr 10,000,000. In real terms, this is 127 per cent of the original, 1901, value of the fund. But it is quite a lot less than the high point of 144 per cent that was reached in 2001. In that year, the fund reached its maximum monetary value of SKr 4,603,238,806. Since then, the fund has been hit by two market crashes and hit a low point of SKr 2,860,563,562 in 2008. Since then it has recovered to SKr 3,112,000,000.

But it’s not all bad news. For many winners the recent appreciation of the Krona will provide some compensation — especially for UK laureates.

Financial information about the prizes can be found at: nobelprize.org/nobel_prizes/about/prize_amounts.pdf
Obituaries

Christopher Freeman

With the passing away of Christopher Freeman on August 16th, 2010, the social sciences community has lost one of its most prolific writers and visionary thinkers. Freeman was one of those unique scholars who combined an in-depth knowledge of the history of social sciences with economics; the international harmonization and development of science and technology statistics with the needs of science and technology policy making; and the knowledge of industrial engineering — from chemicals to electronics — with the businesses practices of project research selection and evaluation. But he was also particularly influential in policy making itself, having been responsible for bringing back into international macro-economic policy-making Schumpeterian thoughts and concepts on structural change in the 70’s and 80’s and having dared to open up the economists’ ‘black box’ of technological progress highlighting amongst others the intrinsic heterogeneity of notions such as technological change and industrial innovation which had, in the economic growth literature, become identified as ‘a measure of our ignorance’. Freeman’s many contributions on the nature of technical change based on detailed analyses of the success and failure of innovation in many firms and industries led him to propose several new concepts and taxonomies which became widely used in the emerging science and technology studies literature as well as in the economics of innovation literature of the 80’s. One may think of the taxonomy he proposed between incremental, radical and pervasive innovations, the detailed analysis he provided on the shifting nature of competition accompanying the emergence of new technologies which he associated with Schumpeter mode one and Schumpeter mode two forms of competition and many other new concepts developed in the 80’s such as technological trajectories, techno-economic paradigms and the concept of national system of innovation widely popular across the globe in S&T policy making.

In the mid-sixties, Christopher Freeman set up the Science Policy Research Unit (today the Science and Technology Policy Research Unit www.sussex.ac.uk/spru) at the University of Sussex and laid the basis of a rapidly growing international community of science and technology researchers, policy makers and students in the OECD countries, and later on in the South in the fields of science and public policy; the measurement of research and development with the so-called Frascati manual which might have been more aptly described as the Freeman manual; the history of social science studies; Schumpeterian and evolutionary economics; innovation management; technology and innovation policy as well as in making both macro- and micro-economics, international trade and economic history more aware of the central role of technological, institutional and social change.

Christopher Freeman, Chris for his friends, was born on September 11th, 1921. His 80th birthday was celebrated with a large conference in his honour in his hometown of Lewes, the weekend of September 14th till 16th 2001. While it is probably easy for most of us to remember where we were on 9/11, I remember that in the evening of that day I was discussing with Chris what to do with his 80th birthday conference party. Against all odds we decided to go ahead. The international travelling situation at that moment was pretty traumatic and while many of the already invited participants were and remained stuck in airports across the world over the whole period of the conference, most came from across the world. It was, given the circumstances, an emotional conference: tension was in the air, doubts about the future of the world as we had known it were on everybody’s mind. The contributions to the conference gave a kaleidoscopic overview of the many different facets of Freeman’s academic contributions. In a first session, called the ‘entrepreneurial’ Freeman the focus was on the young Freeman, his early highly influential statistical work on the measurement of R&D, the technological specialisation of countries and later on the national systems of innovation concept. In a second session called the ‘optimistic’ Freeman, the focus shifted towards the more conceptual contributions of the more mature Freeman of the 80’s. His more radical and controversial writings on technological trajectories, on techno-economic paradigms and long waves. In a third session entitled the ‘world’ Freeman the debate centred around the elder Freeman of the 90’s with contributions on global transition and development, the emerging newly industrialising countries and catching up, the failure of development studies and the concept of development through innovation. The fourth and final session entitled the ‘concerned’ Freeman brought together the broader social, environmental and philosophical issues, Freeman had written about throughout his life from the vexed question about technological unemployment in the late 70’s and early 80’s to the Information Society in the 90’s and the green economy and the economics of hope and human development this Century. There are few conferences where people don’t want to leave to catch an early train or plane. This one was the one, I will always remember as the conference where people did not want to leave, wanted to stay to continue to discuss. For Chris, as he made clear in the concluding speech this was his academic farewell, now it was to the new generations sitting
around the table to take over. I did remember at that time that back in 1986, he actually said exactly the same thing on his formal retirement. I wasn’t convinced, as I concluded in my own contribution to the 1986 Freeman Festschrift with the words: ‘watch out for Christopher Freeman!’ How right I was. The last 25 years since his formal retirement Freeman has continued to be an inspiration to all of those who continued to be passionate about understanding the dynamics of technological, institutional and social change.

Luc Soete
UNU-Merit
Maastricht

Robin Matthews

Robin Matthews held the two most senior chairs of economics in the UK — the Drummond Chair at Oxford (1965-75, succeeding John Hicks) and the Chair of Political Economy at Cambridge, ‘Marshall’s Chair’, (1980-91, succeeding Brian Reddaway). His many contributions to the discipline, the profession and the community make it abundantly clear why. He described his empirical work as economic history written in the style of an economist. His teaching, research and administrative duties over the years made him more and more aware of the inadequacies of ‘the conventional model of rational individualistic utility maximisation, [so that increasingly his] interests moved toward the institutional and psychological underpinnings of economic behaviour’.

His wide-ranging interest and approaches are reflected in his major publications. Though he had no formal training in mathematics, he was a capable mathematician; he understood theory set out in a mathematical manner. His own writings, while they used mathematics relevantly and with mastery, also used them sparingly.

His earliest work was on the historical and theoretical aspects of the trade cycle in the UK. His first book, A Study in Trade Cycle History (1954), is far more than a complement to Walt Rostow’s 1948 ‘Essays’ on the British Economy of the Nineteenth Century. His Cambridge Economics Handbook, The Trade Cycle (1958), is still one of the best introductions to this inherent characteristic of capitalism.

One of his most influential articles, ‘The saving function and the problem of trend and cycle’, was published in 1955 in what Dennis Robertson called ‘The Green Horror’ (The Review of Economic Studies). Robin pointed out that James Duesenberry in his classic book on the consumption function (1949), had neglected the existence of ongoing productivity growth when he dated the onsets of the ratchet effect as the previous highest levels of income attained, rather than the previous lowest levels of unemployment. This is the sort of basic insight that the best economists make and then spell out their implications, in Robin’s case, for the relationship between trend and cycle. The latter has become the most important base on which our understanding of the processes at work in capitalism is built, associated especially with the contributions of the (late) Kalecki and of Richard Goodwin (who was Robin’s colleague at Cambridge in the 1950s and 1960s).

At much the same time, in Economica (1961), Robin wrote, using Keynes’s liquidity preference theory of the role of interest, one of the earliest and best accounts of what is happening in the banking and financial sectors of the economy when the Kahn-Meade-Keynes multiplier is working itself out in the real sector. Robin also showed how self-finance and ‘other imperfections of the capital market’ could be incorporated into the analysis. In 1964, with Frank Hahn, Robin published in the Economic Journal the famous survey of the theory of economic growth, the article which has been the role model for survey articles ever since. Though all three sections of the survey achieved high levels of exemplary scholarship, the second section on technical progress, which was primarily due to Robin, is the jewel in the crown of the survey. Its lucidity and clarity bring out the deep economic intuitions it contains.

Robin’s most cited and admired article is his 1968 paper in the Economic Journal on why the UK had had full employment since the war. There, his great understanding of historical and political processes linked to his command of sound economic theory (not only that of Keynes) combined to produce a convincing set of arguments for why full employment was attained and maintained, a set of arguments that are so much more sophisticated and measured than the simple appeal of the then conventional wisdom to the application of Keynesian policies by governments in the post war period.

Robin himself thought he spent too much time on the treatise published in 1982, with Charles Feinstein and John Odling-Smee, on the causes of growth in the UK from 1856 to 1973, especially in the post war period to 1973, ‘years of unparalleled growth in Britain, as in other countries.’ The volume used a framework suggested by the editors, Moses Abramovitz and Simon Kuznets, for comparable studies of the experiences of other major industrialised economies. Be that as it may, it is easy to concur with the judgement of Feinstein and Odling-Smee that they wished ‘to put on record that it was...Robin ...., who made by far the most significant contributions to the design of the investigation, the analysis of the material and the writing of the final text’.

Robin always kept up to date with developments in economic theory and history and made sure that his teaching embodied them in a critical but fair manner. I vividly remember going to a fine set of lectures which Robin
gave in 1980 to Cambridge undergraduates on macroeconomic and monetary theory and policy in the light of the contributions of Milton Friedman and Robert Lucas. Robin lucidly explained the gist of them; he extracted the positive aspects while maintaining the Keynesian foundations on which he had been brought up and to which he still adhered. As was noted, in later years he became more and more interested in the institutional and psychological aspects of the discipline, as befitted the holder of the Chair of Political Economy. One of his most insightful contributions was his review in the *Economic Journal* in 1977 of Fred Hirsch’s engaging and fundamental volume, *Social Limits to Growth*. In it Robin coupled his high natural intelligence with his wide and deep understanding of theory and history. The review is the type of essay that the very best products of the Oxford PPE are uniquely fitted to write.

Robin’s legacy to the Faculty at Cambridge through his writing and teaching will be a lasting one. As he ruefully was to admit, his attempts to reshape the ways in which that faction-benighted Faculty went about its business were not successful. Moreover, in retrospect, he felt that his aims in this regard were probably mistaken anyway and that his own comparative advantage lay much more with scholarship than with attempting to change administrative structures.

Robin had an austere presence but he was basically a friendly and kind person, extremely supportive of the young, both students and colleagues. He was excellent company, with a dry wit. He enjoyed tossing about ideas and old-fashioned gossip.

Geoff Harcourt
Jesus College, Cambridge and
School of Economics, University of New South Wales

Correspondence

UK budgetary policy

We would like to thank the Editor for the provocation to policy debate, ‘New LSE blog questions UK budgetary policy’, in the July *Newsletter*, and to clarify a small, but perhaps important, point. Referring to our work, the editor remarks (p. 20, n. 7) that the variables in our regression are contemporaneous, and suggests lags. Actually, the regression is based on averages of annual percentage changes within each group of data shown in the table, excluding the wars. (This is rather similar to the original specification of the Phillip’s curve, which used six pooled observations.) Thus there is some time for the effect of government expenditure to feed through to both debt and GDP. Annual contemporaneous observations and decadal averages are less strongly correlated, as can be seen in the graphs reproduced at the end of our paper.

Victoria Chick
Ann Pettifor

CMPO
- another addition to the blogosphere

The Centre for Market and Public Organisation at the University of Bristol is another UK research centre to open a blog.

The CMPO’s objective is to study the intersection between the public and private sectors of the economy, and in particular to understand the right way to organise and deliver public services. The Centre aims to develop research, contribute to the public debate and inform policy-making.

Recent blogs include:

Paul Gregg — ‘Radical Welfare Reform’ — a reaction to the UK Coalition government’s plans for radical welfare reform.

Paul Grout — ‘Will Suffolk County Council’s out-sourcing of its activities work?’ — argues that Suffolk’s estimate of financial savings look overoptimistic.

Sarah Smith — ‘What is a Festival Worth’ — shows that residents of Bristol value their festivals at substantially more than their cost to the local authority.
**Notice for council members**

The Secretary-General’s office would like RES Council members to note that there has been a change of date and location for this year’s Council meeting which will now be held on Thursday 11 November 2010 in the Royal Society Boardroom at 6-9 Carlton House Terrace, London, SW1, starting at 4pm. Please contact the Administrator, Amanda Wilman (royaleconsoc@st-andrews.ac.uk) if you have any queries.

**New special project grant funding**

The Society has decided to introduce a further funding stream for financial assistance on a one-off basis for the support of activities that further the understanding and use of economics. Examples might include seminars, workshops and mini-conferences, events to disseminate research and policy findings, and activities that support teaching and learning in the subject.

The Society will not normally consider requests that exceed £5K and would in any case expect to see evidence of significant co-funding. Successful applicants would be required to submit a report on and a set of accounts covering the event within two months of its date.

Applications will be considered three times a year by January 20, May 20 and September 20 with decisions to be made within 28 days where possible. Applications should be made to:

The Administrator, Royal Economic Society, School of Economics and Finance, University of St. Andrews, St. Andrews, Fife, KY16 9AL, UK

or by email to royaleconsoc@st-andrews.ac.uk.

**Young economist of the year 2010 — winners announced**

For the 2010 essay competition, students were provided with a choice of five essay questions:

- What are the best economic policies to curb alcohol consumption?
- The pursuit of lower income inequality is irrational and counterproductive. Discuss.
- Foreign aid hinders development. Discuss.
- Would the world economy function better with a single global currency?
- How do we prevent house price bubbles in the future?

There were 511 online entries, an increase of 60 (13 per cent) on 2009 with over 200 schools and colleges entering students, with many schools entering the best essays after holding internal competitions. 17 essays made it through the initial judging stage to a final shortlist.

The final stage was judged by RES Council Members Charlie Bean of the Bank of England, Stephanie Flanders, Economics Editor BBC and Richard Blundell as President of the RES who agreed that the best essay was by Jessica Hawley. Her essay ‘What are the best economic policies to curb alcohol consumption: The Economic Alcoholic’ was judged to be a brilliantly constructed essay. Told from the point of view of a recovering alcoholic it presented all of the key policy issues in a lucid and engaging way.

The 2010 Young Economist of the Year is therefore Jessica Hawley of Stratford upon Avon Grammar School for Girls, who will receive a prize of £1,000. Second place Alexander Suchanek (Tiffin Boys School), and third place Sarisher Mann (Highfields Science Specialist School, Wolverhampton) will get £500 each. The prizes and a trophy will be awarded to the winners at the RES Annual Public lecture in London on 2 December.

The full judges’ report and copy of the winning essay can be found on the RES website http://www.res.org.uk/society/ye_award_2010.asp
2010 Junior fellowship scheme
award winners

The Society would like to thank all those who entered this year’s RES Junior Fellowship Scheme. In light of the increased financial hardship being experienced by many students, the Royal Economic Society decided to increase the number of awards available for offer this year.

The Society would like to offer its congratulations to the following candidates who have accepted a Junior Fellowship for the period 2010-2011.

Patrick Carter, University of Bristol
Luca Fornaro, London School of Economics
Daniel Gutknecht, University of Warwick
Francesco Mariotti, University of York
Brendon McConnell, University College London
Dimitri Szerman, London School of Economics
David Williams, University of Oxford.

RES PhD presentation meeting
and job market

The Sixth PhD Presentation Meeting will be held on Saturday 15th and Sunday 16th January 2011 at City University, London.

The aim of the event is to provide a service both for UK and European university economics departments who wish to recruit lecturers, and for PhD students seeking academic jobs in the UK or elsewhere in Europe. This annual meeting has grown to be an extremely successful event, well supported by both students and potential employers. The event consists of two days of students' presentations and poster sessions. Participating institutions attend these presentations and are also allocated a table at the conference site in order to arrange individual appointments with participating students during the course of the conference.

Submissions began in September and the final deadline for these is November 15, 2010. Decisions will be notified by December 15, 2010.

Final registration deadline is December 31, 2010.

For further information please go to the RES website: http://www.res.org.uk/academics/phdjobmarket.asp#phd or contact:
Patricia Cubi-Molla (p.cubi-molla@city.ac.uk) or
Javier Ortega (Javier.Ortega.1@city.ac.uk)

The RES Annual Public Lecture 2010

This initiative by the RES aims to bring the best communicators in the economics profession into contact with a wide public and to show the importance of top-quality economic research. Aimed principally at sixth form students of Economics but of interest to all, the Annual Public Lectures have become an established part of the senior school calendar.

The 2010 RES Public Lecture will take place at 4.30pm on 2nd December at the Royal Institution, London and 4.30 pm on 3rd December at the University of Manchester.

In this year’s RES Public Lecture entitled ‘Does Management Matter’, Professor John Van Reenen of the LSE will compare productivity growth across countries, describe his research on key drivers of productivity, particularly the important role of firms’ management quality, and discuss ways of closing the UK’s longstanding productivity gap compared with France, Germany and the United States.

Entry is by numbered ticket only (free). Priority goes to school groups until 5 October. For more information and to apply for tickets please use the RES website: http://www.res.org.uk/society/lecture.asp or contact the Administrator, Amanda Wilman at royaleconsoc@st-andrews.ac.uk.

Publications

Members Discounts

Members of the Royal Economic Society may order one of each of the Society’s publications for their personal use at the special price to members. A full list is provided on the Society website, www.res.org.uk but members should be aware that the special RES Memorial set of The Collected Writings of John Maynard Keynes is no longer available although individual volumes may still be in stock. Please apply to the Royal Economic Society offices at the following address, quoting your membership number, where current prices and stock levels will be advised:

Amanda Wilman, RES Administrator, The Royal Economic Society, School of Economics & Finance, University of St Andrews, Fife, KY16 9AL, UK.

Email: royaleconsoc@st-andrews.ac.uk.

See also p.23
RES training schools

The Royal Economic Society has granted funds to the University of Birmingham to provide an Easter School for twenty years. The RES is delighted that RES financial support combined with success in obtaining funding from the ESRC's Researcher Development Initiative will enable the University of Birmingham to now run two schools in 2010, 2011 and 2012. One school will be devoted to some aspect(s) of macroeconomics, and the other to subjects of a microeconomic character.

These training schools are intended primarily for advanced postgraduate students doing doctoral research but are also open to members of the teaching and research staff. The purpose is to enable participants to become acquainted with the latest developments in the selected fields of economics, to have the opportunity for study and discussion with two internationally renowned experts in the topics covered, and to meet other young researchers. Places are usually available for 25 resident participants. Accommodation and meals are provided for the duration of the course. Nominations are made through the applicant’s Head of Department and should be supported by a short CV, a reference, and a note on the applicant's research interests.

Application dates are provided on the RES website, the RES newsletter and emailed to University Heads of Economics Departments via CHUDE.

The twenty-first Easter School will be held at The University of Birmingham from Sunday 27th March 2011 — Thursday 31st March 2011. In 2011, the subject of the school will be Fiscal Policy. The lecturer will be Professor Fabio Canova (Universitat Pompeu Fabra, Barcelona).

For further details on how to apply (deadline is January 2011) please see the RES website or contact the RES Easter Training School Secretary by email: easter-school@contacts.bham.ac.uk.

Support for small academic expenses

The Society is able to offer financial support to members who require small sums for unexpected expenditures. The type of expenditures which could qualify for support under this scheme include travel expenses in connection with independent research work, the purchase of a piece of software, expenses for a speaker at a conference being organised by the applicant’s University or Institute, etc.

Please note that the awards under the grant schemes are highly competitive, and selection will be based on the following criteria. Preference will be given:

- for initiatives which are for the benefit of new entrants to the profession;
- to initiatives which cannot ordinarily be funded from other sources, such as existing research grants.

Please note that no awards will be made to any applicant who has received an RES grant (under the Conference Grant or Support for Small Academic Expenses schemes) in the 3 previous years.

The closing dates for applications are 31 January, 31 May, and 30 September each year and applications will only be considered at these times.

Conference grant fund

Please note change of address for applications, see below.

The Society’s Conference Grant Fund is available to members who are presenting a paper, or acting as a principal discussant at a conference; support of up to £500 is available. Awards are made three times a year.

The closing dates for applications are 31 January, 31 May, and 30 September each year in respect of conferences which take place in the ensuing four months.

Please note that the awards under the conference grant scheme are highly competitive, and selection will be based on the following criteria. These criteria should be addressed by the Head of Department in his/her supporting statement on the application form.

Preference will be given:

- for attendance at high-impact international conferences;
- to applicants whose attendance cannot ordinarily be funded from other sources, such as existing research grants.

Please note that no awards will be made to any applicant who has received an RES grant (under the Conference Grant or Support for Small Academic Expenses schemes) in the 3 previous years.

Application forms and further particulars may be obtained from either:

www.res.org.uk/society/grants_fellowships.asp

or Professor Anton Muscatelli, Principal and Vice Chancellor, University of Glasgow, University Avenue, Glasgow, G12 8QQ

E-mail: k.gray@admin.gla.ac.uk
Royal Economic Society 2011 Annual Conference

The 2011 Annual Conference of the Royal Economic Society will be held at

Royal Holloway, University of London
from 18th April to 20th April 2011.

Keynote lectures will be given by:

Elhanan Helpman, Harvard (EJ Lecture)
Jean Tirole, IDEI (Hahn Lecture)
Rosa Matzkin, UCLA (Sargan Lecture)

Authors of papers accepted for presentation at the RES Conference will be entitled to submit their papers for possible publication in the Conference issue of the Economic Journal. The Conference issue is edited to the same standards as regular issues of the Economic Journal and is published as part of the regular May issue in 2012. Promising papers not ready for publication in the Conference issue may be invited to resubmit for a later Economic Journal issue using the same referees and reports from the Conference issue.

The Programme Chair is Rachel Griffith (IFS) res2011papers@ifs.org.uk

The Deputy Programme Chairs and Local Organisers are Melanie Luhrmann (RHUL) and Juan-Pablo Rud (RHUL) res2011@rhul.ac.uk

Online Registration will be open from January 2011. Further details on registration, accommodation and other matters — including information on financial support for postgraduate students attending Conference — will be made available via the Conference web-site:

http://www.resconference.org.uk/
In 1936 Keynes published the most provocative book written by any economist of his generation. Arguments about the book continued until his death in 1946 and still continue today. This new edition features a new Introduction by Paul Krugman which discusses the significance and continued relevance of *The General Theory*.


This reissue of the authoritative Royal Economic Society edition of *Essays in Persuasion* features a new introduction by Donald Moggridge, which discusses the significance of this definitive work. The essays in this volume show Keynes' attempts to influence the course of events by public persuasion over the period of 1919-40.

July 2010 | Paperback | £22.99 | 978-0-230-24957-8

This authoritative Royal Economic Society edition of *Essays in Biography* contains some of Keynes's finest writing. It has been reissued with a new introduction by Donald Winch that appraises Keynes's achievement as biographer, character analyst, and intellectual historian.


This book brings together John Maynard Keynes’ infamous BBC wireless broadcasts, specially selected from the Royal Economic Society edition of *Keynes’ Collected Writings*. With an introduction by Donald Moggridge, this unique anthology provides an insight into Keynes’ influence and legendary contribution to economics, which still resonates today.

July 2010 | Hardback | £25.00 | 978-0-230-23916-6

25% discount available to all RES members
Membership rates for 2011
— online bargain for students

New membership rates, for 2011, include an ‘online only’ option for students, which provides a substantial discount on the full membership fee. The rates are:

<table>
<thead>
<tr>
<th>Membership of the Royal Economic Society</th>
<th>The Americas*</th>
<th>Europe (Euro zone)**</th>
<th>Rest of World £**</th>
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</thead>
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<tr>
<td>Ordinary Member: Print + Online</td>
<td>$79</td>
<td>€71</td>
<td>£46</td>
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<tr>
<td>Developing countries/Retired Member: Print + Online</td>
<td>$40</td>
<td>€36</td>
<td>£23</td>
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<tr>
<td>Three-year Student Rate (2011 - 2013 incl): Print + Online***</td>
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<td>€19</td>
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</tbody>
</table>

Conference Diary

2010

October

**October 15-16** Aarhus University, Denmark


Further information: SoFiE Conference Site http://sofie.stern.nyu.edu/conferences

**November 4-5** Rome, Italy

Econometric Society European Winter Meeting at the Einaudi Institute for Economics and Finance (EIEF). The Programme will be announced in October 2010.

**November 11 -12** Norwich

The ESRC Centre for Competition Policy at the University of East Anglia will host the 2010 annual conference of the Association for Competition Economics.

Further information: www.uea.ac.uk/ccp

**November 16-17** Edinburgh, Scotland

Impact of Higher Education Institutions on Regional Economies International Conference jointly funded by the Economic and Social Research Council together with the Scottish Funding Council, the Higher Education

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Conference Diary

2010

October

**October 15-16** Aarhus University, Denmark


Further information: SoFiE Conference Site http://sofie.stern.nyu.edu/conferences

October 29-30 Berlin

14th conference of The Research Network Macroeconomics and Macroeconomic Policies (FMM) on Stabilising an unequal economy? Public debt, financial regulation, and income distribution.

Further information: www.boeckler.de/36370_102996.html

November

November 11 -12 Norwich

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Further information: www.uea.ac.uk/ccp

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Impact of Higher Education Institutions on Regional Economies International Conference jointly funded by the Economic and Social Research Council together with the Scottish Funding Council, the Higher Education
Funding Councils for Wales and for England as well as the Department for Employment and Learning in Northern Ireland.

This is a major programme of research on the economic and social role of higher education. The programme aims to promote better understanding of the key economic and social impacts generated by higher education institutions.

Further information:

November 18        London

An evening meeting organised by the The Research Information Network. Researchers are producing and gathering ever more data and there is increasing interest from funders and others in the value of data as an output. But types of data and how they are managed vary hugely, making it difficult to ensure data is shared effectively. Policies on data management are often top-down and do not necessarily reflect the actual behaviour of researchers. The aim of this event is to explore the nature and causes of tensions between policy and practice, and to consider the expectations of researchers, funders and higher education institutions. It will look in particular at the incentives that could encourage the spread of good practice. The meeting will be held at the Royal College of Physicians, Regent’s Park.

Further information:
www.rin.ac.uk/news/events/

November 30 - December 2        Tenerife


Further information: www.ieee.am

december

December 9-10        Rio de Janeiro, Brazil

The 2010 Latin American Workshop in Economic Theory of the Econometric Society will be held in Rio de Janeiro, Brazil, on December 9-10 of 2010 at the Pontificia Universidade Catolica do Rio de Janeiro (PUC-Rio). The topics of the workshop are Contracts and Mechanism Design (including auctions and dynamic contracts). The keynote speakers will be Ennio Stachetti and Andy Skrzypacz.

Further information: www.econometricsociety.org

December 13        London

An evening meeting organised by the The Research Information Network. Quality assurance – responding to a changing information world. This event will bring together people from a range of backgrounds to discuss how these technical developments can help researchers to make important decisions about how to spend their time in a crowded information environment. It will explore how, and to what extent, these techniques can add to established quality assurance mechanisms such as peer review.

Further information:
www.rin.ac.uk/news/events/

2011

January 6-7        London

Meeting of the Urban and Regional Economics Seminar Group The next meeting of the Group will be held at the London Centre of the Open University. The Seminar will be based on presentations by an invited panel of speakers, including Leslie Budd, Ian Gordon, Geoffrey Hewings, Helena Lenihan, Phil McCann, Vassilis Monastiriotis and Kim Swales.

Further information:
Email John.Parr@glasgow.ac.uk

January 7-9        Denver, USA

The 2011 North American winter meeting of the Econometric Society will be held in Denver, CO, from January 7-9, 2011, as part of the annual meeting of the Allied Social Science Associations. The program will consist of contributed and invited papers.

Further information: www.econometricsociety.org
January 19-21  Pisa, Italy

ICEE 2011-4th Italian Congress of Econometrics 7 Empirical Economics. This biennial conference is organized by the Italian Econometric Association (SIDE-Societa Italiana di Econometria). Economists, statisticians and econometricians are invited to submit theoretical and applied papers in all areas of econometrics and empirical economics.

Further information:
http://virgo.unive.it/side/?page_id=188
Email: Franco Peracchi franco.peracchi@uniroma2.it

January 20-21  Paris, France

International Conference on Social Cohesion and Development

Further information at:
or Martha Baxter, email:
SocialCohesion.Conference@oecd.org

February

February 18-19  Turin, Italy

LEI & BRICK (University of Turin-Collegio Carlo lberto) with the support of the DIME network of excellence invites you to participate in its third annual workshop on the production and diffusion of scientific research from an economics, historical, organizational and policy perspective. Confirmed participants: James Adams (Rensselaer Polytechnic Institute), Maryann Feldman (University of North Carolina), Jacques Mairesse (Maastricht University). Deadline for submission of full paper or extended abstract 30th November 2010.

Further information:
www.dime-eu.org/policy-of-scientific-research
or email cornelia.meissner@unito.it

April 4-6  Perth, Scotland

CALL FOR PAPERS

Scottish Economic Society Annual Conference 2011. The SES invites submissions of papers for presentation and proposals for dedicated paper sessions at its Annual Conference in Perth. Papers and proposals for organised sessions from all areas of Economics, Economic Policy and E'Metrics are invited from academics and practitioners in government, local authority, NDPBs, private sector and charitable organisations. The Society places particular emphasis on the application of economics to policy and there will be separate policy and pedagogy. Deadline for submission: 14 January 2011

Further information: www.scotecsoc.org/
or email: klaus.beckmann@hsu-hh.de

April 8  Zurich, Switzerland

CALL FOR PAPERS

14th Conference of the Swiss Society for Financial Market Research. We invite both academics and practitioners to submit papers on all topic areas of financial market research until October 22, 2010. Papers must be in English. Please submit your paper via our conference management tool on our website www.fmpm.org/conference. There you will also find detailed information on the conference as well as the format requirements.

There is no deadline for registration. The conference fee is 100 CHF or 150 CHF from April 7, 2011.

Further information: www.fmpm.org/conference
or email: sgf-conference@fmpm.ch

April 18-20  London

The Royal Economic Society 2011 Annual Conference
The 2011 Annual Conference of the Royal Economic Society will be held at Royal Holloway, University of London from 18th April to 20th April 2011 (see also p.22).

Further information:
www.resconference.org.uk/ and res.org.uk
May 6-7  San Diego, California, USA
CALL FOR PAPERS

Conference in Honour of Halbert L White. A conference to honor Halbert L. White Jr.’s lifelong achievements on the occasion of his 60th birthday will be attended by leaders in the field of econometrics, including, among others, the numerous co-authors, current and former students of Halbert L White, Jr.

Further information:
http://economics.ucsd.edu/events/conferences/2011HalWhite/index.html

June

June 15-17  Rhodes, Greece
CALL FOR PAPERS

2nd World Finance Conference. Submission deadline December 12 2010

Further information
www.world-finance-conference.com/

July

July 6-8  Paris, France
New Directions in Welfare congress will be held at the OECD Paris. The range of papers and topics will follow a similar pattern to the Oxford 2009 Conference which was attended by over 130 economists and generated a special issue of the Journal of Public Economics in honor of Professor Amartya Sen.

Further information
email: oxcon09@gmail.com

September

September 15-17  Birmingham
The 43rd Annual Conference of the Money, Macro and Finance Research Group will take place at the Birmingham Business School.

Further information: www.york.ac.uk/res/mmf
Membership of the
Royal Economic Society

Membership is open to anyone with an active interest in economic matters.

The benefits of membership include:

• Copies of the Economic Journal, the journal of the society, eight times a year.

The Economic Journal is one of the oldest and most distinguished of the economic journals and a key source for professional economists in higher education, business, government service and the financial sector. It represents unbeatable value for those who want to keep abreast of current thinking in economics. Issues are divided into those containing ‘Articles’ — the best new refereed work in the discipline — and ‘Features’ including symposia and regular features on data, policy and technology.

• On-line access to The Econometrics Journal, a new electronic journal published by the Royal Economic Society and Wiley Publishers. The journal seeks particularly to encourage reporting of new developments in the context of important applied problems and to promote a focus for debate about alternative approaches.

• Copies of the Society’s Newsletter. This is published four times a year and offers an invaluable information service on conferences, visiting scholars, and other professional news as well as feature articles, letters and reports.

• The right to submit articles to the Economic Journal without payment of a submission fee.

• Discounts on registration fees for the Society’s annual conference.

• Discounted prices for copies (for personal use only) of scholarly publications.

• The opportunity to take advantage of the grants, bursaries and scholarships offered to members of the Society.

Details and application form are available from: The Membership Secretary, Royal Economic Society, University of York, Heslington, York, YO10 5DD.

Membership rates for
2011 are £46 ($79, €71)*

There is a reduced rate of £23 ($40, €36) for members who reside in developing countries (with per capita incomes below US$500) and for retired members.

A special ‘online only’ offer of three years membership (2011-2013 incl.) for the price of $28/€19/£16 is available to full-time students.

* All customers in the UK should add 7.5 per cent VAT to these prices or provide a VAT registration number or evidence of entitlement to exemption. Canadian customers please add 5 per cent GST or provide evidence of exemption. For EU members, please add VAT at the appropriate rate.

If you would like to join the Society, complete the adjacent application form and return it to the Membership Secretary at the address above.

Please enter my name as an applicant for membership of the Royal Economic Society. I enclose a cheque for

............... in payment of my subscription for 2010.

Name:

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Address:

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Occupation................................................

Date........