



# Royal Economic Society

# NEWSLETTER

Issue no. 115

October 2001

ROYAL ECONOMIC SOCIETY

## When the lamp is shattered...

One of the privileges of working for the RES is the sense of being part of an international community and the opportunities that it brings to meet, sometimes directly, sometimes only by correspondence, distinguished members of the profession in all parts of the world. But in the last few weeks, an unimaginable downside has emerged with the discovery that a device for spreading and sharing knowledge and progress can bring a share in tragedy too. The Society has many members in the USA, some 18 per cent of its membership. All will have been touched by events on September 11th, some directly we know, and our sympathies go out to them.

The upside in this issue is represented by Angus Deaton's regular Letter from America which takes a wry look at the tensions caused by George W Bush's election promises on public spending and the financing of the 'Star Wars' project. Also, we are pleased to announce that, starting next spring, we shall be extending the range of our international contributions beyond the USA and Europe. We have tried for some time to encourage reports from the Indian sub-continent and from further east. We have at last succeeded with the former and Professor Kanchan Chopra from the University of Delhi will be giving a regular view from India.

Regular readers will know that widening the geographical range of contributors - to match the Society's very international membership - has been editorial policy for the last few years. What has not been part of that policy is the steady decline that we have seen in reports from members of society meetings and conferences. Five years ago, reports of the annual meeting of specialist study groups were commonplace. The editorial office now receives very little (and our thanks go to the Money, Macro and Finance Study Group for that!). Keeping everyone informed of specialist activities is a valuable function for the *Newsletter* and we would encourage society secretaries to keep us informed.

In the meantime, our thanks go to all our contributors.

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# Newsletter

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## Next issue

### Newsletter No. 116 - January 2002

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

**17 December 2001**

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

**18 December 2001**

## 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.

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# Economists in the Ministry of Fun (or - 'it isn't over until the Royal Opera House reopens')

*This article was originally planned as the 'Economists in the Arts' addition to the Newsletter's popular series focusing on the economist's role in various fields of employment. It did not work out quite like that, but as an account of what economists are up to in the Department of Culture, Media and Sport we thought it would be very interesting to our readers.<sup>1</sup>*

THE DCMS is Whitehall's youngest Cabinet Department having been established immediately after the 1992 General Election as the Department of National Heritage before being renamed in July 1997.

DCMS grant-in-aid expenditure is around £1 billion-per annum, but National Lottery funded public spending easily doubles this total. Moreover, DCMS has some 50 sponsored bodies (both non-departmental public bodies (NDPBs) and Public Corporations like the BBC) - which ranks it amongst the largest totals for any Government Department.

## DCMS and the National Lottery

With well over half of the public spending in DCMS's sectors coming from the sale of a commercial product - National Lottery tickets - the Lottery is one important focus for Economics Branch's work. As well as analysis of the basic micro-economics of the National Lottery in terms of the price and income elasticities of demand, work has included projecting proceeds to 'good causes', and assessing the National Lottery's position within the wider betting and gaming sector. Moreover, since the general election of 2001 DCMS has taken over responsibility for non-Lottery gambling policy from the Home Office (including the Government's response to the *Gambling Review* chaired by Sir Alan Budd which was published in July 2001).

Economics is central to government, even in so called 'non-economic' departments, because it is embedded in policy formation. Eight main types of activity were identified in the *Government Economic Service Review* of 1995.

## Economists in government...

First, there are areas of work which are highly technical in the sense that they require familiarity with an extensive body of, for example, econometric techniques where the economist is required both to understand and to apply the techniques drawing upon an up-to-date knowledge of what is being developed in the technical journals. Some of this sort of work can be bought in, but often the work is so central to the endeavour that it needs to be carried out by in-house professionals.

Second, economists may have a role to play in reducing uncertainty. Their technical training tends to mean they are well suited for the kind of quantitative 'what-if' modelling which is often essential within Government. Customers pointed out that economists are particularly skilled at combining a capacity to deal with complex technical issues while appreciating the con-

ceptual issues underlying the analysis. They were also thought to be prepared to be 'brave' with data, whose quality was in many cases far short of the ideal. This provided economists with a vital role to play as technical policy analysts, even though the work might not necessarily be immediately identifiable as economics in an academic sense.

Third, economists participate as members of the policy development team, particularly in areas where economic issues are important, which are very widespread in Government. The professional economist very often provides the quantitative input to this policy partnership through familiarity with a wide range of data sources and the capacity to analyse them. In addition, they bring to the policy debate a familiarity with the economics literature in this area and an appreciation of its relevance in the particular policy context in which the policy team is working. Economists can often suggest 'what works' and what may fail through perverse incentives. As policy makers increasingly appreciate: the importance of economic incentives; the use of markets rather than regulation to achieve policy aims; and the interaction between policies in one area and the operation of the economy as a whole, this role of professional economists is increasing, and economists are frequently asked to draft key policy papers. Very often the professional economist will also be expected to keep in touch with the development of thinking in the academic and policy community outside.

Fourth, all managers are faced with the problem of scarcity and how to manage it. Since economics is often defined as the science of scarcity it is not surprising that economists have developed tools over the years such as cost-benefit analysis and cost-effectiveness analysis which are increasingly being used to help prioritise choices in public policy. This role is all the more important given the pervasiveness of European regulations.

Fifth, some departments have invested professional economists with a formal or informal 'challenge' role. In some cases this has involved putting the economists in the lead in the formal policy appraisal and evaluation process, with economists expected to provide the 'Rationale' in the ROAME framework. In many cases Finance divisions will look to see that a project has been scrutinised by economists before submission. Some departments expect their senior economists, in particular, to exercise a more wide-ranging challenge role, looking particu-

larly at the opportunity costs of policies. This may especially be the case where the nature of the work of the department means that the proposals are likely to have important impacts on the working of the economy or on other policies. These may be overlooked by those whose concerns have, for good reasons in many cases, a rather narrower focus. The fact that economists have often worked in other departments or have come from non-Civil Service backgrounds can contribute to the diversity and 'genetic variety' in which new ideas are likely to flourish. The analogous role of economists in industry, is that of 'the company's conscience'.

To be effective, it is important that this role should have high level support so that unpalatable advice is not sidelined. But while the provision of advice based on objective analysis and the challenge role are important functions, economists in government are, of course, also expected to support Ministers' policies. In other words, if Ministers decide that other factors override the economics, despite a challenge, a policy should stand, then in common with other Civil Servants it is part of the professional economist's function to support the decision.

Sixth, short term specialist briefing or in-depth assessments are often required on a wide range of issues. These could be directly related to a Department's business, particularly where the Department is an economic Department, or it could be in support of Ministers in a wider Cabinet or Government role. Such briefing is often required on demand, especially when it is in direct support of Ministers.

Seventh, with considerable amounts of research and consultancy with an economic content being bought-in, there is a need for an 'intelligent customer' who is familiar with the field and can help to specify the project, exercise quality control, critically examine the results and set them in a policy context.

Finally, economists can contribute to raising the economic competence and efficiency of Departments through 'coaching' so as to make their colleagues more aware of the key economic factors affecting the performance of their Departments.

### ...and in DCMS

Economics Branch constitutes the sole effective source of economic input and advice across the Department's network of NDPBs.

When DCMS (DNH) was first established the primary focus of economic analysis was cost/benefit appraisal of projects (activity IV). However, this work has expanded (in line with Lottery funding of projects) and now includes guidance and training provision for non-specialists in DCMS and its NDPBs (VIII). Moreover, economic advice within DCMS has grown to cover all (8) activities (to a greater or lesser extent) primarily with a micro-economic focus (but also including briefing and analysis of relevant macro-economic developments), as well as some additional areas like Regulatory Impact Assessment, Risk Analysis, and research budgeting.

However, DCMS's wide policy interests which span culture (broadly defined), sport, the media, broadcasting, tourism and the creative industries provide an ever changing range of subjects and policy issues.

From late 2001, Economics Branch will constitute the larger part of a new Analytical Services Division (with Statistics Unit colleagues).

The largest established professional grouping of economists in the DCMS sectors is the Association for Cultural Economics (which operates at both international and British levels). ACEI has its own *Journal of Cultural Economics* - now in its twenty-fifth annual volume and runs a range of conferences and seminars. Moreover, cultural economics now has its own AEA *Journal of Economic Literature* classification. However, recent years have seen the establishment of other active academic networks across the DCMS's areas of interest, notably the Tourism, Leisure and Recreation Network (TOLERN originally launched at Durham University and now relocated to Surrey) and the ESRC Seminar Competition funded Sport, Arts and Leisure (SAL) network based at Salford University.

In short, DCMS's Economics Branch provides a dynamic, diverse and challenging working environment, where professional economists liaise closely with Policy Division colleagues and also draw heavily on the work of a diverse grouping of academic and commercially-based economists and researchers.

#### Note:

1. Contributed by Stephen Creigh-Tyte with assistance from Sandra Stirling, at the Department of Culture, Media and Sport.

### Bernard Corry 1930-2001

A memorial is being organised for Bernard Corry, Emeritus Professor of Economics, Queen Mary University of London, who died on 10 January this year. It will be held in The Octagon, Queen Mary University of London, Mile End Road, London E1 4NS on

Wednesday 5 December at 6.00pm.

Further information (and final confirmation of the date and time) will be available on the Economics Department website ([www.econ.qmul.ac.uk](http://www.econ.qmul.ac.uk)). In order to help the organisers estimate the likely turnout, please e-mail Joan McSweeney ([j.e.mcsweeney@qmul.ac.uk](mailto:j.e.mcsweeney@qmul.ac.uk)) if you would like to come.

# Office for National Statistics - An update on developments

*The Office for National Statistics (ONS) produces much of the data used by economists in the UK. In this, the first in a series of periodic articles providing general information on the ONS and its programme of methodological developments, Amanda Rowlatt, the chief economist at the ONS, outlines the broad thrust of the ONS's development programme and offers further detail on some of the current projects.*

ONS HAS embarked on an ambitious development programme to upgrade the statistical infrastructure, improving computer systems, databases, and methodology. This should deliver information systems which are more efficient, better integrated and more flexible, allowing us to better harmonise data, describe and improve the reliability of our statistical outputs, and underpin our work with improved statistical and economic methodology. In parallel, we are developing the National Statistics web site.

Alongside this, a wide range of work is going on to improve ONS' data source, statistics and analysis. One major development is the new Expenditure and Food Survey (EFS), which was launched in April 2001 to replace ONS' Family Expenditure Survey and DEFRA's National Food Survey after extensive piloting. This new survey provides a single, detailed record of expenditure on food and other items, together with information about income. It is more cost effective than the two surveys separately, provides some important quality improvements and extends the range of analysis possible.

Another project that has just reached a successful conclusion is the redevelopment of the methodology underlying the Producer Price Index (PPI). This has included a new sample design, annual updating of the sample, and the introduction of an improved method of estimation. This represents the biggest set of methodological changes to the PPI for over 40 years. Further details can be found in the August 2001 *Economic Trends*, or through the National Statistics 'economy' theme page.

Work is also under way to move to annual chain-linking of the National Accounts, from the current practice of changing the weights every five years. Initial work on the output measure of GDP suggests that this may well reduce GDP growth, driven by reductions in the weight of industries with rapid technological change like the 'high tech' industries, associated with falling prices. The plan is to introduce chain-linked volume measures in the 2003 Blue Book, published in September 2003. Further details are provided in the October 2001 *Economic Trends*.

Turning to socio-economic statistics, ONS is engaged in a range of initiatives including:

- a cross-cutting review of the availability of statistics disaggregated by gender - this is the first part of a programme

addressing other dimensions of the equal opportunities agenda (ethnicity, age, disability);

- a review of the framework for labour market statistics;
- a quality review of statistics on household income;
- an analytical programme looking at health and social inequalities;
- a review of the need for statistical information on social capital;
- a programme of work to measure and value the unpaid work done in the home - a paper on childcare was published recently ([www.statistics.gov.uk/hhsa](http://www.statistics.gov.uk/hhsa)), and
- the possible development of a wealth and assets statistics system, which might include a regular survey of households and individuals.

ONS welcomes constructive feedback from users of our data; statisticians can be contacted through the National Statistics web site, via the 'your views' or 'contacts and consultation' areas of each National Statistics 'theme'. More general enquiries can be routed through Amanda Rowlatt, at [amanda.rowlatt@ons.gov.uk](mailto:amanda.rowlatt@ons.gov.uk).

The ONS website address is: [www.statistics.gov.uk](http://www.statistics.gov.uk)

#### *Editor's note:*

The National Statistics Labour Market Theme Group is currently consulting on its work plan covering the period 2002/03 - 2004/05. The Theme Working Group would very much like your comments (by 5 November 2001). The consultation document is available at:

[www.statistics.gov.uk/themes/tourviews/labour.asp](http://www.statistics.gov.uk/themes/tourviews/labour.asp)

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## Correction - Dr A Scott

In the July issue of the *Newsletter* (no. 114) in our report on Leverhulme prizewinners in Economics, we noted the award to Dr A Scott for his work in macroeconomics, and incorrectly gave his affiliation as the London School of Economics.

Dr Scott is at London Business School. We apologise to Dr Scott and to anyone for whom this mistake caused confusion and inconvenience.

# Letter from America -

## Star Wars and the Wrinklies

*In his latest 'Letter from America', Angus Deaton of Princeton University, takes a look at the tensions created in public spending by President George W Bush's election promises, and in particular at the difficulty of providing adequate social security for the elderly at the same time as pursuing the 'Star Wars' project.*

**A**UTUMN IS tax rebate season, at least the autumn of 2001. Those of us who are sufficiently well-heeled to have paid enough tax are about to receive our rebate cheques, the first instalment of a multi-year tax cut. We have already received a letter from the Internal Revenue Service, telling us to expect it, and prominently featuring President Bush as our benefactor. Interestingly, the dates on which the cheques are being mailed is set on a quasi-random basis, tied to the digits of social security numbers, providing an opportunity for consumption gurus to study the effects. Meanwhile, as the economy slows, and the tax rebate works its effects, the long-anticipated chickens are coming home to roost. The huge federal surplus of only a few months ago, stretching out as far as the eye can see, has all but vanished, leaving only the surplus from Social Security which, in the US, is included in the current Federal accounts. But the tax cuts were only one of President Bush's election promises; among the others were increased spending on the military, particularly the construction of a missile defence ('Star Wars') system, the preservation of Social Security, and the provision of prescription drug benefits for the elderly. (The last is a bigger item than it might seem, given that drugs are becoming a relatively more important item in health care, and because that trend is likely to accelerate in the future, partly for technological reasons, and partly because of the effects of providing the pharmaceutical manufacturers with the unlimited money machine that prescription drug benefits might become). But the immediate clash is between the military and the elderly. Secretary of Defence Rumsfeld, recommissioned from the museum of cold warriors, is determined both to begin construction of the missile shield, and to expand other areas of military expenditure. His budget request for the appropriations season later in the autumn can only be financed at the expense of funds that are otherwise earmarked for social security. Laying down investments to fund the forthcoming retirement of the baby-boomers is surely a good idea, but it might be hard for the retirees to consume the yields from the missile shield, whatever those might be. My colleague Paul Krugman has sardonically proposed that the problem should be solved by consolidating the Pentagon with pensions, thus presumably creating a new catchall 'Department of Security'.

There is also activity on the Social Security front itself. President Bush has set up a high-level bipartisan commission to make recommendations for reform, co-chaired by ex-Senator Daniel Patrick Moynihan and CEO of AOL Time Warner Richard Parsons. Its members, including economists

John Cogan, Estelle James, Olivia Mitchell, and Thomas Saving, are picked from those known to support another campaign pledge, the creation of Personal Retirement Accounts. (Cogan and Saving are publicly-declared Republicans, James and Mitchell Democrats.) The commission is still early in its deliberations, but it is becoming increasingly clear that, while it has a mandate to create PRAs, it has no mandate to enforce the pain involved in funding those who have been promised benefits, but have no one to pay for them. The political convulsions of trying to square the circle still lie ahead of us, and will be immeasurably more painful in the absence of a budget surplus.

Meanwhile, behaviour is changing in ways that might make it easier to make reforms, at least in the long run. One helpful adjustment for Social Security would be to increase further the retirement age so that the continuing increase in life expectancy is shared between work and retirement. The proposal is generally opposed by the unions, many of whose members do not think of work as a positive part of their lives, and who regard retirement in their 60s as an important part of the promise of Social Security. Over the whole population, Americans, like Europeans, have seen a prolonged trend to earlier retirement. But there are signs that things are changing, and that the trend has recently slowed, if not actually stopped.

Closer to home, retirement in American academia provides a preview of the future. When the baby-boom generation started going to college in the late sixties, a generation of professors was hired to teach them, and they are currently passing through the transition from work to retirement, well ahead of the baby-boomers themselves. When Congress passed the Age Discrimination Act in 1986, outlawing compulsory retirement, colleges and universities were granted an exemption allowing them to retain compulsory retirement at 70 until 1994. This exemption was based on the argument that compulsory retirement was necessary to make space for young faculty, especially women and minorities. Based in part on studies that showed that the removal of compulsory retirement would have little effect on actual retirements-the last thing that a professor wants to do is to go on teaching when there is no need-the exemption was allowed to expire. But it turns out that the studies were wrong, and that college professors are staying on in large numbers.

A recent paper by Orley Ashenfelter and David Card shows that before the change, essentially all professors reaching their

70th birthdays retired while, after it, only 30 per cent did so. As a result, while only ten per cent of 70 year-old faculty would still be at work at 72 (there were some states in which mandatory retirement was always prohibited), now about a half do so. The effects are muted by the fact that three-quarters of working sixty-year olds retire by age 70 in any case, but the effects are still substantial. One friend in a relatively passive university was stunned to discover that the chair of his tenure review committee was someone he had long supposed to have not only departed the university, but also the planet. At less passive universities, administrations have actively tried to promote the retirement of older faculty, with flexible part-time bridging arrangements, and some supplementation of pension funds for those whose salaries (or investment decisions) have left them unable to depart in comfort. Ashenfelter and Card find that professors in private research universities are a good deal less likely to retire than those in institutions where teaching is relatively more important, as are those with higher salaries or lower pension wealth. Interestingly, a high salary relative to others in your own institution discourages retirement, even conditional on wealth and absolute salary; power and status are fun, and vanish at retirement. Presumably because of lack of variation across their sample, they report no effect of missile defence on the probability of retirement.

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## Academic assessors - Government Economic Service

The Civil Service Selection Board would like to recruit a number of academic economists to serve on selection boards for the Government Economic Service. The Boards are held in February/March, July and October. An assessor would normally be asked to serve for 4-6 days following initial training. The current fee is £225 per day, plus travelling and overnight expenses. The main role of the academic assessor is to advise on candidates' capabilities in economics - on how much they have benefited from their degree course, on their understanding of economic concepts and their ability to apply them.

Those interested in being considered for appointment as an assessor, or who would like more information, should contact Anne Cooper at the Economist Group Management Unit, HM Treasury, Parliament Street, London SW1P 3AG.

E-mail : [anne.cooper@hm-treasury.gsi.gov.uk](mailto:anne.cooper@hm-treasury.gsi.gov.uk)

Tel : 0207 270 5622

## More on ELSSS

*ELSSS is the ELeCtronic Society for Social Scientists, established by the initiative of Manfredi la Manna at St Andrew's University. The project promotes the electronic publication of journals under the control of the academics who contribute so much to them. A full description of the project appears in Newsletter no. 112 (January 2001). This is a brief update.*

Thanks to support from the Royal Economic Society, ELSSS is moving on to its next phase - designing and implementing the ELSSS Publishing Template (EPT), the first state-of-the-art software that integrates all the tasks involved in editing, producing, and distributing economics journals that are truly innovative in the use of the Web (specialised technical staff is being hired now to develop the EPT).

We are also reasonably confident that additional funding will be forthcoming shortly that will enable ELSSS to implement its principle of free access to its journals for all researchers and students in developing and transition economies.

ELSSS will also be collaborating closely with top University libraries to ensure that its publications meet the most stringent tests of library- and academic-friendliness (as well as various technical standards).

I am very grateful for your support so far, but would like to call on you to spread the word about the ELSSS initiative as widely as possible. If anything, the recent merger between Elsevier and Harcourt (including Academic Press) makes the success of initiatives such as ELSSS even more necessary to restore principles of fair publishing and efficiency in the journals market.

If you have any queries about ELSSS or wish to know more about the EPT, please get in touch with Manfredi la Manna at St Andrew's University. Email: [mlm@elsss.org.uk](mailto:mlm@elsss.org.uk)

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## Passage(s) from India

We are delighted to announce that the *Newsletter* will shortly take another step towards enlarging the range of its international contributions. Starting with next April's issue, Professor Kanchan Chopra of the Institute of Economic Growth, University of Delhi, will be making a regular contribution to add to those from Angus Deaton (USA), Ray Rees (Germany) and Alan Kirman (France).

# British Association

## Economics section

*The British Association's Annual Festival of Science took place at the University of Glasgow from 3rd to 7th of September. The programme for the economics section, which was put together by the RES President, Professor Stephen Nickell, focused upon 'The Economic Record of the Labour Government from 1997'. We are able to summarise some of the presentations below.*

Not everyone is persuaded that the policies, much less the achievements, of New Labour have been entirely admirable since its election in 1997. Criticism has been widespread of the divisions that seem entrenched within incomes and wealth and between regions of the country, large and small firms, manufacturing and the 'new' economy. Voter behaviour in 2001 also suggested some disenchantment with the government's record on education, central to its election promises in 1997, and other public services. All of these, as well as a recognition that the macroeconomy had been uncharacteristically kind to this Labour government, were represented in the economics programme at the BA Festival of Science.

### Presidential address

The proceedings were opened by Professor Stephen Nickell who examined the recent performance of the UK labour market. His presentation, co-authored with Glenda Quintini of Credit Suisse First Boston, distinguished macro- and micro-trends.

As we know, the trend in unemployment has been downward for a number of years and is now at its lowest level for about 35 years. Since there appears to be no associated increase in inflationary pressure, this suggests that the equilibrium level of unemployment has been falling. Nickell's explanation for this centred primarily on two developments. Firstly, there has been a shift in the balance of power between unions and employers over the last twenty years - the evidence is the sharp decline in unions' membership and their less adversarial behaviour. Secondly, the real value of unemployment benefits has declined and access to other benefits has been made more dependent on work-seeking behaviour.

So much for *established* trends. The next question of course is what is likely to be the effect of recent, post-1997, changes. In theory, one could make a case that the introduction of a national minimum wage, working-time directives, parental leave rights and so on should raise the level of unemployment, while 'New Deal' policies and changes in competition policy should lower it. On balance, Nickell thought the effects likely to be small.

If there is a cause for anxiety amongst the macroeconomic trends it is the remorseless rise in unemployment amongst unskilled men. This reflects a very rapid decline in the demand for unskilled labour. Over the years, the numbers and proportion leaving school with qualifications has risen and so the sup-

ply of 'unqualified' labour has also declined. But not so rapidly as the demand. The result is that some 30 per cent of unskilled men of working age are now inactive and it is this group that dominates the unemployed.

Another trend which has emerged in recent years is for an increasing proportion of the male unemployed to report themselves as sick and disabled. These sectoral developments led Nickell on to his discussion of the micro-record.

The policy response has been to encourage the unskilled into work while raising the rewards for working. The measure most obviously relevant to unskilled workers here has been the introduction of a national minimum wage and many should benefit additionally from the working families tax credit. Various aspects of the New Deal policies have tried at the same time to 'push' the young, unskilled, into work. At the same time, more rigorous criteria and certification procedures for those claiming sickness and disability have been proposed. Overall the New Deal package seems to have had some positive effect on unskilled school leavers, while the working families tax credit has helped reduce child poverty while having a small effect on employment. The main problem, which seems particularly intractable, is the level of unemployment amongst older, unskilled, men.

### Education

'Education, education, education' was the cry in 1997. But under the two Labour Governments public spending on education in real terms hit its lowest level since the 1960s. Professor Howard Glennerster (LSE) examined the record in his presentation 'UK Education, 1997-2001' and, among other conclusions, drew some interesting distinctions between the fates of school-age and higher education.

Beginning with the spending record, Prof Glennerster pointed out that in 1998/9 and 1999/2000, the share of GDP going to education was 4.5 per cent - lower than at any time in the Thatcher governments and as low as the early 1960s. At the same time, as though to show the strength of disenchantment with public provision, private spending on education at 1.1 per cent of GDP was the highest it has ever been.

In spite of this gloomy picture, however, there are signs of improvements in pupils levels of achievement, especially in primary schools. In 2000, for example, some 72 per cent of children reached the expected level of competence in maths, compared with just 45 per cent in 1995. Similar improvements

were apparent in English and science. Equally heartening, there has been a narrowing in the dispersion of educational experience - the worst performing schools appear to have improved the most. Both of these trends mark sharp breaks with the past.

Why these improvements should have occurred without the corresponding spending is obviously an interesting question. Glennerster's conclusion was that they were down to four initiatives of the kind that economists had advocated for a number of years:

- setting measurable attainment targets;
- publishing the results of national tests;
- literacy and numeracy hours;
- choice of school combined with devolution of budgets.

Needless to say, more needs to be done before we can be satisfied with the quality of educational provision at school level - and in spite of the relative improvements much still remains to be done in the poorest areas.

The achievements at school level have been sadly lacking in higher education. Compared with schools, government involvement in the day-to-day running of higher education institutions is minimal. The impact of policy at HE level is therefore largely confined to issues of funding and here governments have made many mistakes. The main target of Professor Glennerster's criticism was the charging of tuition fees and the student loan scheme.

The first of these, he argued, raises little extra income for higher education (even though the Government in 1997 recognised that HE needed a substantial increase). The £350m it raises is a tiny fraction of the total HE budget. The student loan scheme is excessively complex and costly to administer. Setting the real rate of interest on loans to zero provides a large subsidy to high income groups while greatly reducing income for government and the threshold income at which students must begin loan repayments is too high (especially in Scotland). The combination of this high threshold and the subsidised interest rate means that repayments have to be set at a higher fraction of earnings. Finally, there is still no room for competition on price and quality between institutions - students pay a standard fee.

The only bright spot in all this, in Glennerster's view at least, is that the student loan scheme has created a mechanism whereby payments can be collected from graduates according to their ability to pay. Since the impossibility of such a mechanism was the standard argument against a graduate tax, Glennerster argues that the government has come half-way towards this more sensible system which he and other economists have recommended for years. If we were to go the rest of the way and collect adequate revenue from those who have benefited from higher education, there would be adequate funding for HE and the possibility of scholarships for the poorest.

## Taxation

In his presentation 'Taxation and Transfers in the UK, 1997-2001' Andrew Dilnot, Director of the Institute for Fiscal Studies, reported the main features of the Government's record since 1997.

If a reduction in the dispersion of post-tax incomes is desirable, there have been many positive developments over the period. Many changes in tax and benefits were progressive. The poorest 10 per cent of the population saw reductions in their tax liabilities and enjoyed increases in benefit entitlement of some 12 per cent of earnings. As Professor Nickell had earlier noted, the working families tax credit had succeeded in giving particularly large increases in income to low income working families with children. Other measures, Dilnot showed, had eventually provided large increases for pensioners. Most of these changes had come about as the result of increased generosity in means-tested transfers. At the same time, the trend towards means-tested transfers and away from universal benefits, established by Conservative governments, has continued.

However, the news is not all good. During the period, and continuing a trend dating from the 1980s, the underlying distribution of income (and wealth) has widened since 1997. According to work done at the IFS, the progressive measures introduced by the present Government have been sufficient only to largely offset this. The post-tax dispersion has still widened, but by much less than might have been the case.

As regards the overall level of taxation, a controversial issue in the 2001 general election, Andrew Dilnot reported that tax as a share of national income rose between 1997 and 2001. Some of this increase was due to a buoyant economy and some was due to the tax system managing to collect more than had been expected when rates were set. Nonetheless, some of the increase was due to explicit and deliberate tax changes. The fact that the increase was not a large negative factor in voter preferences was probably due to the fact that most of the tax increases seem to have fallen, at least directly, upon companies rather than households.

## Productivity and industry

Professor John Beath (St Andrews) spoke on the themes of 'Productivity, Competition and Innovation: UK Industrial Policy, 1997-2001'. His main question was whether New Labour's industrial and competition policy could have a positive impact on the productivity and innovation of UK business.

On the face of it, New Labour industrial policy shows a sharp break with past traditions. These (going back to the 60s and 70s) typically included picking and supporting 'winners', supporting 'strategically important' lame ducks and, of course, public ownership. New Labour's industrial policy was set out in the 1998 White Paper, *Our Competitive Future: Building the Knowledge Driven Economy*. Gone was the emphasis upon 'core' manufacturing industry - in which Labour's supporters traditionally worked, to be replaced by a concentration upon the 'new economy' of knowledge, skills, innovation and enter-

prise.

Beath's presentation focused upon two of the three policy initiatives which New Labour has adopted to promote the UK's position in this new world. The first is the encouragement of long-term research and investment. The second is the promotion of competitive markets. (The third involves the appropriate education and training of the labour force).

First of all, John Beath explained the reasons for this focus upon the so-called 'new economy'. Over the last fifteen years, the highest rates of export growth in the world's advanced economies have been achieved by the high- and medium high-tech industries. Their shares of total exports have increased while those of manufacturing industries have fallen. Furthermore, the UK looks well-placed to exploit this, since its 'knowledge-based' industries have grown rapidly in recent years. Their share in total UK output increased from 17 to 23 per cent between 1980 and 1996 and UK employment has grown most rapidly in these industries. Knowledge-based products accounted for 20 per cent of the total exports of goods from the UK in 1998 and knowledge-based services accounted for more than half of all service exports.

The UK has long suffered from poor productivity when compared with its rivals, largely because of its poor record of investment spending relative to GDP. Furthermore, on R&D it has spent barely 50 per cent of the GDP fraction spent by Japan and the USA. Such evidence as we have suggests that R&D expenditures provide a significant positive contribution to productivity growth for two reasons. Firstly, R&D spending has a direct effect on the rate of domestic innovation. Secondly, it has an indirect effect by providing the capability to absorb knowledge from others.

Turning then to competition, John Beath argued that competition matters for productivity and innovation for two reasons: it provides *incentives* to firms to improve their technology and operations; and it provides a two-pronged *selection* mechanism. This is because more efficient firms steal market share from the less efficient so that the average cost of production falls and also because new entrants come in with new products and/or new processes and firms that exit will have outdated products and/or production processes, so firm turnover will enhance industrial efficiency. This is the thinking behind the review of competition policy that led, last year to the Competition Act.

Industrial R&D often builds on the basic research carried out in universities and is a good example of a public good in the sense that it is typically generic in nature and can be exploited in a range of different ways for commercial benefit. Because it is difficult (and in this case undesirable) to exclude anyone from consuming public goods it is generally accepted that such public goods are most efficiently provided publicly. This is the argument for public support for higher education and in particular for the funding of basic and strategic science through the Research Councils. The comprehensive Spending Review in 1999 committed an extra £1bn to science and engineering research with a further £400m coming from the Wellcome Trust.

According to John Beath, firms tend not to underinvest in R&D and even when they do invest a lot, there is evidence of duplication and unnecessary racing to get results. This led him to argue that technology policy should both encourage pre-competitive collaboration through joint ventures and also to create a relevant tax and subsidy regime.

The current tax regime provides a tax credit for R&D spending which is obviously a form of subsidy. But more desirably each case should be treated on its merits. There will be cases where R&D should be taxed.

In the R&D area, knowledge spillovers are recognised to be widespread. Such spillovers may be best exploited by being close to the source of the knowledge, and especially so if the knowledge is 'tacit'. This argument has prompted Michael Porter at Harvard to advocate the setting up of 'industrial clusters'. This is now a key element in industrial policy as both the Department of Trade and Industry and HM Treasury believe the creation and support of such clusters will foster international competitiveness in the UK's high-tech industries. In Scotland, Scottish Enterprise has supported clusters in semi-conductors, biotechnology, and food and drink.

In July 2001, the Chancellor of the Exchequer and the Secretary of State for Trade and Industry set out their agenda for the next four years in *Productivity in the UK: Enterprise and the Productivity Challenge*. If, as part of this, the Government also continues to publish *UK Competitiveness Indicators*, we shall be able to look again in four year's time and judge the Government's performance.

## UK transport policy

Another sensitive area of government policy has been transport, its importance reflected in the creation of a large department embracing environmental and land-use as well and being placed in the hands of the Deputy Prime Minister. Even so, decisions (on fuel duty, for example) have sometimes left the Government looking less than resolute.

In his presentation 'UK Transport Policy, 1997-2001', Professor Stephen Glaister (Imperial College) reviewed what has been achieved in the last four years and argued that future success requires overcoming two obstacles. The first of these is the tendency for policy to be unduly influenced by fashion and rhetoric: what is required is an objective analysis of the facts. The second is the need for a funding regime that is realistic and requires an adequate contribution to the *real* costs of transport from the taxpayer.

In his review, Professor Glaister recognised some potential successes. For example, the government had been converted to the principle of hypothecated congestion charges. It had also accepted the principle of a ten-year transport planning process, improved investment appraisal methods and created a devolved London government with its own transport planning powers.

....continued on page 17

# The Economic Impact of Terrorism

*In the first days after the shocking events of September 11, media attention understandably focused upon the human tragedy. Nonetheless, what might be the economic implications is a legitimate question in which everyone eventually has an interest. This article looks at some of the analysis, and some of the comment, that has taken place since.*

SOON after the tragic events in New York, it would be tasteless to flatter those responsible by reference to their intelligence and cunning. Fortunately, chance can often explain a great deal. Nonetheless, from the point of view of economic as well as human impact it is difficult to imagine a more effective outrage, given our current understanding of the technology of assassination. It is inconceivable that the traditional technology of the car bomb, or the individual suicide bomber, could have produced returns of roughly 7,000 to 19 in lives. There have been aircraft hijackings before, with selective loss of life, but the way to maximise destruction is firstly, to destroy the aircraft with all on board, and if possible to gear up the effect by crashing the aircraft onto an urban target. Then to select long-range aircraft, fully fuelled at the beginning of their flight is to add a refinement beyond the imagination even of writers of disaster fiction. The final piece of leverage, of course, was to crash the aircraft into crowded buildings at just the elevation necessary to ensure their literal meltdown. At one point it seemed possible that part of New York's subway system may be flooded by the Hudson River bursting through the damaged foundations of the WTC. As returns to terrorism go, this surpasses anything promised in the craziest dotcom prospectus.

## The immediate effect

But what of the economic impact. Theory, as usual, is *some* help. We can estimate the immediate loss - to property and human capital and then consider the later effects upon income and output. In doing the latter, recent events suggest that we should focus on the wealth effects arising from the sharp falls in stock prices, on oil prices, on the dollar exchange rate, on fiscal and monetary policy responses and on the impact on 'confidence'. There may also be regional and sectoral effects of some consequence. In making these assessments, formal modelling may be of some help but it is notable in much of the comment and analysis that has reached the press so far that it is the 1990 Gulf War and its aftermath that provides the most popular yardstick.<sup>1</sup>

The tragic events in New York, Washington and Pittsburgh clearly have massive human and physical implications, and the pictures of destruction will likely remain amongst the most dramatic that current adult generations will ever see. Nonetheless, context and perspective are important. In the drama, it is easy to lose both and to overestimate the economic impact. Oxford Economic Forecasting made this point in the assessment that it made on the day after the tragedy.<sup>2</sup> On Paul Krugman's informal estimates in *The New York Times*:

Our economy is so huge that the scenes of destruction, awesome as they are, are only a pinprick. The World Trade Center contained 12 million square feet of office space; that's out of 375 million square feet in Manhattan alone, and 3.5 billion in the United States as a whole. Nobody has a dollar figure for the damage yet, but I would be surprised if the loss is more than 0.1 percent of U.S. wealth — comparable to the material effects of a major earthquake or hurricane.<sup>3</sup>

In choosing the WTC as one of their targets the terrorists were striking at the most visible symbols of capitalism, and with many investment banks and other financial institutions having offices in and adjacent to the WTC it was inconceivable that financial markets would be unaffected. Wall Street closed briefly, for a mixture of security and accessibility reasons and when it reopened it benefited from the fall and recovery that had taken place in Frankfurt and London. The initial responses in Europe and in Japan were relatively muted which led OEF to refer to markets lacking nothing more than a clear sense of direction. In Krugman's words 'On the whole, it's just as well our own markets have stayed closed for a few days, giving investors time to calm down. ... By the time the markets do reopen, the worst panic will probably be behind us'. However, within a week of Wall Street's reopening, prices were down by 30 per cent and the smell of panic was in the air.

## Consumer demand

The obvious question is what effect is this likely to have, in particular on consumer spending in the US which was already widely credited with keeping the US economy out of the recession to which corporate behaviour seemed to be heading. As OEF's analysis pointed out, sharp falls in stock prices were seen after the Iraqi invasion of Kuwait in 1990, but they had largely recovered by the end of the war six months later, even though major economies were in recession. The falls we have seen since September 11th have, however, been much more dramatic and while central banks have made it clear that they are ready to cut interest rates, it is not obvious that markets are paying much attention. The OEF model suggests that a fall of 30 per cent in stock prices would lower US growth by about 0.3 per cent in 2002, but this ignores (and thus depends critically upon) any secondary effects upon consumer 'confidence'.

## Oil prices

The full impact of the events of September 11th are unlikely to be known for some time. This is largely because much depends on what happens when the US retaliates. The most likely transmission mechanism from US military action to the world econ-

omy will lie with the oil price. The immediate impact was to cause per barrel prices a jump from about US\$27 to nearly \$30. Since then it has settled back to around \$28. Given the increased level of risk while the US considers its position theory would suggest a slightly higher price as the market prices in a premium for this. But up to the end of September, OPEC's response had been encouraging.

On the supply side, the OPEC cartel has rushed to reassure the major oil consumer nations that it will do everything in its power to assure adequate supplies of crude oil in the wake of the attack. Given the cartel's available spare capacity, which is estimated to be more than 4.5 million barrels per day, the physical supply of crude oil seems secure. However, because of the uncertainty and tension ... oil prices will trend higher, as the market is demanding a risk premium.<sup>4</sup>

On the gloomy front, however, is the thought that oil prices could go much higher, depending on what happens next. If events turn out for the worst, then the Gulf War where oil producers were directly involved and output fell sharply, might be a useful precedent. In that case oil prices increased by US\$15 in the second half of 1990 and fell back by \$10 quite quickly in 1991, partly because of the reduction in demand. In fact, by the end of September 2001 oil for November delivery was down to \$22 suggesting that the market felt the effects of recession would dominate those of further hostilities. The OEF model suggests that an increase in the oil price of \$10pb would slow world growth by a maximum of 0.2 per cent. Again, these are direct effects (via prices) and do not allow for any deterioration in 'confidence' that oil worries might cause.

### The US dollar and monetary developments

The US dollar weakened in the immediate aftermath of the attacks and much contemporary comment assumes that this is likely to be a prolonged consequence of any future hostilities. If this happens, then some consequences are immediately predictable. US consumers will find their real incomes reduced and this, again abstracting from any psychological effects, will limit their ability to carry the US economy through its incipient recession. Firms producing largely for the domestic market will find sales harder to come by, especially if energy and transport and insurance costs rise. By the same token, exporters may expect some *relative* benefit.

But it is not axiomatic that the value of the dollar will fall. During the Gulf War, it did (by about 15 per cent against other major currencies). But in 1990, there were other havens for the risk-averse. The German DM was strong (Germany was in the early post-unification stages with high real interest rates and good growth prospects). Japan was not the mess that it is now. Given the alternatives, it is not impossible that the US\$ will be little affected, or even become a 'safe haven' with capital inflows pushing it back towards the highs of six months ago. In the present case, some uncertainty attaches to the likely response of the Fed. In its early days, the Bush administration renounced currency intervention as ineffective, but there are signs that this may be wavering.

The proximity of the US to recession before the events of September 11th had already encouraged a downward trend in central bank interest rates. Within a week of the atrocities further, rather uncoordinated, cuts took place suggesting that cen-

tral banks had adopted the view expressed by Alan Greenspan that the short-run effects must be to weaken financial markets and consumer demand. Speaking to the Senate Banking Committee (on 20th September), the Fed chairman said it was too soon to make any confident judgment about the economic effects of the attacks but acknowledged that much activity had ground to a halt in the immediate aftermath. He also revealed the large amounts of emergency funding that the central bank had been providing to financial institutions since the crisis and expressed confidence that it was now declining.<sup>5</sup> Central banks clearly recognise the dangers and such help as a loosening of monetary policy can provide appears to be there for the taking. The announcement (on 24th September) by the UK regulators that they were easing the 'resilience tests' on insurance company balance sheets might also give support to equity markets.

### Fiscal policy

More interesting are the developments in fiscal policy. Within a week of the disaster the US Congress had authorised US\$40bn in emergency spending, and a week later was considering another \$40bn. At least \$20bn will go for recovery, rebuilding and cleaning up in New York. This is not large by US GDP standards (just as the damage was small by the same yardstick) but it is a significant sum which, with only modest multiplier effects, will have an impact beyond the immediate region. Putting this together with the loosening of monetary policy, '...the attack opens the door to some sensible recession-fighting measures' in Krugman's view.<sup>6</sup> There are precedents in the US for natural disasters spurring economic recovery. After Hurricane Andrew struck Florida in 1992, both the Miami and wider state area saw strong growth after an initial drop in activity, stimulated by insurance settlements and federal disaster relief. Looking ahead, any military response by the US is also going to cost substantial dollars. On past evidence, it seems unlikely that Republican strictures against public spending will interfere with any military demands that are deemed necessary.

Where does all this leave us? Clearly in the midst of a great deal of uncertainty. It is not impossible that events yet to happen could have a much greater impact on the US and the world economies than anything that has happened so far. Focusing on the latter alone, however, the *objective* reasons for expecting major negative fall-out are limited. US productive capacity is not seriously compromised and most of the anxiety must lie, as it did before the atrocities, with what is happening to demand.

### Confidence

This brings us to the vexed question of the psychological impact of recent events and perilously close to the bottom of the economist's toolbox. Business confidence in the US and elsewhere has been weak for some time. Low profits and falling share prices have led to large falls in real capital spending - down by an annual rate of 7.2 per cent in 2001(Q2). On 24th September, the *Financial Times* reported a Gallup/PaineWebber survey showing that US business confidence was at its lowest ever level - and the survey was carried out before September 11th.

Given the role of consumer spending in supporting what was already a flagging US economy before the attacks took place, one could imagine a scenario in which consumers rush out to

buy a range of goods (bottled water in Krugman's example; gas masks according to the *Financial Times*) which they think might later be in short supply. This could actually boost parts of the economy. But the danger is that they decide to buy nothing but bare necessities. The signals are not so far encouraging. In his statement to the Senate Banking Committee, the Fed's Chairman said 'The shock is most evident in consumer markets where many potential purchasers stayed riveted to their televisions and away from shopping malls. Both motor vehicle sales and sales at major chain stores, [which provide] some of our most current information on consumer spending, appear to have fallen off noticeably.' The Treasury Secretary, Paul O'Neill, testifying at the same committee hearing, said he had heard from a major credit company executive that credit card purchases last week were down 20 per cent on a year earlier.<sup>8</sup> But these are immediate and understandable reactions. Extrapolations could be dangerous. 20 per cent reductions in consumer spending are not sustainable over any prolonged period. Even so, the experience of the Gulf War suggests that 'confidence' can be very fragile in these circumstances, and there are almost endless channels through which it can affect demand.

### Sectoral effects

Some of the sectoral effects will undoubtedly be severe for some time to come. Within 10 days of the disaster, US airlines had announced 100,000 redundancies. British Airways announced over 5,000 and Boeing was adding to redundancies announced earlier in the year. Continental Airlines filed for chapter 11 protection and rumours of pending company failures were as numerous as anecdotes about entire cohorts of economy class passengers being upgraded to first class. It is understandable in these very particular circumstances that fear would deter many potential fliers, at least for a short period but these difficulties have struck an already ailing industry. Without the latest crisis some estimates of aggregate airline losses for 2001 were up to \$2bn as the result largely of a declining demand for business travel. These look likely at least to double. Given the regional concentration of aircraft manufacture and airline hubs, this steep decline is likely to have major repercussions on selected cities. After the Gulf War, tourist flights were the last to recover which suggests that popular holiday destinations in the US, and to a lesser extent across the world, will also be hit by a downturn in hotel, car hire and related bookings.<sup>8</sup>

On the business front, the disaster may have a smaller lasting effect, partly because the baseline was declining already. Just as the attacks did not damage much of the US's productive capacity, so business will not cease and business travel will not cease. Some may, of course, be diverted to other modes of transport, but there are severe limits to these possibilities in the US. Some journeys will be eliminated and sales of video conferencing and other telecommunications equipment will benefit. There may also be something of a silver lining for flight and cabin crew. Many business trips will remain essential and flying will have no substitutes. For firms concerned about the security of their key staff, the only sure solution will be to charter executive aircraft and fly only with known and trusted personnel. If only ten per cent of business passengers switch from aircraft with an average capacity of 160 (the Boeing 737/Airbus 320) to planes with an average capacity of ten or

fewer, that means many more flights, a big increase in demand for crew and eventually extra orders for Lear, Grumman and Pilatus aircraft.

Within a week of the disaster, governments were announcing their willingness, in principle, to provide financial aid. Immediate action was required when insurance companies announced their withdrawal of 'war' insurance. The UK government took up the responsibility immediately.

The problem here is that the airline industry was suffering from overcapacity before these events and there is understandable reluctance to provide emergency assistance which puts the airlines on a stronger footing than they would have been without hostilities. The so-called 'no-frills' airlines have been particularly vociferous in their opposition to state aid going to the large flag-carriers from whom they have been steadily attracting business. One way of limiting the effect of fiscal support to genuine terrorist-induced distress might be to compensate for the grounded time in the immediate aftermath and for governments to accept at least a major share of the costs of improving security.

### The outlook

The most sobering thought in any attempt to analyse recent events is that we may only be at the start. Any effects upon economies that we may reasonably hypothesise to follow from the events in New York and Washington could be dwarfed by events that have yet to be played out probably several thousand miles away.

*If* we could be sure that we have seen most of the action and that what follows is to be little more than some international policing, and *if* the impact upon 'confidence' is muted then the economic effects of these dreadful events could be quite small. It is inconceivable that they will not add to the recessionary trends already established, at least in the short run. OEF's forecasts are for a reduction in output of the order of 0.5-1 per cent over the next two years. In the press conference following the publication of its September 'World Economic Outlook', the IMF pointed out that inflation remains low and there is scope for monetary and fiscal stimulation which, in the longer term, these events may make it easier for governments and central banks to undertake.<sup>10</sup>

### Notes:

1. W. Leibfritz and W. Nierhaus, 'Die Terroranschläge in den USA und die Folgen für die Weltwirtschaft' IFO, 18/2001.
2. *The Economic Impacts of the Terrorist Attacks in the US*, 12.9.01, p.1
3. P Krugman, 'After the Horror', *New York Times*, 14.9.01. [www.jubileepius.org/analysis/articles](http://www.jubileepius.org/analysis/articles)
4. T Fischer, 'Oil Supplies are Secure, but Risks Loom', *The Dismal Scientist*, 18.9.01 [www.dismal.com](http://www.dismal.com)
5. G. Baker, 'Outlook Uncertain says Greenspan', *Financial Times*, 21.9.01
6. Krugman, *ibid.*
7. *Financial Times*, 25.9.01
8. Reported in Baker, *ibid.*
9. See R Tomkins, 'America's Tourism Industry Running on Empty', [www.FT.com](http://www.FT.com), 24.9.0 for statistics showing generally a downturn of some 75 per cent.
10. IMF, 'World Economic Outlook', press conference, 26.9.01

# Economics Bulletin:

An effort to return control of the publication process to the academy

*Readers will know that the Newsletter does not accept advertising. This article, by Myrna Wooders at Warwick<sup>1</sup> about the Economics Bulletin and the thinking behind it, however, raises important issues of principle to the academic community, issues which have been raised before in these pages.<sup>2</sup>*

**T**HROUGHOUT THE academy, researchers are questioning the high cost of commercially published print journals. A good summary of these concerns may be found on Ted Bergstrom's web page at the University of California, Santa Barbara. Our experience of editing the *Journal of Public Economic Theory* encouraged John Conley and me to think about how we, as academics, might respond. With the help and support of many others in the economics research community, this ultimately led us to develop and launch a completely electronic, refereed journal called *Economics Bulletin*. *EB* is meant to compete with *Economics Letters* and publishes original notes, comments, and preliminary results in all area of economics. In addition to our refereed content, we also publish nonrefereed research and conference announcements and letters to the editor.

Our two founding principles are open access and a commitment to speeding up the process of scholarly communication. To this end, we do not charge either individuals or libraries for access, nor will we in the future. Since our launch a few months ago, we have published more than thirty papers from authors at such places as Cambridge, Universidad del Pais Vasco, Princeton, Tilburg, Oklahoma, Université Catholique de Louvain, Kiel, Australian National University, and Boston College to name a few. We are happy to say that editorial turn-around so far averages less than 20 days. We encourage you to have a look at this new publication and hope that you will consider making a submission of your own.

We feel that it is important that scholars begin to reassert control of the research dissemination process. We are strongly supported in this by the University of Illinois Library, which has guaranteed that it will archive the contents of the *Economics Bulletin* and undertake to make research published in *EB* publicly available on a permanent basis. As an aside, since papers published in *EB* are both refereed and archived, we believe that they should meet the criteria required for consideration in the Research Assessment Exercise.

## Why is there a need for a web-based letters journal?

The objective of a letters journal is to generate wide and rapid circulation of timely research. Unfortunately, both the business model and the technology employed by almost all commercial publishers make it very difficult for them to satisfy this objective. We see the major problems with the current approach as the following:

*Cost:* The academic publishing industry has become more and more concentrated and journal prices have risen dramatically in recent years. An institutional subscription to *Economics Letters*, for example, costs \$1592. The strain this puts on the budgets of major universities in the industrialised world is bad enough. The consequences for scholars at smaller universities and colleges, especially in the developing world, are even more serious. High journal prices diminish the access of such scholars to current research and place them at risk of becoming intellectually disenfranchised. Traditional commercial publishers must make a priority of restricting access to information to those who have paid for the privilege. This necessarily puts them in conflict with the interests of researchers who benefit from the widest possible dissemination of their work. In contrast, at the *Economics Bulletin* we see our primary mission as supporting the research community. Since subscription fees serve to exclude people from access, *EB* is available completely free of charge to all users.

*Publication delays:* Paper journals are inherently limited in how fast they can get new research into the hands of interested readers. Simply mailing a manuscript from author to editor to associate editor to referee and then back up the chain can easily take months by itself. Typesetting and sending proofs back and forth to authors, correcting proofs, and then printing, binding, sending, and cataloguing a physical journal can also take months. All told, this process builds in an overhead of a four to six month delay in addition to the time it takes a referee to provide a review and an editor to make a decision. Add to this the lags resulting from backlogs and periodic publication schedules, and it is easy to see why a typical article can take years to appear in print. Even at *Economics Letters*, the submission date on a manuscript is generally eight to twelve months prior to the publication date of the issue. In contrast, since it is entirely electronic approach, *EB* is subject only to refereeing delays. Our objective is to make decisions within eight weeks. So far we have exceeded this goal by a very wide margin.

*Content:* Many journals, including *Economics Letters*, publish notes and comments. The norm that seems to have emerged, however, is that such articles should be short, complete papers. In contrast, one of the major missions of letters journals in other fields is to keep their research communities up-to-date on current and on-going work. Although *EB* will also publish refereed notes and comments, we see our major contribution as providing a place for economists to communicate cutting edge research that is still at a preliminary stage. We strongly urge authors to submit such preliminary results and will make a spe-

cial effort to referee such manuscripts as quickly as possible.

*Copyright:* Commercial publishers generally insist that authors transfer the copyrights of accepted papers as a condition of publication. In some cases, even making published articles available on one's own website may contravene such transfer agreements. Many people find it extremely troubling that we write the papers, referee the papers, edit the papers (usually all for free), and then are forced to give up all commercial interest in our work if we want it published. At *EB*, our goal is disseminate information as widely and quickly as possible. Our copyright agreement simply asks that you give us permission to do so when you submit a paper, but allows the author to retain all other rights.

## Other features

*Research announcements:* One of the most important things we can do as scholars is to make sure that the relevant research community is aware of our recently completed work. To foster this *EB*, publishes research announcements that include a paper's title, abstract, author's contact information, and the current status of the paper (submitted, recently accepted, available from the author, etc.). In addition to publishing these on the site, notifications go out to interested researchers both through our own email notification service, and through the IDEAS network. We hope that this will be especially useful both to young researchers and to senior researchers venturing into areas that are new to them.

*Conference announcements:* These are also published on the site and disseminated through our automatic notification service.

*Directory of research economists:* Our directory is meant to make easier to keep in touch with colleagues. We hope that you will register and include a short profile of yourself.

*Automatic e-mail notification service:* When you join the directory of research economists, you may also request periodic notification of newly published work in your areas of interest.

Scholarly communication is in the process of dramatic change. The *Economics Bulletin* is an effort to push it in the direction of open access and control by the scholars who actually produce the research. We hope for support for these goals and thank the RES for its interest in this endeavour.

The *Economics Bulletin website* is: [www.economicsbulletin.com](http://www.economicsbulletin.com)

Ted Bergstrom's website is: [www.econ.ucsb.edu/~tedb/](http://www.econ.ucsb.edu/~tedb/)

### Notes:

1. The author is grateful to John Conley, University of Illinois, for comments in the preparation of this article.

2. *Editor's note:* The issues of cost and of control of published work by academics have been raised before in these pages - by Manfredi la Manna and his ELSSS project. An update on this project appears on p. 7, above. Interested readers might also recall Professor Yew-Kwang Ng's article in the July *Newsletter*, no.114

## New research- on teenage mothers

The UNICEF Innocenti Research Centre in Florence, Italy has just published the first league table showing the rate of 'teenage births' across 28 countries of the OECD. Korea, Japan, Switzerland, the Netherlands and Sweden occupy the top places with fewer than seven per 1,000. AT the bottom come the USA and UK with over 50/1000 and 30/1000 respectively. The countries at the bottom of the table, also have the highest rate of births amongst 'young' teenagers, aged 15-17. With a few exceptions, the countries with high rates of teenage motherhood are countries with relatively high income inequality and low proportions of 15 to 19 year olds in education.

Births to teenage mothers are declining, with a corresponding rise in average age of the mother at first birth. But this still means that 1.25 million teenage girls across the industrialised nations will become pregnant this year and approximately half a million will seek abortions. Furthermore, while the numbers may be declining, the problems associated with teenage motherhood are, if anything, increasing.

Research commissioned by UNICEF from the Institute of Social and Economic Research at Essex, and based upon 13 EU countries, shows that women who have their first child in their teenage years are much more likely to experience poverty and other disadvantages, than those women who have their first child in their twenties or later. Other disadvantages include lower educational attainment, a higher probability of being a single parent and a lower probability of employment (for themselves and their partner). The disadvantages vary in their severity across countries, but taking the disadvantages together, the UK ranked third from the top. Combining the 'severity' of these disadvantages with the fact that the UK's rate of teenage pregnancy is by far the highest in Europe puts the UK way out front.

More information can be found at:

[www.unicef-icdc.org](http://www.unicef-icdc.org) and at [www.iser.essex.ac.uk/epag/pubs](http://www.iser.essex.ac.uk/epag/pubs)

## ...and on child poverty

Another research project sponsored by UNICEF shows that the standard way of measuring child poverty understates its extent by large amounts. The usual practice is to quote rates of child poverty by taking a snapshot of the fraction of children 'in poverty' at a particular time. In the UK, this typically gives a figure of about 17 percent. But Bruce Bradbury, Stephen Jenkins and John Micklewright show that if the experience of a cohort of children is monitored over time, then a much higher proportion will experience poverty for a period of time. Over a five year period the percentage for the UK more than doubles to 39 per cent. Looking at just a two year period increases the recorded rate in Ireland by a third and in Spain by 50 per cent.

The standard measure also ignores the incidence of prolonged child poverty - those who poor from one year to the next. Across the countries studied, between five and nine per cent of all children in the poorest fifth, stay there for at least five years.

Further information: email [stephenJ@essex.ac.uk](mailto:stephenJ@essex.ac.uk) or [jmicklewright@unicef.org](mailto:jmicklewright@unicef.org)

# Obituaries

## Thomas Wilson

Thomas Wilson died on 27 July at his summer cottage in Callander, Perthshire, aged 85. One of the first economists to explain Keynesian macroeconomics to a wider audience in his *Fluctuations in Income and Employment* (1942) based on his LSE PhD thesis, Wilson made major contributions to theoretical and applied economics over a period of 60 years.

Born in Belfast, Wilson took his first degree at Queen's University, then his PhD at the London School of Economics (supervised by Kaldor and Durbin). He joined the civil service during the war, first in the ministry of economic warfare, then in the ministry of aircraft production, and later in the Prime Minister's Statistical Branch under Professor Lindemann (Lord Cherwell). In 1944, he made a foray into the crew of a small tug helping to put the mulberry harbours into place, something which would have had to be sanctioned by Churchill himself. From 1946 until 1958 as Mynors Fellow in Economics at University College, Oxford, and then until 1982 as Adam Smith Professor of Political Economy at the University of Glasgow, Wilson published an unending flow of books and articles, among them the important *Oxford Studies in the Price Mechanism* (with P W S Andrews) in 1951 and later books on political economy such as *Modern Capitalism and Economic Progress* (1950), *Planning and Growth* (1965) and *The Market and the State* (1976).

In 1976 he played a crucial part in the celebrations in Scotland of the bicentenary of the publication of Adam Smith's *Wealth of Nations*.

In the 1980s he turned to welfare economics, publishing books and articles jointly with his wife Dorothy who had studied sociology at LSE and lectured in the Department of Social Administration at Glasgow University. Wilson's last book was a commemorative account of *Churchill and the Prof* (1995).

Tom Wilson was a person of great charm, dry humour and intellectual curiosity. He was for many years President of the Scottish Economic Society and had many honours conferred on him, among them the OBE, an honorary doctorate at the University of Stirling and honorary fellowships at LSE and Glasgow University.

Dorothy died in 1999 after many years of staunch endurance of multiple sclerosis. He is survived by one son, three daughters and eight grandchildren.

H W Arndt  
Australian National University

## John Corina

John Corina died of cancer on July 24 2001, aged 70. Born in 1931, the descendant of Italian immigrants, John was educated initially at Sutton Grammar School, Surrey and then at New College, Oxford, from which he graduated with a first in Politics, Philosophy and Economics in 1956. From there he went to Nuffield College on a research scholarship and took his doctorate in 1961.

Throughout his career, he was mainly interested in issues of labour economics and prices and income policy in particular. His DPhil, supervised by the socialist economist G D H Cole, examined the British government's experiments with wage restraint between 1948 and 1950. This was followed by *Labour Market Economics, Incomes and Prices Policy in the UK, 1959-68* (with John Merrick) and *Incomes Policy: Problems and Prospects*.

His teaching career began at what was then St Peter's Hall, Oxford in 1958 before short spells at Harvard and at Sussex University. When he returned to as fellow and tutor in economics from 1965 to 1979 St Peter's had become a full Oxford College and John did much to encourage and facilitate access to Oxford for 'blue-collar' mature students. As a teacher he was known for his emphasis on thoroughness - of reading and research - a characteristic of his own work, and inspired a mixture of panic and affection, usually in that order, amongst his students.

His politics were those of the moderate, leftwing, social democrat. At Oxford he was close, physically and intellectually, to the labour economists and industrial relations experts at Nuffield College, centred on the late Hugh Clegg but including as well Allen Flanders, Bill McCarthy and Philip Williams. He was an admirer of the 'Swedish model' of industrial democracy and was given to recommending the work of Ragnar Nurkse to students and colleagues.

He suffered for much of his adult life from manic depression, phases of which were sometimes completely disabling. Relief from its worst deprivations followed his lastingly happy marriage to Radha Prasad, nurse and health service administrator.

He is survived by Radha and a son and daughter.

# Correspondence

## Members of the Club

Sir,

Rolf Henriksson's capsule history of Sweden's Nationalekonomiska Föreningen (*Newsletter*, no. 113, April 2001) opens up interesting questions concerning the social and intellectual dynamics of a professional association that has been around long enough (125 years) to have experienced and observed considerable change. Professor Alan Peacock was quick to inquire (*Newsletter*, no. 114, July 2001) why the venerable N.F. ignored or marginalized the highly significant contributions of such eminent Swedish economists as Tord Palander, Eric Lindahl, and others. Why would such persons, whose contributions were of recognized significance at the time they first appeared, and have since been translated and published in *International Economic Papers*, not be included in the association's speaker schedule? The answer, if available, perhaps would tell us little about the development of economic theory but a great deal about the social and political dynamics of Sweden's N.F.

I share Professor Peacock's disappointment that an economist as brilliant as Tord Palander would not be heard by the N.F. It is puzzling, for example, why he would not have been invited to speak on Keynesian theory of national income determination, 1938-42 or after. He would have been the one association member with the most complete grasp of Keynes' *General Theory*. His success, while on a Rockefeller post-doc at the University of Minnesota, in converting Alvin Hansen to Keynesianism would certainly have prepared him for the task of presenting the new paradigm. It seems unlikely that he could have been kept from making a presentation on Keynesian theory because the material was 'too theoretical' for a pedagogic treatment of the basic elements. Other questions come to mind: Could it be that Palander's maverick view that Sweden's economic recovery from the Great Depression was the result of the country's rise in exports - and not its widely touted monetary policy - placed him in disfavour with F.N. members as much as it did with Irving Fisher? Or, alternatively, might his 1941 critique of Gunnar Myrdal's *Monetary Equilibrium* (English, 1939; Swedish, 1931) have offended? Inasmuch as the quality of Palander's analysis is not questioned, could the critique's reception have aroused personal or political animosities among the members of Myrdal's political cohort?

But whatever the particular cause of the N.F.'s failure to invite the country's foremost Keynesian to speak on the *General Theory*, there is one subject on which I can offer a footnote to Professor Palander's experience: In the late 1950's, Palander had turned his interest to the question of index bonds and the specific question of the performance of a free market in index-linked paper. He found it impossible, however, to obtain a research leave from his teaching post in Uppsala to continue his writing. Although *Värdebeständighet*, his one book on the subject, had appeared, and he had secured promise of private research support, research leave continued to be refused. At the

time (1960-61), Palander attributed the denial of his request for a research leave to political interests in Stockholm which strenuously objected to a market for index bonds because of its perceived threat to the government's pro-inflationary policies. Might we question here whether the same set of motivations that guided the governmental functionaries who preferred that Palander teach, rather than do research, also directed the hand of those who penciled in the N.F.'s speaker schedule? In any case, the N.F. did not invite Professor Palander to speak on the functioning of a free market for index bonds.

Robert V Eagly  
Evanston, Illinois

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## Transport policy

*continued from page 10*

In practice, however, there were few benefits to the public which could be credited specifically to the Labour Government. Air quality and safety continued to improve but this was a continuation of a trend set under earlier administration while another established trend, in technology this time, led to slower growth in carbon dioxide emissions. Traffic growth continued but reduced by the fuel price escalator - another Conservative innovation. Benefits accrued largely from leaving these as they were, rather than from any radical policy.

On the downside, little freight was transferred from rail to road; the withdrawal of road building schemes had to be reversed and at the first sign of popular discontent, raising the fuel price as a deterrent to road use was dropped. Much was heard about 'social inclusion' in transport planning but little was seen. Most transport rhetoric centres on a switch from road to rail, but rail travel is expensive, provides for relatively few journeys and is used predominantly by the well-to-do. Buses, meanwhile, much more accessible to most people, continue in their unregulated way.

Railway policy has remained dominated by confusion about the appropriate institutional structure, about the appropriate degree and kind of regulation and, where Railtrack is concerned by injudicious government intervention at times of crisis.

Policy on London Underground is another area of failure. The backlog of investment remains and the government has presided over a steady decline in quality of service. The Public Private Partnership is impractical and profoundly unpopular with a public which has explicitly rejected it. There are several better ways forward.

The Ten Year Plan is a more positive development in so far as it recognises that the sort of behaviour that it is trying to influence is subject to long-term (e.g. demographic trends). Even so, it urgently needs to be accompanied by some verifiable criteria about what constitutes good value for (public) money if the motoring majority's newly rediscovered power is to be resisted.

# ESRC news

## New Centres, Groups and Networks

As the result of the recent competition the Council's Research Priorities Board is to fund a number of new Centres, Groups and Networks.

A new Centre for Business Relationships, Accountability, Sustainability and Responsibility (BRASS) will be established in the Cardiff Business School at Cardiff University. At the core of the Centre will be five key projects. Two will deal with unfolding business relationships and forms of accountability. The other three are supply network analyses drawing on established expertise in the automotive, electronics and food sectors.

A Research Group at the University of Bath will aim to develop a conceptual and methodological framework that will be used to evaluate and enhance existing approaches to poverty, inequality and the quality of life. Studies will be conducted within four developing countries and the work will complement that of the Global Poverty Research Group which will comprise the Centre for the Study of African Economies at the University of Oxford and the Institute of Development Policy and Management at the University of Manchester.

Another Research Group, to explore the dynamics of family change, particularly within the context of the generation of 'social capital', is to be established at Southbank University. It will look at the ways in which family connections and group membership generate ties, norms and values that influence people's behaviour and at whether these may be changing and why.

In addition, two new Priority Networks are to be established in the area of crime. The first, at the University of Sheffield, will involve research teams across five different universities. It will look at pathways in and out of crime for young people, particularly in the four risk domains of school interactions, individual and peer group relations, family connections and community life. The second Network, to be based at the University of Cambridge, will explore the factors underlying the development of delinquent crime and criminal careers, through large-scale longitudinal research in a number of cities.

## New research centre in Microdata Methods and Practice

The 'Centre for Microdata Methods and Practice' (CEMMAP) is a joint venture by the Institute for Fiscal Studies and the Department of Economics at University College London. Funded by the Leverhulme Trust, its aims are to stimulate development of microdata methods and practice and encourage their application.

An inaugural conference will be held on 6 December at the Royal Society of Arts in London. Speakers will include James Heckman, Daniel McFadden, Andrew Dilnot and others.

Further details: <http://emmmmap.ifs.org.uk/launch.shtml>

## ESRC Research Directory

The ESRC's *Directory of Research* will be published during October. It is an invaluable guide for research users and practitioners, listing all the research funded by the ESRC in 2000-01. Phone 01275 849101

## New appointments

Andrew Chesher, Professor of Economics at University College, London, has been appointed to the Council of the ESRC. He is also Chair of the ESRC Election Studies Steering Group, ESRC Time Use Survey Steering Group and was previously a member of the ESRC Research Resources Board. He is joined on the Council by Professor Patricia Broadfoot (Bristol), Professor Robin Wensley (Warwick) and Professor Steve Wilks (Exeter).

## 2000-2001 Annual Report

The ESRC's latest *Annual Report* has just been published in both hard copy and on-line format.

In his first Annual Statement as Chief Executive, Dr Gordon Marshall reported that the main highlight of the year was the allocation of funds from the Government's Comprehensive Spending Review. As a result, the Council's annual baseline budget will increase from its current £73m to £92m by 2003/04. This the largest proportionate increase given to any of the Research Councils and is also the largest increase that the Council has had in its thirty-five year history.

The *Annual Report* is an indispensable source of facts and figures about the ESRC's activities. It reveals, *inter alia*, that 47 per cent of ESRC funding went to the ten highest funded institutions; that 209 grant applications were funded (out of 595 received) and that over 1,000 studentships were funded.

Copies of the *Report* are available by phoning 0175 849101. The full *Report*, together with additional facts, figures and ESRC news can be viewed on the ESRC's website: <http://www.ESRC.ac.uk>

## Overseas Development Institute

The *Newsletter* has frequently carried news of ODI initiatives and research.

Its 2000/01 *Annual Report* showing details of the research and other activities undertaken by the ODI has just been published. Copies can be obtained by phoning 020 7922 0300.

The ODI's website is: [www.odi.org.uk](http://www.odi.org.uk)

# Quantification of incentives - a cautionary note

*Stimulated by Andrew Oswald's recent warning about the dangers of HEFCE's research assessment exercise to young researchers (Newsletter no. 113, April 2001), a reader was moved to send in the following extract from Herman Daly's Beyond Growth.*

The act of measurement always involves some interaction and interference with the reality being measured. This generalised Heisenberg principle is especially relevant in economics, where the measurement of a success index on which rewards are based, or taxes calculated nearly always has perverse repercussions on the reality being measured. Consider, for example, the case of management by quantified objectives applied to a tuberculosis hospital, as related to me by a physician. It is well known that TB patients cough less as they get better. So the number of coughs per day was taken as a quantitative measure of the patient's improvement. Small microphones were attached to the patients' beds and their coughs were duly recorded and tabulated. The staff quickly perceived that they were being evaluated in inverse proportion to the number of times their patients coughed. Coughing steadily declined as doses of codeine were more frequently prescribed. Relaxed patients cough less. Unfortunately the patients got worse, precisely because they were not coughing up and spitting out the congestion. The cough index was abandoned.

The cough index totally subverted the activity it was designed to measure because people served the abstract quantitative index instead of the concrete qualitative goal of health. Perversities induced by quantitative goal setting are pervasive in the literature on Soviet planning: set the production quota for cloth in linear feet, and the bolt gets narrower; set it in square feet, and the cloth gets thinner; set it by weight and it gets too thick. But one need not go as far away as the Soviet Union to find examples. The phenomenon is ubiquitous. In universities a professor is rewarded according to number of publications. Consequently the length of articles is becoming shorter as we approach the minimum publishable unit of research. At the same time, the frequency of co-authors has increased. More and more people are collaborating on shorter and shorter papers. What is being maximised is not discovery and dissemination of coherent knowledge but the number of publications on which one's name appears.

from H Daly, *Beyond Growth*  
(Boston: Beacon Press, 1996) p.41

# RES news items

## 2002 Easter School

The twelfth Easter School organised by the Society, with financial support from the Economic and Social Research Council, will be held at the University of Birmingham from 10 to 17 April 2002. The School is intended primarily for advanced post-graduate students 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 field of economics, to have the opportunity for study and discussion with two leading authorities in this field, and to meet other graduate students.

In 2002, the subject of the school will be **Organizations, Incentives, Society and Economic Behaviour**; the lecturers will be Margaret Meyer (Nuffield College, Oxford) and Andrew Postlewaite (Department of Economics, University of Pennsylvania).

Places are available for 25 resident students. 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 C V, a reference, and a note on the applicant's research interests.

Applications should be submitted no later than 31 December 2001 to The Secretary, Royal Economic Society Easter School, Department of Economics, University of Birmingham, Edgbaston, Birmingham B15 2TT. Successful applicants will be informed in early February 2002.

## Titles for degrees in the United Kingdom

A list of thesis titles of higher degrees in economics, taken entirely by thesis or dissertation and awarded in the United Kingdom during the academic year 2001-2002 will be published in the June 2002 issue of the *Economic Journal*. Degrees already awarded in 2000-2001 may also be included. The subject classification is that used by the *Economic Journal* for Book Notes; this classification is derived from the one devised by the American Economic Association and used in the *Journal of Economic Literature* since March 1991.

Details required for publication are:

- Name of author
- Title of thesis
- Type of degree (MA, M.Sc., D.Phil., Ph.D.)
- Date of award
- Where thesis can be consulted
- Classification (using *JEL* classification)

Information should be sent by **30 November 2001** to Eleanor Burke, Royal Economic Society, London Business School, Regent's Park, London NW1 4SA (E-mail: eburke@london.edu).

## Have you voted yet?

Ballot papers for the election of Council members were sent to all those who were members of the Society in August. Ballot papers must be returned to the Secretary-General by **5 November 2001** in order for the votes to be included in the count.

**Make sure that your ballot papers are returned before the closing date!**

Members have also been invited to propose candidates for consideration by the Nominating Committee for the vacant places on council from 2003. Those proposed should have given consent to their names going forward. Proposals should be returned to the Secretary-General by **5 November 2001**.

## Support for small academic expenses

The Society is able to offer financial support to members who require small sums for unexpected expenditures - including 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.

Applications, in the form of a letter and stating the purpose for which a small grant (maximum £600) is required, should be sent to Dr Jane Humphries, c/o Ms Eleanor Burke, Department of Economics, London Business School, Sussex Place, Regent's Park, London NW1 4SA. Fax: 44 (0) 171 724 1598. E-mail: eburke@london.edu

## Conference grant fund

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. Application forms and further particulars may be obtained from: Professor C Milner, Department of Economics, University of Nottingham, Nottingham NG7 2RD. Fax: 0115 951 4159.

## Visiting lectureships

The Society funds annually up to five short visiting lectureships which allow a distinguished academic to visit a university in the UK for a period of one week, meet with staff and students, and give a short series of lectures.

Departments wishing to nominate academics for such a visit should write to the Secretary-General, Professor Richard Portes, Department of Economics, London Business School, Sussex Place, Regent's Park, London NW1 4SA. The dates of the proposed visit should be specified together with details of the arrangements for the programme of lectures and seminars. Applications are considered in **February, May and October** each year.

## 2002 Annual Conference

The 2002 Annual Conference will be held at the **University of Warwick** from **Monday 25 to Wednesday 27 March**. Invited speakers will include:

- Professor John Campbell (Harvard)
- Professor Maurice Obstfeld (Berkeley)
- Professor Peter Phillips (Yale).

Further information about the conference arrangements may be obtained from Dr Wiji Arulampalam, Local Organiser, RES Conference 2002, Department of Economics, University of Warwick, Coventry CV4 7AL. Tel: 024 7652 3471 Fax: 024 7652 3032 E-mail: res2002@warwick.ac.uk Internet: [www.res.org.uk/conf.html](http://www.res.org.uk/conf.html)

## Publications

The Society offers to its members a number of scholarly publications at special prices. These include: *The Collected Writings of John Maynard Keynes*; *Keynes Lectures, 1932-35*; *Malthus' Principles of Political Economy* and *An Essay on the Principles of Population*; *Official Papers of Alfred Marshall* and *The Correspondence of Alfred Marshall, Economist*.

A full list with the special prices may be obtained from Ms Eleanor Burke, Department of Economics, London Business School, Sussex Place, Regent's Park, London NW1 4SA. Fax: 44 (0) 171 724 1598. E-mail: eburke@london.edu or via the Society's home page on the internet ([www.res.org.uk](http://www.res.org.uk)).

Enquiries about rights, permissions and initiatives relating to editions and other scholarly works should be addressed to The Publications Secretary, Professor Donald Winch, Arts E, University of Sussex, Falmer, Brighton, BN1 9QN.

## Houblon-Norman fund fellowships

The Trustees of the Houblon-Norman Fund invite applications for Research Fellowships tenable at the Bank of England during the academic year 2002/2003. The appointment 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 the 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 30 November 2001) and details are available from <http://www.bankofengland.co.uk/houblonnorman/> or Miss Margot Wilson, Bank of England, Secretary's Dept, HO-3, Threadneedle Street, London, EC2R 8AH. E-mail: [Margot.Wilson@bankofengland.co.uk](mailto:Margot.Wilson@bankofengland.co.uk).

# Conference Diary

2001

october

26-27 October

Crete, Greece

Annual conference of **ASSET** to be held at the University of Crete. The programme will include parallel sessions, discussion panels and lectures.

Further information from: Internet: [asset.ebusiness.uoc.gr](http://asset.ebusiness.uoc.gr)

november

1-2 November

Nottingham

Third international conference on **Money, Investment and Risk** to be held at the Nottingham Trent University.

Further information from: Dr Leighton Vaughan Williams, Department of Economics and Politics, The Nottingham Trent University, Burton Street, Nottingham NG1 4BU. Tel: 0115 848 5516 Fax: 0115 848 6829 E-mail: [leighton.vaughan-williams@ntu.ac.uk](mailto:leighton.vaughan-williams@ntu.ac.uk) Internet: <http://ess.ntu.ac.uk/economics/conf.htm>

25 November

London

CALL FOR PAPERS

Sixth **Postgraduate Economics Conference** to be held at the School of Oriental and African Studies, London. The conference is open to all PhD students, both current and recently completed. Those wishing to present should send either full paper or extended abstract by **22 October 2001** to Gary Slater, Dept of Economics and Politics, Nottingham Trent University, Burton Street, Nottingham NG1 4BU. E-mail: [gary.slater@ntu.ac.uk](mailto:gary.slater@ntu.ac.uk)

Further information from: Gary Slater at the address above. Internet: [www.leeds.ac.uk/cipp/pgc.htm](http://www.leeds.ac.uk/cipp/pgc.htm)

29 November - 1 December Washington DC, USA

Fourth international conference of the **International Society for Quality-of-Life Studies (ISQOLS)**.

Further information from: [www.cob.vt.edu/market/isqols](http://www.cob.vt.edu/market/isqols)

december

5-7 December

Rome, Italy

CALL FOR PAPERS

Tenth international conference organised by Università Tor Vergata, Rome, on **Competition, Financial Integration and Risk in the Global Economy**. Papers on the following themes will be presented: financial markets integration and institutions; financial governance, monetary policies and

growth; fundamental and observed equity values; credit risk and banking regulation.

Further information from: Professor Michele Bagella, Dipartimento Economia e Istituzioni, Faculty of Economics, University of Rome Tor Vergata, Via di Tor Vergata snc, 00133 Rome, Italy. Tel: 39 6 72595720 Fax: 39 6 2020500 E-mail: [bagella@uniroma2.it](mailto:bagella@uniroma2.it)

17 December

London

CALL FOR PAPERS

Tenth Quasi-Markets Research Seminar on **The Safety Case: Impact on Safety of Public - Private Partnerships, Contracts and Budgets** to be held at the London School of Hygiene & Tropical Medicine. Abstracts (max 300 words) should be sent by **29 October 2001** to Dr J A Roberts, CCEDI, Health Service Research Unit, London School of Hygiene and Tropical Medicine, Keppel Street, London WC1E 7HT. E-mail: [j.roberts@lshtm.ac.uk](mailto:j.roberts@lshtm.ac.uk)

Further information from: J A Roberts or Kate Archibald at the address above. Tel: 020 7927 2222. Fax: 020 7580 8183

2002

january

4-6 January

Georgia, USA

Annual meeting of the **Econometric Society** (joint with the American Economic Association) to be held in Atlanta, Georgia, as part of the ASSA Meeting.

Further information from: E-mail: [es@www.econometricsociety.org](mailto:es@www.econometricsociety.org) Internet: [www.econometricsociety.org/es/meetings](http://www.econometricsociety.org/es/meetings)

7-9 January 2002

Norwich

CALL FOR PAPERS

Sixtieth bi-annual meeting of the **Health Economists' Study Group** to be held at the University of East Anglia. Papers in all areas of health economics are welcome.

Further information from: Kath Hartnell, Health Economics Group, School of Medicine, Health and Policy Practice, University of East Anglia, Norwich NR4 7TJ. Tel: 01603 593602 Fax: 01603 593604. E-mail: [k.hartnell@uea.ac.uk](mailto:k.hartnell@uea.ac.uk)

31 January - 2 February

Georgia, USA

Annual conference of the **Georgia Political Science Association** to be held in Savannah. The theme of the conference will be Centralisation versus Decentralisation in Government Systems.

Further information from: Professor Harold Cline ([hcline@warrior.mgc.peachnet.edu](mailto:hcline@warrior.mgc.peachnet.edu)).

## march

14-17 March

Crete, Greece

*Sixth annual conference of the **European Society for the History of Economic Thought (ESHET)**. The keynote topic will be: social changes and economic development in the history of economic thought.*

Those wishing to present a paper should send an abstract (max. 500 words) along with their full contact details by **30 September 2001** to Professor George Stathakis at the address below.

*Further information from:* Professor George Stathakis, Department of Economics, University of Crete, Rethymno, Greece 74100. Fax: 30 83 177406. E-mail: eshet2002@econ.soc.uoc.gr Internet: ww.soc.uoc.gr/eshet2002/tinfo.htm

21-23 March

Brighton

CALL FOR PAPERS

*Conference on **Rethinking Science Policy: Analytical Based Frameworks for Evidence-based Policy** organised by SPRU to be held at the the University of Sussex. The conference will focus on new models for science policy and new papers will be presented. Those wishing to present a paper should send extended abstracts (1000 words max) by **1 November 2001** to Alison Bambridge, SPRU, Mantell Building, University of Sussex, Brighton, East Sussex BN1 9RF.*

*Further information from:* Alison Bambridge at the above address. Email: a.bambridge@sussex.ac.uk Internet: www.researchineurope.org

25-27 March

Warwick

*Annual conference of the **Royal Economic Society** to be held at the University of Warwick. See page 20 for further details.*

*Further information from:* Internet: www.res.org.uk/conf.html

27-28 March

Erfurt, Germany

CALL FOR PAPERS

*Fifteenth consecutive workshop in **Law and Economics** will be held at the University of Erfurt. Papers in any field of Law and Economics are welcome.*

*Further information from:* Professor Dr Jurgen G Backhaus, University of Erfurt, Nordhauser Strasse 63, 99089 Erfurt, Germany. E-mail: juergen.backhaus@uni-erfurt.de

28-30 March

Florida, USA

*Ninth annual conference of the **International J A Schumpeter Society**. The theme of the conference is Entrepreneurship, the New Economy and Public Policy: Schumpeterian Perspectives. Abstracts (max. 2 pages) should be submitted by **30 September 2001** to Professor Robert*

Lanzilloti, University of Florida, Graduate School of Business, 201 Bryan Hall, PO Box 117150, Gainesville, FL 32611-7150 (E-mail: lanz@dale.cba.ufl.edu)

*Further information from:* Professor Horst Hanusch, University of Augsburg, Department of Economics, Universitaetsstr. 16, D-86135 Augsburg, Germany. E-mail: horst.hanusch@wiso.uni-augsburg.de Internet: www.uni-augsburg.de/vwl/hanusch/iss/index.html

## april

10-13 April

New Mexico, USA

CALL FOR PAPERS

*Twenty-fourth annual international conference of the **Association for Arid Lands Studies (AALS)** to be held in New Mexico. The main focus of the meeting is on issues of energy, environmental, resource, and land use that are not unique to an economic perspective. Those wishing to present a paper should send an abstract (150 words) by **1 November 2001** to David E.R. Gay, AALS Program Chair, Department of Economics, WCOB 402, Sam M Walton College of Business, University of Arkansas, Fayetteville, AR 72701-1201, USA (or E-mail to: dgay@walton.uark.edu).*

*Further information from:* Internet: www.iaff.ttu.edu/aals/default.htm

13-15 June

Bilbao, Spain

CALL FOR PAPERS

*Sixteenth annual conference of the **European Society for Population Economics**. Keynote lectures will be given by: David Laibson (Harvard University) and Charles Manski (Northwestern University). Submissions (abstract and if possible full paper as PDF or MSWord) should be sent by **1 February 2002** to Professor Peter Kooreman at: espe2002@eco.rug.nl*

*Further information from:* Internet: www.espe.org

## june

20-23 June

Heilbronn, Germany

CALL FOR PAPERS

*Fifteenth Heilbronn symposium in **Economics and the Social Sciences** will be devoted to literature on 'The Social Question'.*

*Further information from:* Professor Dr Jurgen G Backhaus, University of Erfurt, Nordhauser Strasse 63, 99089 Erfurt, Germany. Email: juergen.backhaus@uni-erfurt.de

23-26 June

Dublin, Ireland

*International symposium on Forecasting* organised by the International Institute of Forecasters to be held at Trinity College Dublin. Keynote speakers to include: Professor David Hendry (Oxford University) and Dr Bill Swan (Boeing Commercial Airplane Group).

*Further information from:* Professor John Haslett, Department of Statistics, Trinity College, Dublin 2, Ireland. Tel: 353 1 6081114 Fax: 353 1 6615046 E-mail: john.haslett@tcd.ie Internet: www.isf2001.org/

17 June - 3 July

Kansas, USA

*Seventh annual Post Keynesian Workshop.* The workshop consists of a Post Keynesian Summer School (17-29 June), open to graduate students and junior professors, and a Post Keynesian Conference (29 June - 3 July). The program, organised by Paul Davidson and Jan A Kregel will provide a rigorous discussion in both theoretical and applied aspects of Post Keynesian economic theory and meaningful prescriptive policies relevant to real world phenomena.

*Further information from:* Pavlina R Tcherneva, Centre for Full Employment and Price Stability, UMKC-Economics, 5100 Rockhill Road, Kansas City, MO 64110, USA. Tel: 818 235 5835. E-mail: tchernevap@umkc.edu

27-29 June

Erfurt, Germany

CALL FOR PAPERS

*Spring 2002 meeting of the German Association for Political Economy* will be held at Erfurt University. The topic of the meeting is 'Rediscovering the Historical Schools'. Abstracts of 500-800 words should be sent to Jurgen Backhaus at the address below by **1 December 2001**.

*Further information from:* Professor Dr Jurgen G Backhaus, University of Erfurt, Nordhauser Strasse 63, 99089 Erfurt, Germany. E-mail: juergen.backhaus@uni-erfurt.de

july

5-6 July

Berlin, Germany

CALL FOR PAPERS

*Tenth international conference on Panel Data* to be held at the Academy of Science, Berlin. The aim of the conference is to bring together economists, econometricians, statisticians and social scientists who are interested in or are working on panel data issues. Those wishing to present a paper should send by e-mail complete papers (as pdf-file) by **1 February 2002** to Panel2002@unisg.ch

*Further information from:* Internet: www.diw.de/soep/panel2002

5-6 July

California, USA

*Annual conference of the History of Economics Society* to be held at the University of California, Davis. Proposals for

papers or sessions on all aspects of the history of economic thought are welcome. Abstracts or session proposals should be sent by **15 February 2002** to Professor Kevin D Hoover, Department of Economics, 1 Shields Avenue, University of California, Davis, CA 95616-8578. Fax: 530 752 9382 E-mail: kdhoover@ucdavis.edu

*Further information from:* Professor Hoover at the address above. Internet: www.eh.net/he/hiseccoc

8-10 July

Paris, France

*Fourth conference on Health Economics* organised by the French Health Economists Association (Collège des Economistes de la Santé) to be held at University of Paris 5.

*Further information from:* Secrétariat du Collège des Economistes de la Santé, 7 rue de Citeaux, 75012 Paris, France. E-mail: ces2@wanadoo.fr

september

1-2 September

Stirling, Scotland

CALL FOR PAPERS

*Biennial conference of the International Network on Economic Method* to be held at the University of Stirling. Offers of papers (300 word abstract) should be sent by **28 February 2002** to Sheila Dow (s.c.dow@stir.ac.uk).

*Further information from:* Sheila Dow at the e-mail address above. Internet: www.econmethodology.org

2-4 September

Stirling, Scotland

CALL FOR PAPERS

*Annual conference on the History of Economic Thought* to be held at the University of Stirling. Offers of papers (300 word abstract) should be sent by **28 February 2002** to Sheila Dow (s.c.dow@stir.ac.uk).

*Further information from:* Sheila Dow at the e-mail address above. Internet: www.ecn.bris.ac.uk/2002/call.htm

october

10-15 October

Montreal, Canada

CALL FOR PAPERS

*Fourteenth international conference on Input-Output Techniques* to be held at the Université du Québec a Montreal. Papers in any area of input-output analysis should be sent by **1 November 2001** to the Head of the Scientific Program Committee (address below).

*Further information from:* Erik Dietzenbacher, Head of the Scientific Program Committee, Faculty of Economics, University of Groningen, PO Box 800, 9700 AV Groningen, The Netherlands. Tel: 31 50 363 3813 Fax: 31 50 363 733 E-mail: e.dietzenbacher@eco.rug.nl

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