ROYAL ECONOMIC SOCIETY

NEWSLETTER

No. 137 **April 2007**

ROYAL ECONOMIC SOCIETY

Hot from Warwick

Most members will know that the 2007 Annual Conference was held (very successfully again) at Warwick, while this issue was being compiled. This is roughly an annual coincidence and explains why the report of the conference appears in the July issue. This lag, unfortunately, is bound to continue since the writing of that report is a heroic effort that takes some time. We have, however, shortened the production schedule of the *Newsletter* substantially over the last three years and this year marks a notable 'first' in that the lateness of the conference has enabled us to include the Annual Report of the Secretary-General, given at the AGM. Another surprise item for this issue is a summary of Paul Collier's RES Lecture — crowded out of its usual spot in the December *Newsletter*. The amount of material submitted to the *Newsletter* has increased considerably over the last few years. This is very welcome (and is a major reason for the *Newsletter's* existence) but there remains a comparative shortage of spontaneous contributions from overseas and, still, little use is made of the *Newsletter* as a vehicle for rapid responses to 'Features' in the *EJ*. Readers might like consider the possibilities.

Being the April issue, we have another entertaining letter from Angus Deaton. Its main message is the shift in focus of graduate research in the USA but it coincidentally touches on a theme raised by Diane Coyle in her provocatively-titled contribution 'Are economists conquering the world?'. This theme is the expanding boundary of economics to embrace, *inter alia,* experimental methods. This is a development which was well-represented at the conference., incidentally, so there's a good chance we'll read more about it in the next issue.

Finally, if you think the *Newsletter* looks different — it does. A bit.This is the result of improved software whose main benefit to us lies in handling tables. However, the old Albertus font is no longer readily available. A small advantage of the change to a new style is that it gives us a little more space — which may be useful if current trends continue.

In this issue

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Next issue

July 2006

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

15 June 2006

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

18 June 2006

Contributions from readers

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

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

Visit our website at:

www.res.org.uk

Secretary-General's

Annual Report

The Secretary-General, Professor Richard Portes, presented the following report on the Society's activities to its Annual General Meeting, held on 11th April during the 2007 Annual Conference at Warwick.

The RES Annual Conference returns this year to Warwick. The local organisation has been extremely efficient, and for this we are very grateful to Natalie Chen, the Local Organiser, and her colleagues. The Conference brings members of the Society together to discuss their research, economic policy issues, and problems facing the discipline in the UK and elsewhere. This is one of the main annual events for the Royal Economic Society, but we also have a wide range of other activities. My report will discuss our journals, the work of our various committees, and how RES expenditures support our members and the progress of economics.

First, however, I mark with great sadness the passing of Ronald Tress. He had a distinguished career, as Reader in Public Finance at LSE, then Dean of Social Sciences at Bristol, Master of Birkbeck, and finally Director of the Leverhulme Trust. From 1975 to 1979 he was Secretary-General of the RES. Ronnie created the Economics Department at Birkbeck in 1971-72, and that was my first contact with him. The obituary in our *Newsletter* (January 2007) measured him perfectly: 'He was a shrewd and resolute leader and a sensitive judge of people…admired for his knowledge, his wisdom and his common sense, as well as for [his] cool and controlled manner.' But that was just at the professional level — he was also a warm and supportive friend to many.

During the final year of his three-year presidency of the Society, John Sutton has presided over the Council and its Executive Committee, having led the RES in several major initiatives. He and the Treasurer, Penelope Rowlatt, have successfully changed our investment policies: as the 2006 accounts show, investment income is up significantly, and the finances of the Society are strong. The President has also played the major role in formulating and implementing the important new 'job market' meeting, which ran for a second year in January. At this conference, he is succeeded by John Vickers, now back at Oxford after five years at the head of the Office of Fair Trading.

The Council, who are also the Trustees of the RES (as an educational charity), meet annually and occasionally consult by email. Council makes the final decisions on major policy proposals. New members are elected each year, and we welcome at this AGM the latest contingent: Erik Berglöf, Stephanie Flanders, Costas Meghir, Hashem Pesaran, Robert Skidelsky, and Jonathan Thomas.

In 2006 the RES launched a new event: our Job Market (PhD Presentation Meeting), at which final year PhDs present their work and meet prospective employers. For the second year, this took place again in January at the London School of Economics. It was organised by Oliver Linton. 165 aspiring academics and 28 departments of economics interacted, and we expect results soon from our survey of how the event affected placement. We had a mix of UK-based and other European participants — about one-third of the job seekers and one-half of the departments represented came from elsewhere in Europe. The Job Market will be held next year at University College London.

A second initiative, new this year, is the Royal Economic Society competition to designate 'Young Economists of the Year'. In association with tutor2u, we have launched an essay-writing competition open to students currently studying for their A-levels or the International Baccalaureate. They are asked to write on a major current problem in economics or a topic of concern in economic policy. The winner will receive £1,000, and runners up will receive £500. The closing date is 30 April. The winners will be announced in August, and the prize will be presented at the RES Public Lecture at the end of this year.

Publications

The editors of the *Economic Journal* reported to Council in November on the progress they had made since taking up their duties in July 2004. The report appears in the January 2007 *Newsletter*, so I give only a few highlights here. Submission numbers continue to rise, and for the year to 30 June 2006 were up almost 50 per cent from 2002. The proportion of theoretical papers was up, reflecting the editors' efforts to encourage submissions in this area. The *EJ* came seventh in the ISIC citation rankings, fifth among general journals. Turnaround times continue to fall, so that the average paper is dealt with in under four months — an outstanding achievement. The Conference Volume has now been integrated into the Editorship of the main journal. And the book review policy has changed: rather than providing short reviews for a large number of books, the *EJ* is now focusing on a few key new books, giving space for lengthy discussions and debates.

News this year comes also from the Econometrics Journal, our fully electronic product. Karim Abadir has just completed a highly successful term as Managing Editor and is handing over to Richard Smith on 1 May. The editorial structure will be reorganised, with an Editorial Board comprised of the Managing Editor and three or four Co-Editors. Oliver Linton, Jean-Marc Robin, and Pierre Perron have agreed to serve as Co-Editors. The Board will be approaching a number of younger econometricians to serve as Associate Editors.

Our quarterly *Newsletter* is the primary source for information about the RES and its activities — and much more. Peter Howells, the Editor, has no difficulty now in filling the new length of 28 pages. The *Newsletter* is getting more 'news' items to add to the features that he commissions, partly thanks to the efforts of CHUDE to encourage news from departments.

Economic Journal papers and the Annual Conference now get substantial coverage in the press. Our media consultant, Romesh Vaitilingam, puts great effort into bringing relevant material to the attention of journalists. There are already several pieces in the newspapers about papers to be presented here in Warwick. The Society's media efforts have attracted considerable notice, and we are working to use this 'external validation' to demonstrate the importance of economics as a discipline and its broader public relevance.

Our Publications Secretary, Donald Winch, has elaborated and updated the website devoted to Economists' Papers (www.economistspapers.org.uk). There are about 25 new entries and some new features. Among our publications, the Society holds copyright to the Keynes papers and manages the edition of Keynes's complete works. We shall soon be reissuing the *General Theory* with a new introduction from Paul Krugman.

Considerable effort went into the recent redesign and updating of the RES website, and I commend it to you for a wide range of interesting and useful material.

Annual Conference

This is the second Annual Conference overseen by our new Conference Secretary, Robin Naylor. Jeremy Smith, the Programme Chair for this Conference, has assembled an excellent programme of both contributed papers and invited sessions. Over 250 papers will be presented, and the number of parallel sessions has gone up from nine to twelve. The invited lectures are being given by Al Roth (Hahn), Martin Browning (Sargan), and Abhijit Banerjee (*Economic Journal*). The *EJ* Conference issue has been brought under the control of the main *EJ* editorial team, with Steve Machin and Andrew Scott directly responsible. We continue our now traditional series of reports on the conference written by distinguished economic journalists — last year's report, by Chris Giles of the *Financial Times*, appeared in the July *Newsletter*, and Mario Pisani from the Government Economic Service will be covering the highlights of this year's proceedings.

RES Committees

The Committee on Women in the Economics Profession is chaired by Jane Humphries. CWEP's periodic surveys of UK economics departments provide the essential statistical material to underpin its activities. We have seen over the past decade a significant, but still slow improvement of the status of female academic economists in the UK. The Society continues its interchanges with the Economic and Social Research Council through its Research Liaison Committee. The new Chair and Secretary of the Committee of Heads of UK Departments of Economics (CHUDE), Neil Rickman and Tim Worrall, presided at a full meeting of CHUDE this morning. The agenda included presentations on the Economics Network (see the RES website), graduate employability, and the use of experiments in the classroom. There was also further discussion of the 2008 Research Assessment Exercise.

The sixth in the series of Annual RES Lectures launched by the committee on the public profile of economics was given by Paul Collier in December. He spoke in London, Sheffield and Edinburgh, on 'War and Peace in Africa'. The video of the lecture is now online on the RES website. The lectures in this series — from globalisation through the economics of the sex war — show that the best of economic analysis can speak powerfully to the most complex public issues. Nick Stern will deliver the seventh lecture in the series at the end of November this year.

Support for members

Despite our decision to keep the membership subscription frozen for the eighth consecutive year, the RES is determined to continue its support for activities that we believe are of considerable benefit to members and the profession at large. The Society is again offering six Junior Fellowships this year (applications are due by 4 May). The annual Easter Schools in economics and econometrics, each lasting for a week, attract considerable excess demand from advanced PhD students and new faculty. That is because of the exceptionally high standing of those who come to lecture — this year, for example, Philip Lane and Peter Neary are doing the 17th Easter School at Birmingham on 'International Economics'. We are grateful to ESRC for its support of these training workshops, which we very much hope will continue. These are among the most successful training activities known to us, with an exceptional track record. We continue to offer small grants for support of research as well as conference grants. Anton Muscatelli now administers these funds, with great efficiency and fairness.

RES administration

The smooth functioning of the Society has for many years depended heavily on the efforts of Kathy Crocker, our Membership Secretary, and Eleanor Burke, the Administration Officer who works with the Secretary-General. We are always happy to respond to any queries from members.

Letter from America —

Random walks by young economists

As the annual recruitment of young academics draws to a close in the USA, Angus Deaton reflects on changing fashions in graduate work in recent years

As I WRITE, the economics junior job market is winding down. At Princeton, we had the unusually large number of eighteen candidates come visit and present their work, we made eight offers, and have so far had five acceptances. One of the most remarkable features of the market in recent years has been the breadth of topic that currently falls within the ambit of applied economics. As often as not, the talk gives little clue as to the field with which the candidate is affiliated, so that it is necessary to ask, if only to find out about teaching possibilities. Even so, in recognition of the extent to which economists salaries are too low, in spite of their sharp growth, new assistant professors do very little teaching, one course in the first year, two and a half courses in the second year and then, to recover from that effort, a full year off in the third. Included in the bargain is a slush fund that would buy a small house in much of the US (although not in Princeton or Cambridge). (I am exaggerating only to the extent of representing the best offers as typical.) Among the topics presented on this year's job market were studies of the prison parole system in Georgia, (several) of HIV/AIDS in Africa , of child immunization in India, of the political bias of newspapers, of child soldiering, of racial profiling, of rain and leisure choices, of mosquito nets, of malaria, of treatment for leukemia, of the stages of child development, of special education, of war and democracy, of the effects of TV coverage on democracy, of bilingualism and democracy, and many others. (Among the leading departments, only Stanford's graduate students appear to be working almost exclusively on traditional topics.) Twenty years ago, there was essentially none of this. Applied theses were mostly applied price theory, using a set of generally agreed-upon (preferably 'frontier') econometric methods. Issues that seem central now, like poverty, inequality, national and international health, education, the environment, and much of economic development) were left to other disciplines on the grounds that (standard) economics had no framework for analyzing such ill-defined topics.

“ If the typical thesis of the eighties was an elaborate piece of price theory estimated by non-linear maximum likelihood on a very small number of observations, the typical thesis of today uses little or no theory, much simpler econometrics, and hundreds of thousands of observations. ”

Data versus theory

So what is it that economics brings to malaria, child soldiering, or the consequences of parole boards? Price theory is certainly no longer our comparative advantage. It is not that it cannot be applied to a wide range of topics, as Gary Becker and others have repeatedly shown. But if current graduate students know anything of price theory, it would have had to have been self-taught, because it is no longer on the curriculum in the 'best' American departments. (Except Chicago where it hangs on by a whisker, and where in a last ditch attempt to preserve it from extinction, Becker, Kevin Murphy, and Steve Levitt are running an intensive price theory summer camp for graduate students from outside of Chicago.) The advantage that economists have, if advantage it is, is their data handling skills (most social sciences are far from comfortable with millions of observations, to say the least), as well as their well-developed armoury of econometric techniques. If the typical thesis of the eighties was an elaborate piece of price theory estimated by non-linear maximum likelihood on a very small number of observations, the typical thesis of today uses little or no theory, much simpler econometrics, and hundreds of thousands of observations. (The amount of computing time has remained more or less constant.) The extent to which data can effectively be substituted for theory is clearly a topic that is being actively explored, at least empirically.

And now real experiments

In recent years, the dominant econometric method has been instrumental variables; there is much to the jibe that students no longer look for a thesis topic, but for an instrument. As instruments have become ever more baroque, and their justifications ever more strained, and in the face of deeply serious critiques, particularly by Jim Heckman, the popularity of the method seems finally to be on the wane. In its place, there is a fast growing effort to replace econometric methodology, which can be thought of as a set of *ex post* fixes for nonexperimental data, with real experiments, which require no such fix, and whose results are thereby transparent and convincing. There is lively work in laboratory and field experiments, often to test theoretical propositions, fed and encouraged by the growing collaboration between economics and psychology. But nothing has expanded so rapidly as the Poverty Action Lab at MIT, now the Abdul Latif Jamil Poverty Action Lab (J-PAL), founded in 2003 by Esther Duflo, Abhijit Banerjee, and Sendhil Mullainathan (now at Harvard.) Born of a frustration with the inherent unreliability of econometric work, as well as by a perceived failure of the World Bank and other development agencies to evaluate their project work seriously , J-PAL runs an extensive program of randomized controlled trials (RCTs) to evaluate social programs of many kinds, focusing mostly on health and education in poor countries, but with an eclectic overall portfolio of topics. J-PAL has got off to a flying start. It has projects in a dozen or so countries, this year it had vacancies for more than two dozen senior and junior people, and it is currently advertising a five-day course that teaches how to undertake social RCTs, at a cost of $3,950 a head. And the use of RCTs among graduate students and young assistant professors is expanding like wildfire; one Princeton student even persuaded a Mexican city to pave a random selection of its streets.

The movement is not modest in its claims, and it has attracted a good deal of acclaim from outside the profession. Banerjee has argued that the World Bank should cease to fund any activity (including presumably macro policy advice) that has not been previously subject to evaluation by an appropriate RCT. Among other plaudits in the press, *The Lancet*, noted that 'The World Bank is finally embracing science' (if only *The Lancet* would do the same in its treatment of economic issues!) and praised J-PAL for its role in pressing the Bank in that direction. There is much to be excited about in this program. J-PAL and other experimental researchers have come up with several surprising results that upset previous beliefs. And by replicating similar experiments in different settings they are beginning to create an impressive and valuable body of evidence. As might be expected in the first flush of enthusiasm, there has to date been less attention to some of the problems that have bedeviled RCTs in medicine, such as their limited value to physicians in practice, nor to the extent to which RCTs really do solve the standard problems of econometric analysis. (Indeed, many RCT papers subject their experimental results to various econometric corrections and analyses.) And the jury is still out on whether RCTs are any better than large data sets as substitutes for theory.

In the end, it is hard not to think that the quality of research owes more to people than to methods. Certainly, the best of the job market candidates this year made important advances and showed great imagination and skill, irrespective of the unresolved methodological debates that divide the profession. Given this abundant talent, and the new-found (or re-found) commitment of young economists to the great issues of poverty and health around the world, there is surely no fear for the future of economics. And perhaps one day soon, there will once again be a closer dialogue between theory and application.

ESRC Studentships and Postdoctoral Fellowship in Economics

Readers of the Newsletter *will be familiar with the shortage of high quality postgraduate students and postdoctoral fellows in economics. The following is a summary of proposals contained in a letter from ESRC to CHUDE.*

In Economics the number of studentships has been increased and standard stipends enhanced by £3K. This has meant that for 2007 starters, the stipend has been over £15K for economics students. The Council has also enhanced the salaries for postdoctoral fellows in economics which, at £26K is £4K higher than standard levels. The length of postdoctoral awards in economics has also been extended from 12 months to a maximum of two years.

Whilst these measures have helped, drop out levels for economics students, particularly on completion of their Masters degree, remains higher than in other disciplines. Also the volume of economics applications under the ESRC postdoctoral fellowship scheme has dropped to just over 20 this year, whilst the success rate has fallen to 22 per cent. This is some 12 per cent lower than the average for all disciplines.

In discussions with both CHUDE and the RES, the Council has decided to introduce some additional measures.

- Any studentship in economics which is not filled as a result of drop out will be 'recycled' into the current open studentship competition and used to support economics. Here, there are plenty of good quality applicants in economics to whom awards can be made.

- The Council has created a dedicated pool of up to 25 fellowships per annum in economics. Applications can still be submitted through the normal postdoctoral fellowship scheme, but will be assessed by a separate panel of economists rather than through the main postdoctoral panel. Current plans are for the economics panel to hold its first meeting in July 2007, so those wishing to apply for a fellowship need to send in their application by no later than mid April. Having introduced this measure, the ESRC needs the backing of the economics community, and it is vital that heads of Department do everything they can to encourage students to apply for the fellowships and provide the support necessary to ensure good quality applications.

- The Council will look carefully at the proposals in economics arising from the current review of the 1+3 model. If this model does not appear to be meeting the needs of the economics community, the Council will consider, through further discussion with CHUDE and RES, how it might best be revised or restructured.

The ESRC hopes that these supplementary measures will help to meet the needs of the economics community.

Are economists conquering the world?

Diane Coyle celebrates the increasing policy influence of economists in recent years but issues a challenge to RES members to engage with the wider public to ensure the legitimacy of this influence and to consider carefully some fundamental changes that are required in the training of young economists. Diane is the author of The Soulful Science *(Princeton University Press) and an economist engaged in consultancy, the Competition Commission, and the BBC Trust. She is a former member of the RES Council.*

ARE ECONOMISTS CONQUERING THE WORLD? You might think so by looking at policy debates in many countries. We are designing markets and auctions, taking monetary policy out of the hands of politicians, advising on transportation, or health and education reforms. Of course, economists have always been at the heart of a wide range of policy debates, but this combination of pervasiveness and depth of impact is new.

Whence the improvements?

There is good reason for the heightened importance of economics, which is that we have made genuine advances in understanding in many areas of the field. Monetary policy is a good example. In the 1970s and 1980s the policy advice of monetary economists was riven by ideology and consequently very sensibly discounted. The 1990s tossed the clash between monetarism and Keynesianism into the dustbin of history. And while there are still controversies, these are side-issues to the professional consensus about both how to set policy, and what institutional forms are appropriate.

“Across the entire range of the subject, the past decade or so has seen a ferment of intellectual activity. In virtually every specialism, there is a growing body of new empirical evidence with the potential to deliver a better understanding of our economies and societies, and better policy advice.”

Across the entire range of the subject, the past decade or so has seen a ferment of intellectual activity. In virtually every specialism, there is a growing body of new empirical evidence with the potential to deliver a better understanding of our economies and societies, and better policy advice. Some of the areas of advance are positively fashionable — behavioural economics is one example. But others are barely known outside the ranks of the profession. Everywhere from growth theory and development economics to the study of education, labour markets or competition policy, there has been immense progress in our scientific understanding.

There are several possible explanations for this kind of progress. One, probably the most important, is simply the availability of plentiful and cheap computer power, which has transformed so many subjects. This has gone hand in hand with the collection and sharing of a very large number of new data sets, from historical and comparative GDP statistics to panel data sets on individuals, households and firms. And, needless to say, handling data is far, far easier now than in the days when cards or tapes had to be fed into a timeshare computer. What’s more, econometric techniques have also improved immensely, in achievements recognised in Nobel memorial prizes.

Some methodological innnovations have been stimulated by computer power too. Experimental methods and simulations clearly would not have been possible otherwise. There have also been analytical improvements in modelling approaches, such as the type of increasing returns models in widespread use in economic geography, trade theory, growth theory, and industrial economics. Last but not least, the use of game theory has grown widespread, and is important enough that not only the Nobel committee but even Hollywood became aware of it. Game theory has been particularly important because virtually any human interaction can be interpreted through its perspective, so this has taken economics into many areas of life previously considered the exclusive domain of other disciplines. If economics has become imperialist, to use Ed Lazear’s term, it is because of game theory.

Reading recently some of the research in a number of fields published since my days as a graduate student 20 years ago, I was astonished at how much economics has changed. Individually, the developments in any one area would be quite impressive. Taken together, they seemed to me to amount to a dramatic change in the nature of economics, a decisive move away from the neoclassical tradition in which I was trained. Although this post-war tradition has been ludicrously caricatured by many critics of economics, and was never quite as arid and reductionist as painted, it also seemed to me a welcome move. Without any sacrifice of rigour or analytical muscularity, economics has returned to its rich and humane Enlightenment roots as the scientific study of collective human behaviour. It is scientific not in presenting experimentally falsifiable hypotheses, but in the way that evolutionary biology or geology are also scientific, in modelling important aspects of the (social) world around us with relatively few variables, and confronting the models with empirical evidence.

Before this all starts to sound too Panglossian, however, I want to issue a warning to the profession. There are two potential threats to the health of the subject and its ability to influence others.

But beware the threats

First, the renewed policy influence of economists, firmly based as it is on an intellectual renaissance, does not mean that we are newly popular. On the contrary, economists are probably regarded by others with more suspicion than ever. I suspect that even the parts of economics which are appreciated by the wider public now, such as the economics of happiness or behavioural results, are popular because many people believe that they undermine economics rather than strengthening it: that they show policy should really be directed towards maximising happiness but narrow, dismal economists still want it to focus on maximising profits and incomes. The detail that it is economists who are at the forefront of the happiness approach is no obstacle to such a belief.

There is a danger that if we do not address this widespread public mood, the favourable influence of modern economics on policy development will be undermined. There is a general view that economists are malign policy Svengalis, even though wrong.

Natural scientists are in a somewhat similar position. There are certainly controversies in science, but they do not undermine the growing body of technical knowledge, knowledge which has implications for the choices made by governments and individuals. These implications are not always welcomed. Scientists are not - unlike economists - generally distrusted by the public, but their results can often be regarded with suspicion.

They have responded with a major initiative to enhance the public understanding of science, under the auspices of the Royal Society, the Royal Institution and the British Association. The ESRC has its own public understanding of science initiative. I believe we need now a public understanding of economics initiative. In the absence of much apparent interest in economics on the part of the ESRC, the RES will have to take the lead in this. I strongly urge its council members to reflect on this suggestion.

The second challenge for the economics profession is to revise the curriculum, especially at undergraduate level. In his marvellous book, *Marshall's Tendencies*, John Sutton noted that new economics students ask two perfectly reasonable questions: Are people really rational? Can these simple models really adequately capture reality? He continued:

> By the time that students are a couple of years into their studies, both these questions are forgotten. Those students that remain troubled by them have quit the field; those who remain are socialized and no longer ask about such things.

He's absolutely right. Far too many young people are utterly discouraged by their early studies in economics, the plunge into patently over-simplified and meaningless algebra. Students should not have to wait until they are well into their graduate studies before being introduced to the present-day richness of their subject. Although some of it has crept into the textbooks, what's really needed is a thorough redesign of the curriculum rather than a softening of the edges.

When I spoke recently to the newly-founded Economics Society at the London School of Economics and diffidently asked its members what they thought of this suggestion - after all, these were surely some of the brightest and most committed economics students in the land and well advanced in their studies - they were overwhelmingly enthusiastic. In their eyes, most of their peers were taking an economics degree only as a passport to a lucrative job like investment banking. The minority who thought they might be interested in further study seemed to be clinging a little desperately to the idea that the subject would eventually turn out to be as interesting and important as they had initially hoped.

The reason there are relatively few PhD students in economics is surely that we are beating the enthusiasm out of young people much earlier in their education. Of course, we all got through something like the present curriculum ourselves, but that is no reason for believing it should not be redrawn. With hindsight I stuck with my studies in economics thanks partly to an inspirational teacher in Peter Sinclair, willing to fan any flicker of interest with extra tutorials over breakfast in the market, and thanks partly to studying it alongside politics and philosophy, which satisfied my broader interests.

In my book *The Soulful Science* my aim was to present to readers an overview of the range and excitement of developments in economics during the past decade or so. It covers economic growth and development, the assumptions of microeconomic modelling, and the different approaches to modelling collective behaviour, such as complexity or public choice theory and institutional economics. Overall, it has a very positive message about the intellectual advances and empirical discoveries we economists have made, and the consequent capacity of economics to contribute positively to well-being and the quality of life. Surveying the literature indeed made me newly enthusiastic about economics.

However, here I want to issue a challenge. Unless we improve the training of future generations of economists, and unless we engage with the wider public to ensure the legitimacy of our influence on policy, it won't ultimately matter that the economists at the frontier of the subject today have done such impressive work. Intellectual progress needs to be embedded both professionally and socially if it is to make a lasting contribution. The professional readers of this newsletter are exactly the people who should be taking up this challenge.

News from the Economics Network of the Higher Education Academy

• Call for Papers

The fourth international Developments in Economics Education Conference (formerly DEBE) in Cambridge in September will present the latest developments in economics higher education. See Conference Diary, below, p.26.

• Classroom Experiments and Games

Many students respond well to being involved in a game and the experience can fix a concept vividly in their minds. The Economics Network have guides and, in some cases, printable materials to help you introduce games to your classes. http://www.economicsnetwork.ac.uk/themes/games.htm

• Economics Network Visiting Fellow

Paul Riethmuller, a Reader in the School of Economics at the University of Queensland, Brisbane, Australia is visiting the Economics Network from 1 March until 31 May. During this time he will be conducting joint research with staff from the centre. Dr Riethmuller's other current research interest relate to the use of geographical indications in EU agriculture. (Email: p.riethmuller@economics.uq.edu.au)

• Economics In Action

The Increasing Popularity of Economics Degrees. Applications to Economics degrees are up 12.8%, against a general rise in university applications of 6.4%, see the Economics Network's blog on the Why Study Economics? website.

http://whystudyeconomics.ac.uk/blog/?p=42

News from the ESRC Centre for Competition Policy

• Forthcoming events

14-15 June — CCP 2007 Summer Conference: 'Comparative Perspectives on Multi-Jurisdictional Antitrust Enforcement'. Speakers include: Professor Stephen Calkins (Wayne State University), Firat Cengiz (CCP, University of East Anglia); Professor Andrew Gavil (Howard University); Dr. Michael Harker (CCP, University of East Anglia); Professor Scott Hemphill (Columbia University); Professor William Kovacic (FTC); Dr. Philip Marsden (BICL); Professor Stephen Wilks (Exeter University). See Conference Diary, below, p.24.

• New working papers

Cengiz, F (2006) 'The Role of State Attorneys General in U.S. Antitrust Policy: Public Enforcement through Private Enforcement Methods', (CCP Working Paper 06-19): http://www.ccp.uea.ac.uk/publicfiles/workingpapers/CCP06-19.pdf

Ashton, J and Pressey, A (2007) 'The Regulatory Perception of the Marketing Function: an Interpretation of UK Competition Authority Investigations 1950-2005', (CCP Working Paper 07-1): http://www.ccp.uea.ac.uk/publicfiles/workingpapers/CCP07-1.pdf

Barrow, P (2007) 'Just Enough: Empowering Fixed-Line Telecommunications Consumers through a Quality of Service Information System', (CCP Working Paper 07-2): http://www.ccp.uea.ac.uk/publicfiles/workingpapers/CCP07-2.pdf

John Flemming
1941-2003

John Flemming was a first-class economist who made major contributions in the fields of fiscal, monetary and macro economics. But he will be remembered most for general services to the profession and to British public life. Amongst other roles, he served at various times in his career as Editor of the *Economic Journal,* Chief Economist at the Bank of England, first Chief Economist at the European Bank for Reconstruction and Development and as Warden of Wadham College, Oxford.

Charles Goodhart has recently written a memoir of John and anyone wanting a copy of the book should write to:

Prof. C. Goodhart,
Financial Markets Group,
London School of Economics,
Houghton St.,
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(The price is £20 per copy)

The RES Annual Public Lecture

The Bottom Billion

This Royal Economic Society's Annual Public Lecture, 'War and Peace in Africa', was given in London, Edinburgh and Sheffield last December, by Paul Collier of Oxford University. It was based on his new book The Bottom Billion: Why the Poorest Countries are Failing and What Can be Done About It *to be published in May 2007 by Oxford University Press.*[1]

The Third World has shrunk, but we haven't yet woken up to it. The Millennium Development Goals still track the progress of five billion people. Yet four of those billion live in countries that are either already middle-income, or although still poor are developing very fast like China and India. In contrast, the billion people living in the countries now at the bottom of the global economy are stuck. Income in these economies has been almost stagnant for three decades and so they are diverging at an accelerating rate from the rest of mankind. Most of these bottom billion live in Africa, the other key region being central Asia. These will be the development challenges of the coming decades.

"Although globalization is powering growth for the four billion, it is not working for the bottom billion. Indeed, the very success of the four billion has made it much harder for the bottom to get started."

The societies of the bottom billion are not only impoverished, they are prone to civil war with all its attendant disastrous consequences. Some of these consequences are directly economic: civil war reinforces poverty. Others are social, such as mass movements of refugees and the collapse of public health systems. Civil war is often attributed to social or political factors, but together with a young German economist, Anke Hoeffler, I analysed all the civil wars in the world over the past 40 years, to find statistically what accounted for them. It turns out that economic conditions are critical. Countries which are poor, stagnant, and dependent upon natural resource exports are radically more prone to rebellion. In other words, it is not by chance that the bottom billion are often mired in war, it is intrinsic to their economic circumstances.

Explaining stagnation

So, why have the bottom billion failed to grow when the rest of the developing world is converging on the already-rich countries? I think that there is no single, over-arching explanation: the countries of the bottom billion have failed in several distinct ways. One has been the conflict trap: once a civil war has started it usually lasts for many years and even when over it leaves a legacy of a greatly heightened risk of further violence. Another trap has been the potential blessing of valuable natural resources such as oil. Although it is possible to use the revenues from these resources for development, as has been done in Botswana, the more common reality is that this easy money so undermines governance that it impoverishes the country, as happened in Nigeria. Together with a young Dutch economist, Benedikt Goderis, I have estimated how natural resource exports affect growth using global data over 35 years. We use a statistical technique termed 'cointegration'. From the results we simulate how Africa's current commodity booms will play out in future years. If history repeats itself, although in the first few years incomes will be higher, in the long run Africa's economies will be further undermined. A third explanation for why a country might be trapped in the bottom billion is if it is landlocked and surrounded by neighbours who are themselves in one or other of the traps. Being landlocked closes off many of the key opportunities that globalization has generated, and that the coastal countries of Asia have harnessed. If you are landlocked, the best hope is to become a hub for the neighbourhood, but that depends upon the neighbours having successful economies. For Switzerland being landlocked is no problem, its neighbours are Germany, France and Italy; but how about the Central African Republic? Find it on a map and you will see why the neighbourhood opportunities might be limited. A final explanation is that a country can get stuck with very poor economic policies and governance which kill the growth process. With Lisa Chauvet, a young French economist, I have investigated why some countries take much longer than others to pull out of bad policies and governance. It turns out that societies with small populations and little education take much longer to reform: perhaps reform needs a critical mass of educated people. The countries of the bottom billion are mostly small, and have chronically low levels of education.

Although globalization is powering growth for the four billion, it is not working for the bottom billion. Indeed, the very success of the four billion has made it much harder for the bottom to get started. Suppose that a coastal country of the bottom billion succeeds in establishing peace and responsible policies and governance: what then? Can it follow Asia into the global market place for labour-intensive products and so converge? The major obstacle to success is that Asia is already established: it has large clusters of exporting firms and these clusters lower costs of production thanks to economies of agglomeration. For example, 60 per cent of the world's buttons are now made in one city, Qiaotou, China. A button manufacturer in Qiaotou benefits from a massive pool of skills and suppliers that would be lacking if it rebased to Accra in Ghana. When Asia broke in to global markets it was the first low-wage producer with wages about one-fortieth of the established producers in the OECD. Its low labour costs could compensate for its initial lack of agglomeration economies. The bottom billion do not have an equivalent offsetting advantage since Asian labour costs are nowhere near forty times higher than those in the bottom billion.

Helping the bottom billion

So what can be done to help the bottom billion? To date we have relied too much upon aid as the instrument for development. Politicians like aid because it enables moral grandstanding: giving aid is like saying 'I care'. But although the problems of the bottom billion rightly engage us morally, the solutions do not jump out so simply from moral imperatives. Complex problems require a more serious level of analysis.

"Reversing the divergence of the bottom billion is indeed, in the end, as much a moral struggle as a problem in technical economics. But the morality story is not about an evil rich world and its victims, but about a struggle within the societies of the bottom billion between the powerful forces of the status quo and the brave voices for change."

Although aid is not usually 'part of the problem', in bottom billion conditions it is often a pretty weak instrument. For example, giving more money to badly governed and resource-rich countries is unlikely to foster decisive change. What else can we do? Three potent instruments have been neglected. One is peacekeeping and security guarantees. Where there is a high risk of civil war, as during the first post-conflict decade, peacekeeping troops are usually the most effective way of maintaining peace and thereby helping the economy to recover. The British troops that have been maintaining the peace in Sierra Leone are about the most effective development assistance Britain has ever provided to Africa: the cost has been modest and the benefit to desperately poor people enormous. Sierra Leone needs to become the norm, not a shining exception to the usual story of neglect.

A second potent instrument is trade policy. Thinking about trade policy suffers from the same moral grandstanding as aid. 'Fair trade' is unfortunately not the trade policy that the bottom billion need. Nor is the inward protectionism that Christian Aid so idiotically championed in its recent campaign against African trade liberalization: a campaign which three of the world's most eminent trade economists condemned as misguided. The trade challenge is that coastal Africa needs to break into global markets for labour-intensive products but it is uncompetitive because it lacks the established agglomerations of Asia. Africa needs temporary protection from Asia in our markets in order to get started. Both the USA and Europe already have such schemes, but with trade schemes the devil is in the detail. I decided to investigate whether they worked. As you may have noticed, much of my work is with young economists from continental Europe. I would be delighted to work with young British economists but in my field there aren't enough of them. However, for this project I was fortunate to team up with a world-class British economist, Tony Venables, the Chief Economist of the Department for International Development. We found that the American trade scheme, the Africa Growth and Opportunity Act, has been highly effective in raising African exports. The European market is potentially far more important for Africa than the American market, but unfortunately our scheme, Everything but Arms, has been driven by gesture politics rather than economic analysis. It is so badly flawed that it is useless.

A final potent instrument is to set international standards and codes of governance that are pertinent to the distinctive problems of the bottom billion. The Extractive Industries Transparency Initiative, launched by Britain in 2002, is a good example of what is needed. Its main objective was to get greater transparency into oil revenues so that citizens in oil economies could at least find out what their government was receiving. Reformers in Nigeria promptly adopted it as their benchmark of improved governance. But the EITI is just a start. Even in respect of the problems of natural resource revenues it merely scratches the surface. Standards and codes have huge potential as rallying points for reformers within the societies of the bottom billion.

Reversing the divergence of the bottom billion is indeed, in the end, as much a moral struggle as a problem in technical economics. But the morality story is not about an evil rich world and its victims, but about a struggle within the societies of the bottom billion between the powerful forces of the status quo and the brave voices for change. We need to get behind those brave people. To date, our moral posturing has crowded out our real opportunities to support them.

Note:

1. The underlying research papers are on Professor Collier's website: http://users.ox.ac.uk/~econpco/ The lecture can be viewed at http://www.res.org.uk/society/lecture.asp

Promoting interdisciplinary research

Have you ever wondered what a space scientist and a biologist might have in common or how a psychologist could help an economist? In this article, Dr Rachel Brazil discusses the work of NESTA (National Endowment for Science, Technology & the Arts) in trying to find out and discover what great minds and creative thinkers can do when they come together.[1]

The UK produces some of the best scientific research in the world but early specialisation in our education system can lead to disciplines working in isolation. The possibilities for greater innovation and success, were we to collaborate, are immense.

For real breakthroughs to occur then, we must break down interdisciplinary barriers and encourage our great thinkers to work together. This has certainly been part of the rationale behind our Crucible programme, which aims to bring early career researchers together to stimulate new and exciting collaborations across disciplines. As issues like climate change become ever more pressing, creating these kinds of opportunities for collaboration promises not just economic gain, but social benefit.

Ideas often cross disciplines and economics is a great example of a field where cross-fertilisation is becoming more and more important. An area such as complexity theory has not only made an impact in economics but is being taken up by biologists, physicists, psychologists and sociologists.

By providing a forum for early career researchers to meet, discuss ideas, and put their research in a wider context, Crucible aims to support innovation amongst those who are becoming independent of their mentors and looking for new directions. By opening the programme to all science disciplines, including economists and other social scientists - who are even more unlikely to mix with biologists or physicists - the breadth of possibility increases.

Crucible is about thinking differently. Participants go back to their own work feeling inspired and have discovered the skills and attitudes likely to make their research more innovative. They are not expected to solve major issues but they do discover how great the potential of interdisciplinary thinking can be. Previous projects that have emerged from Crucible range from the ongoing collaboration of a biophysicist with a synthesis chemist towards the development of novel nanomaterials to the Sense-Sational Science exhibition at London Zoo, a collaboration between 10 different researchers which takes a more creative approach to teaching children about how animals' use their senses.

Previous participant, Gabriel Cavalli, Lecturer in Materials Chemistry at the University of Surrey found the programme an inspiration: 'Not only did Crucible help me to see the wider context of my work — making me better able to argue the case for it — it made me realise the way I could work with researchers in different disciplines to come up with more compelling research projects and approaches.'

Crucible is all about creating an environment for innovation. Participants are given the opportunity to meet politicians, journalists, artists, and communicators. Away from the day-to- day demands of their own field, they can think about the wider world and the more complex challenges that can't be solved by one discipline alone, such as sustainability or ageing populations. As well as thinking about the social and technical challenges facing society, the programme looks at the importance of researchers engaging with the public and the media.

The success of the programme to date points to a real appetite amongst researchers for this kind of interaction. Denis O'Hora, Lecturer in Psychology at the National University of Ireland, Galway and participant in Crucible 2006 relished the opportunity to form a peer group of researchers 'who wanted to change things, who wanted to make something happen.'

Previous Crucible participants continue to gather informally — with last year's participants holding a fourth weekend themselves. These kinds of networks — even established and maintained informally — should be on every researchers' radar. Too often, especially in academia, people operate in their own very narrow channels, making it all the more critical to create environments which allow greater interaction between disciplines, where ideas can be discussed and developed.

Note:

1. If you are an early-career researcher with a high level of achievement and an ongoing commitment to a career in research and would like further information on Crucible or the work of NESTA visit: www.nesta.org.uk/crucible or www.nesta.org.uk

Economists' salaries in 2006

The Society of Business Economists publishes an annual report on economists' salaries based on survey data. The full report, written by Simon Mansfield, appears in The Business Economist, *37 (2) 2006. We are grateful to the SBE for permission to publish this edited version.*

The 2006 SBE Salary Survey questionnaire was completed by 113 respondents. There are many similar characteristics observed between this year's and last year's population of respondents.

One main headline to be drawn from this survey is that members are receiving less guaranteed income, and more incentive reward. Across all sectors, average salaries are marginally lower than last year (down 1.2 per cent, at £66,700), but average total cash compensation rose significantly, by 9.9 per cent, to £89,800. More members received a bonus this year (63 per cent of respondents against 56 per cent in 2005), although the average percentage of salary that they received was more or less static at 35 per cent and the median percentage was also the same at 14 per cent. The main explanation of the difference is that for the respondents benefiting from a share scheme the average value of shares received rose from £16,800 in 2005, to an average of £24,300 in 2006.

Compared with last year, a larger proportion of the respondents (nearly 25 per cent) is employed in Consulting this year than last, and in the Public Sector (now over 23 per cent). Given the significant increase in Government spending on consulting services, and the increase in recruitment activity among the consulting firms for economists to work facing the public sector, it would be most surprising if these two statistics were not linked.

There were fewer respondents from the Banking sector (only 15 per cent) but a greater number in Other Financial & Asset Management (16 per cent). This perhaps reflects the smaller overall number of banks operating in the United Kingdom, and the greater number of banks now owned by other financial institutions.

Once again, median salaries are typically very close to average salaries, except this year the greatest discrepancy is in the

Table 1: General remuneration profile by sector

	Academia	Public sector	Consulting	Banking	Asset management	Other financial	Manufacturing and distribution	Trade associations	Other
Number	5	26	28	17	8	10	7	10	2
% of total	4.4	23.1	24.8	15.0	7.1	8.8	6.2	8.8	1.8
Average age	54.4	40	45.9	40.1	49.1	45.7	40.4	36.3	32.0
Average service (yrs)	14.8	4.9	7.3	9.6	7.6	10.7	8.1	6.1	3.5
Average salary (£K)	37.7	54.3	75.6	73.2	102	87.0	52.7	44	48.5
Range (£K)	29-43	3-140	0-154	27-135	72-140	46-150	37-85	21-60	47-50
Median (£K)	37.0	48.0	76.0	60.0	88.0	90.0	56.0	48.0	48.0
Average total cash compensation (£K)	38.8	59.1	93.4	130.9	160.0	124.4	71.9	44.7	53.4
Range (£K)	29-43	3-164	24-379	28-430	81-260	50-220	55-110	22-60	52-55
Median (£K)	42	48	81.0	90.0	141.0	127.0	72.0	48.0	53.0
Average pay rise (%)	2.6	4.25	3.84	10.3	5.85	5.70	2.71	1.32	9.50
Average rise OTR* (%)	2.6	6.42	7.08	12.60	9.4	6.3	8.16	4.88	9.50
Range (%)	2-3	0-30	0-20	0-47	0-20	0-10	3-20	0-10	4-15
In share schemes (%)	0	0	25	70	50	40	28	0	50
Receiving shares (%)	0	0	7	41	25	10	14	0	0
Average value OTR(£K)*	0	0	9.5	27.1	6	15	28	0	0
Average bonus (£K)	0	4.8	17.8	57.6	55.1	37.4	8.0	3.5	4.85
Bonus as % of salary	0	7.0	17.0	56.0	49.0	39.0	12.0	1.4	10
Range %	0	0-117	0-146	0-231	0-80	5.0-100.0	0-29.0	0-12.0	10
Avge % of total compensation	0	4.58	10.99	25.8	29.2	25.02	9.88	1.29	9.09
Range %	0	0-54	0.59	0-70	0-45	5-50	0-23	0-11	9

* of those receiving a pay rise or shares

Banking sector, where the average salary is almost 25 per cent higher than the median, showing that a significant skew exists towards those earning less than the mean figure.

General remuneration profile

Table 1 provides details of the profile and fortunes of respondents in each sector, showing relative representation, average age and years of service, as well as providing data on basic salary, bonus and total cash compensation.

The characteristics of respondents in each sector have changed sufficiently to suggest that there has been a sizeable turnover of survey respondents since last year. Yet overall, the average age remains the same as in 2005, at 43 years, and the average years of service with current employers is only marginally different, at 7 years of service.

In Academia the average age has actually fallen, yet the average years of service have increased by over 3 years. In both Banking and Consulting, average service has increased by 2 years; in Trade Associations it has fallen by 2 years and the average age of respondents has fallen by 4 years.

Salaries and total cash compensation

Basic salaries

Within the individual sectors, average salaries range from £37,700 in Academia, to £102,100 in Asset Management. The second highest average salaries (£87,000) were paid in Other Financial (insurance companies for the most part), and third was Consulting (£75,600). Across all sectors, median salaries ranged from £37,000 to £90,000, an increase of 11 per cent over 2005. The most notable changes were in the Public Sector and in Consulting. Whilst pay rises in the Public Sector were in line with estimates of inflation and productivity gain, total cash compensation rose considerably more than salaries, bonuses having risen from £575 last year to an average of almost £5,000 in 2006. In the Consulting sector average reported salaries increased dramatically, from below £50,000 last year, to over £75,000 in 2006, although average bonuses as a percentage of salary for this sector have fallen from 22 per cent to 17 per cent this year.

Total cash compensation

Last year we introduced the measure of total cash compensation to help illustrate the level of the cash incentive component in total compensation packages in specific sectors of employment. We highlighted the financial sector in particular. In 2006 the long-standing gap between male and female pay got worse: male respondents received an average total cash compensation of £93,900 (up 13 per cent on 2005) whilst female respondents received £71,900 (down 8 per cent).

This year, the cash incentive component in the Banking, Asset Management and Other Financial sectors, is even more

Table 2: General benefits

	Male	*% of respondents*	*Female*	*% of respondents*	*Total*	*% of respondents*
General benefits						
Medical	45	49	9	43	54	48
Housing assistance	4	4	1	5	5	4
Company car	22	24	4	19	26	23
Pension schemes						
Respondents in a pension scheme	84	92	19	90	103	92
Final salary schemes						
Contributory	16	17.60	3	14.30	19	16.90
Non-contributory	36	39.60	7	33.33	43	38.40
Personal pension	2	2.20	0	0	2	2
Defined contribution schemes						
Contributory	7	7.70	3	14.30	10	8.90
Non-contributory	15	16.50	3	14.30	18	16.10
Personal pension	6	8.80	3	14.30	11	9.80
Share and option schemes						
Number with a scheme	26	28.60	4	19.00	30	26.78
Number receiving shares in 2005	10	10.86	2	9.52	12	11
Average value received (£)	25,700		3,500		24,333	
Average value as % of salary	22.90		5.90		20.10	
Average value as % of total compensation	10.60		4.30		9.50	
Number receiving options 2005	6	6.60	0	0	6	5.36
Average value received (£)	25,000		0		25,000	
Average value as % of salary		25.95	0		29.95	
Average value as % of total compensation		15.36	0		15.36	

marked than in 2005 as shown by the difference between average total cash compensation and the average salary in each. By far the highest average total cash compensation received was in Asset Management (£160,100) with a median figure of £141,000 followed by Banking (£130,900),

Benefits

Table 2 shows the main type of benefits received by respondents, and this year we attempted to delve deeper into the pension data and understand the form in which longer-term incentives are being paid.

General benefits

Medical insurance is the most commonly-received benefit amongst all respondents and the overall percentage of respondents receiving such insurance in 2006 is unchanged at 48 per cent. There was a marginal decline in those enjoying a company car, in line with the decreasing marginal financial benefit of receiving one at all.

Pension schemes

Those respondents in a pension scheme account for 92 per cent of the total, unchanged overall from last year, with a marginal increase in female respondents and a corresponding decline in male respondents. The proportion of respondents in contributory schemes has declined from 45 per cent in 2005 to only 26 per cent this year, and the percentage in non-contributory schemes has increased from 26 per cent to 54 per cent. This suggests a significant increase in the use of non-contributory schemes as a major part of the typical benefits package.

A further distinction was made in the survey this year between final-salary and defined-contribution schemes. At present, 57 per cent of all respondents are in final-salary schemes, and 35 per cent are in defined-contribution schemes. We shall monitor this relative proportion as the pensions market develops.

Share schemes

Although the number of respondents in a share scheme rose this year to almost 27 per cent, the proportion actually receiving shares this year fell to 11 per cent, from 16 per cent in 2005.

However, the average value of shares received increased from £16,800 in 2005, to £24,300 this year, an increase of 44 per cent. The increase among male respondents was 46 per-cent, whereas female respondents actually experienced a decline of 30 per cent in average share value received. This is in marked contrast to their experience last year, where the female respondents enjoyed a higher percentage of total cash compensation in the form of share allocation than the male respondents.

Pay increases in 2005-2006

Across all sectors of employment the mean pay rise of our respondents was 5.0 per cent. Of those who received an increase in salary in 2006 (73 per cent of the respondent population), the average salary raise was 7.8 per cent, against 10.4 per cent in 2005. Those who suffered a salary setback in 2006 represented 4 per cent of respondents, marginally less than the 5 per cent reported last year.

Once again, economists employed within the Banking sector received the highest average pay rise, of 10.3 per cent (12.6 per cent amongst those who actually received an increase) but far less than last year when the equivalent figures were 26.8 per cent and 36.9 per cent respectively. Given recently reported bank results, this may seem rather surprising.

Academic achievement

This year we introduced a question on respondents' academic achievements and have been able to draw several comparisons in respect of academic attainment and salary levels. As should be expected, greater academic achievement is rewarded accordingly.

Table 3 shows data relating to academic achievement by employment sector. Of the overall respondent population, 25.6 per cent hold a first degree, 62 per cent a Master's degree and 12 per cent a Doctorate. The small numbers in each sector make comparisons tentative, but it is unsurprising that all respondents from the Academic sector have higher degrees. Otherwise the proportion of those with a higher degree is above average in the Other Financial, Industry, Consulting and Public sectors, and below average in Banking, Asset Management and Trade Associations.

Table 3: Academic qualification by employment

Qualification	*BA*	*BSc*	*MA*	*MSc*	*PhD*
Number	19	10	35	35	14
% total	16.8	8.8	31	31	12.4
Average age	40	37	43	41	44
Average salary (£K)	63.8	50.1	66.7	66.8	77.9
Average total cash compensation (£K)	76.3	67	89.4	89.3	126.9
Median (£K)	50	46.5	60	56	72
Banking	4	2	3	6	2
Asset management	2	1	2	1	2
Other financial	1	0	3	5	1
Manufacturing & distribution	1	0	3	3	0
Trade associations	2	7	4	2	1
Consulting	4	3	9	7	5
Public sector	4	2	10	10	1
Academia	0	0	2	1	2

Looking at average total cash compensation across all levels of academic achievement, the median figures are considerably lower than the mean in each group, indicating that there is a skew caused by a smaller number of high earners in each category.

Table 4: Academic qualifications 2001 and 2006

Qualification	*Per cent with qualification*		*Median salary (£K)*	
	2006	*2001*	*2006*	*2001*
BA	17	22	50.0	58
BSc	9	5	46.5	47
MA	31	15	60.0	48
MBA	-	6	-	67
MPhil	-	5	-	48
MSc	31	34	56.0	51
PhD	12	13	72.0	60

Average salaries of those with a BA were considerably higher (£63,800) than those with a BSc (£50,100) suggesting either that employers distinguish between the two styles of first degree or that the standing of those institutions that style their economics degree as an art is higher than of those that style their economics degree as a science. Average total cash compensation was also distinct between these groups, at £76,300 and £67,000 respectively.

No such distinction is made at the Master's level. The data is almost identical between MAs and MScs and there was a gratifying equality of the number of respondents holding each degree, and average salaries and total cash compensation were almost identical for each group. Amongst the PhDs the average salary was £77,900 and average total cash compensation was £126,900.

A similar question was included in the 2001 Survey, and in Table 4 the results are compared. The comparison is not exact as that survey distinguished some additional qualifications and only reported median salaries, but it does not suggest there has been any great change in the overall proportion of respondents who have higher degrees. The most notable change is the much-more-apparent reward for the higher qualifications. With an additional year's data we shall be able to make further comparisons and take a closer look at this relationship, and hope to provide further insight into the career paths of the membership.

Survey of Students' Perceptions of Economics

A call for help

A survey is being undertaken into students' perceptions of economics. It is being conducted by Andrew Mearman (UWE, Bristol) and Tim Wakeley (Griffith University, Australia). The major goal of the survey is to ascertain students' perception of the economics discipline and to identify factors which influence those perceptions. We believe the results may be highly useful in informing strategies in curriculum design aimed at improving recruitment, retention and overall satisfaction with economics.

We seek the co-operation of economists in alerting students to this survey and encouraging students to take part. The survey will cover mainly UK, US and Australian students, however it is open to students in other countries.

We are interested in the views of any students about to complete or who have recently completed any economics or economics-based (including business and finance) modules. Please encourage any eligible students to complete the survey. All students taking part will have the option to enter a prize draw to win an iPod.

The survey is completed online. Students wishing to complete the survey should go to

www.survey.bris.ac.uk/ltsn/perceptions.

Economics graduates - employability

In Subject Reviews (or equivalent) where 'employability' is high on the institution's agenda, subject teams can usually offer little more than anecdotal evidence of meeting employers' needs. Reference is made to recent employment statistics, alumni surveys or, in better made cases, to employers' forums informing curricula. Across the sector it is haphazard. Arguably, the best repository for such sector-wide opinion lies in the skills and knowledge sections of the latest Economics Benchmark Statement although these are still reliant upon the 'expert' opinion of a few (albeit connected) economists.

In mid-2006 the RES and the Economics Network agreed to co-sponsor a project to validate the lists of skills and knowledge included in the Economics Benchmark Statement (2007). Currently, the latest reference therein to any evidence is J Craven J (RES *Newsletter,* no.81, 1993) .

Stage one of the research used in-depth qualitative interviews with major employers of Economics graduates. Incorporating their comments and in an expanded range of skills and knowledge capabilities, a wider range of responses was sought in a second stage via a web-based survey. Respondents in stage two recruited over 1000 Economics graduates in 2006.

The findings broadly support the inclusion of the current lists of skills and knowledge found in the Benchmark Statement although the detailed results suggest that employers believe that Economics graduates could be better prepared (a) to communicate and (b) to transfer their theoretical knowledge to real world issues.

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Studying the distribution of wealth

Any researcher working on issues of distribution knows how difficult it can be to get reliable data based on consistent categories. The problems are worst when making international comparisons. This article reports on two interesting recent initiatives. One is a study of wealth distribution; the other is a database fpr researchers.

The UNU-WIDER study

A new study on *The World Distribution of Household Wealth* by the World Institute for Development Economics Research of the United Nations University (UNU-WIDER) was published last December. Its headline finding — that the richest 2 per cent of adults in the world own more than half of global household wealth has been widely reported.

What claims to be the most comprehensive study of personal wealth ever undertaken also reports that the richest 1 per cent of adults alone owned 40 per cent of global assets in the year 2000, and that the richest 10 per cent of adults accounted for 85 per cent of the world total. In contrast, the bottom *half* of the world adult population owned barely 1 per cent of global wealth.

How rich is rich?

Assets of $2,200 per adult will place a household in the top half of the world wealth distribution in the year 2000. To be among the richest 10 per cent of adults in the world required $61,000 in assets, and more than $500,000 was needed to belong to the richest 1 per cent, a group with 37 million members worldwide.

The study covers all countries in the world and all major components of household wealth, including financial assets and debts, land, buildings and other tangible property. The authors explain that they are using the term wealth '...in its long-established sense of net worth: the value of physical and financial assets less debts.' This distinguishes it from everyday usage which often includes some confusion with income. In fact, one feature of the international comparisons is that wealth is much less equally distributed than income.

Intra-country results

The study also looks at wealth concentration within countries and find it varies significantly but is generally high. The share of the top 10 per cent ranges from around 40 per cent in China to 70 per cent in the United States, and higher still in other countries. The greater inequality of wealth over income distribution is also confirmed.The Gini value, gives numbers in the range from 35 per cent to 45 per cent for income inequality in most countries. In contrast, Gini values for wealth inequality are usually between 65 per cent and 75 per cent, and sometimes exceed 80 per cent.

Further details (including data) from: www.wider.unu.edu/

The Luxembourg wealth study

The LWS is a different kind of project, though no doubt complimentary in some respects. It is a recent development within the better-known and long-established Luxembourg income study. The LIS project began in 1983 and its centrepiece is the LIS database. This includes Household Income Surveys which provide income, demographic, labour market and expenditure information on three different levels: household, person and child for thirty countries.

The emphasis is upon standardization of the data for purposes of comparative research. The data can be downloaded over the internet and the variables, countries etc are listed at: www.lisproject.org/introduction.htm

The LWS initiative dates from 2003 and has a similar focus - the provision of a cross-country database from which researchers can download data which is standardized for comparative purposes.

In August 2006, the first results for the full set of countries were presented at the first plenary session of the IARIW Conference in Joensuu, Finland on "Issues in the Measurement of Wealth". A short paper describing LWS has been published in the *OECD Newsletter* No.31 (May 2006) and in the *Journal of Economic Inequality* 4(3): December 2006.

A 'Beta' version of the dataset has been made available to LWS partner institutions since Summer 2006. Following a number of modifications and corrections, the plan is to have an ' Alpha' version will be online and available to all users of LIS sometime in 2007.

A list of countries participating in the first phase, a list and definition of variabkles in the database and a host of ther technical material can be found at:

www.lisproject.org/lws.htm

A conference to discuss progress on the project is scheduled for 5-7 July 2007 in Rome. A list of papers can be seen by link from the website above.