



Royal Economic Society

NEWSLETTER

Issue no. 118

July 2002

ROYAL ECONOMIC SOCIETY

Conference issue

The Royal Economic Society's Annual Conference took place at the University of Warwick between 25th and 27th March, just as the April issue of the *Newsletter* was being printed. So we are very pleased to have in this issue an excellent report of the Conference written by Diane Coyle, until recently the Economics Editor of the *Independent* newspaper. With so many papers being given and, as Diane says, so little time for reflection, such a report requires a heroic effort of concentration. As well as summarising the contributions to economic knowledge and trying in many cases to put them into practical context, the report is critical of some aspects of the event. Such criticisms deserve consideration by future participants. One question it raises has been heard by your editor at many economics conferences: why is it that the standard of presentation is so (generally) poor, when, in their day jobs, the presenters are hired for their ability to communicate and instruct? Maybe it is not a peculiarity of economics.

As usual in the July issue, we have the Secretary-General's Annual Report and Ray Rees's 'Letter from Germany'. On this occasion, Ray looks at the experience, in Germany, of the introduction of Euro notes and coin. His report will trigger memories of the UK's conversion to decimal currency in 1971 — namely the complaint that many retailers used the opportunity to institute opportunistic price rises. Needless to say, the popular wisdom is somewhat wide of the mark.

A systematic study of the erroneous views on economic matters commonly held by the general public, conducted by George Caplan, appeared in last April's *Economic Journal*. Given that democratically elected governments must be constrained to some degree by popular opinion, the widespread belief in economic fallacies means that democratic societies get sub-optimum economic policies. For this issue of the *Newsletter* we asked Sir Alan Budd to comment on Professor Caplan's findings, from the point of view of an experienced policy-maker who found his suggestions frequently conformed by political realities. This is an excellent start to what we hope will be a popular series in which practitioners comment on recent economic research.

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Newsletter

Published quarterly in

January, April, July and October

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Newsletter - subscription rates

The *Newsletter* is distributed to members of the Society free of charge. Non-members may obtain copies at the following subscription rates:

- United Kingdom £5.00
- Europe (outside UK) £6.50
- Non-Europe (by airmail) £8.00

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Newsletter No. 119 - October 2002

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

September 15 2002

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

September 17 2002

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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Annual Report of the Secretary-General

The Secretary-General, Professor Richard Portes, gave the following report on the Society's activities at its Annual General Meeting, held on 27th March during the 2002 Annual Conference at Warwick.

THE ANNUAL CONFERENCE has moved south again: from St Andrews in 2000, through Durham in 2001, now at the University of Warwick, to which we shall return next year as well. This is the single occasion during the year on which the Royal Economic Society meets as a corporate body, but the Society's activities extend throughout the year. It publishes its journals, it expends its funds in various ways intended to advance the profession, and of course its committees meet.

The President chairs most of those committees. Stephen Nickell has now completed the first year of the three-year term, and he will give his Presidential address at the 2003 Annual Conference. He has conducted the business of the Society with dispatch. Indeed, efficiency has enabled us to keep the membership fee constant for the fourth successive year. But he has nevertheless brought innovations: for example, the RES has made a substantial loan

to the Electronic Society for Social Scientists (ELSS) as start-up funding for an ambitious project to launch on-line journals. This project has been endorsed by a wide range of economists. It is managed by Manfredi LaManna and is developing a suite of software designed especially to expedite on-line publication.

During the past year, the Society has also pushed further with its efforts towards raising and improving the public profile of the economics profession; has taken substantial steps towards a full renovation of the website; and has resumed the RES Junior Fellowship awards. This report summarises progress with our publications, the Annual Conference, the work of RES committees, and the various forms of support we provide for members of the Society.

Publications

The standing of the *Economic Journal* is clearly improving, and in particular, its position in the league tables of citations (ranked seventh in 2000 among economics, econometrics and finance journals) and its impact factor is rising. The team of editors coordinated by Michael Wickens has firmly bedded down the EJ's new format, with separate issues for refereed papers and for a wide range of features, including timely sym-

posia on key topics. Submissions and the quality of accepted papers are up. All members receive the *EJ* and also have free access to the on-line *Econometrics Journal*. This has now firmly established its reputation and has become an indispensable tool for the profession.

The *Newsletter*, edited by Peter Howells, has further widened the geographical range of contributions. The regular 'letters' from the US and Continental Europe have been joined by contributions from India. Over 60 per cent of the Society's members reside outside the UK, and it is important for members to be aware of developments in the profession around the world.

Extracts from the *Newsletter* are now available on the Society's web page. Marius Ooms is now leading the redesign of the RES web page, which we expect to launch in its new form by the end of 2002.

The Annual Conference is now a major source of materials for the press, which also carries consider-

able reporting on articles appearing in the *Economic Journal*. The media initiative led by Romesh Vaitilingam has been extremely successful in getting newspapers and broadcast media to pay attention to serious economic research, not just pronouncements on exchange rates, interest rate decisions or the latest GDP figures. It is important that a broader public should understand that economics is not mainly about forecasting, but rather offers analysis of the full range of economic behaviour; and that it can help us to understand society as well as to develop policies to change it.

Annual Conference

Jonathan Haskel continues as our Conference Secretary, and we are grateful to him for his organisational efficiency. David Miles has constructed a tight - some might say packed - programme to implement our decision to drop the fourth day of the conference. Doing this while dealing with a significant increase in contributed paper submissions has been a major effort. We have had four excellent plenary lectures. Wiji Arulampalam has done an outstanding job as Local Organiser. She will continue for 2003, with Robin Naylor taking over as Programme Chair.

RES committees

Heather Joshi now chairs the Committee on Women in the Economics Profession, which has just completed a new survey of the position of women in UK academic departments. The results will appear in the *Newsletter* as well as on the RES website. The Society continues its interchanges with funders and users of economic research and employers of economists through the Research Liaison (with ESRC) and Public Sector Economists Liaison Committees. John Beath is completing a distinguished and highly productive term as chair of the Committee of Heads of Departments of Economics (CHUDE), which does indispensable work on issues of concern to the UK academic economics community.

The committee on the public profile of economics, chaired by Barry McCormick, launched the first in a series of RES Annual Lectures. John Sutton spoke on globalisation to large audiences in London and Edinburgh. The lectures are aimed at non-specialists, especially school students, and a video will be distributed to schools. The second lecture will be given by Nick Crafts in December. The committee has also led RES participation in Open Days organised by HM Treasury and also involving the Bank of England. These have brought the best final-year undergraduates from over 40 universities to London, seeking to convince them of the merits of economics as a career. The committee has commissioned work on developing new teaching materials for economics in secondary schools; and they have surveyed undergraduates at Southampton and Warwick on their perceptions of obstacles to entering graduate programmes in economics.

Support for members

The Society will offer six Junior Fellowships this year, with stipends significantly increased. We now have two annual Easter Schools, in economics and econometrics. There has been excess demand for places in these extremely successful week-long sessions - hardly surprising, with Meg Meyer, Andrew Postlewaite, Martin Browning and Hidehiko Ichimura lecturing. The small budget scheme for support of research is now managed by Jane Humphries; it offers grants up to £600 available quickly on the basis of short applications. Chris Milner continues to administer the Conference Grant Scheme, which offers £20,000 annually (a maximum of £500 for any individual grant) to members who are presenting papers or acting as discussants at conferences in the UK and abroad. The Visiting Lectureships scheme continues, with up to five visits funded each year; distinguished academics visit a UK university for up to a week, meeting with staff and students and giving seminars and lectures.

RES administration

The members of the Society - and I above all - owe considerable thanks to Kathy Crocker, our Membership Secretary; Penelope Rowlatt, the Treasurer; and Eleanor Burke, the Administration Officer who works with the Secretary-General. We look forward to offering you more and better services in the year to come.

Are books different?

When Resale Price Maintenance was made generally illegal for goods and services in the UK, an exemption was made for books, an exemption which lasted until 1998. Outside the European Union fixed book prices are rare. But within the EU the picture is reversed: only the UK, Belgium, Ireland, Sweden and Finland have free book prices. Furthermore, France experimented with free book prices before reinstating RPM and Belgium and Ireland are considering its reintroduction. In an era when free markets are generally considered to provide the best system of resource allocation (and European motor manufacturers struggle to maintain the block exemption which allows them some degree of control over the distribution of cars), why are books a special case?

Recent research in the Netherlands suggests that fixing book prices may help to contribute to certain cultural objectives but that it does so at the expense of efficiency.¹

The cultural objectives most frequently advanced for the maintenance of fixed book prices are:

- the promotion of reading;
- the production of books (often expressed as the production of a *diversity* of titles).

Fixed book prices can contribute to the objectives in a number of ways including the following:

- The protection of the retail margin prevents booksellers who stock a wide range of titles being driven out of business by those stocking only bestsellers;
- Booksellers can use the high net margin on the sale of bestsellers to finance the losses on slow-moving books;
- Book sales are more likely if customers can handle and browse a book prior to purchase (the 'outlet hypothesis'). The positive effect of price maintenance on the number of bookshops thus reduces the risk of book production;

Against this, it can obviously be argued:

- That market participants are not *bound* to use the revenues from higher margins to benefit cultural objectives;
- Fixed prices prevent competition and lead to inefficiency;
- By keeping book prices artificially high, Resale Price Maintenance actually *reduces* book sales and reading. (Estimates of the price elasticity of demand for books, undertaken as part of the study, suggest a figure of -0.88 or -0.89).

Given the mixed effects of fixed book prices, a number of countries have experimented with alternative ways of achieving the cultural objectives with less economic inefficiency. One such alternative is a reduced (or even zero as in the UK) value added tax rate, though this is threatened by the European Commission's desire to harmonise tax rates. Furthermore, it may not do anything to encourage *diversity* at the expense of bestsellers. The study recommends subsidising booksellers who stock a large range of books.

Note:

1. Marja Appelman, 'The future of fixed book prices', *Quarterly Review of Cpb Netherlands Bureau for Economic Policy Analysis*, 2002 (2).

Conference Report

The Society's Annual Conference was held at the University of Warwick from the 25th to the 27th of March. A participant in this year's events was Diane Coyle, formerly Economics Editor of the Independent. The author of several books on economics, she now runs the consultancy Enlightenment Economics.

'It's different in infinite dimensional spaces,' or so Peter Phillips said, part way through his Denis Sargan lecture at the 2002 Royal Economic Society conference at Warwick University. An arresting line, but the next few minutes could have been, for all I knew, taken from 'A Hitch-hikers Guide to the Galaxy'. I could tell it was a brilliant lecture, and so the other eminent econometricians present confirmed, but it was too much for a humble mortal to grasp. As it was the first session of this year's RES conference, which was the first I'd ever attended, this was ominous. Was the frontier of research just too far beyond the limits of understanding for somebody who is not an academic?

Luckily for me, the frontier of econometric theory is also pretty distant from actually-existing econometrics, as presented in many of the other papers. These ranged incredibly widely and at any time there were at least two and sometimes more appealing sessions taking place. Maybe this is why each audience was so small (only eight in one case, and that included the chair and three presenters). Clearly, the number of sessions is supply-rather than demand-driven. But can there really be any satisfaction to be gained from delivering a paper to an almost empty room?

After some flitting around on the first afternoon, I settled in the main for the invited lectures and special sessions, all offering papers covering highly relevant policy areas. They were a safe bet - sure to be interesting and less likely to involve the social embarrassment of being a prominent member of a minuscule audience. Congratulations to this year's organisers for putting together such an excellent core programme. There were sessions on subjects ranging from globalisation to the Research Assessment Exercise, the latter apparently of vastly greater interest to academic economists than the former.

Before turning to the actual content, though, I'd like to put in a plea to next year's organisers to include more social events in the schedule. The biggest single benefit of going to a conference, especially now most researchers make their work available on their websites, is the scope for face-to-face meetings with old friends, colleagues and new contacts.

Economists are obviously unusually puritanical about making full use of their time. The timetable didn't even allow for a five minute break between sessions, and the sessions tended to run into the coffee breaks. So the Women's Committee Reception stood out as the only opportunity for decent networking. (I did meet some extremely cheerful people wearing cowboy hats in the bar on the second evening, but they turned out to be from a different conference altogether and couldn't discuss unit roots or growth accounting, even after a few pints.)

To return to the serious business, it is obviously both unfair and unavoidable to single out just a few of the many papers for discussion in this conference report. As the unprecedented attention of the media confirmed at the time, there was a wealth of interesting research on offer covering a huge range of areas. The choice here simply reflects my personal interests, and the order reflects the conference timings - as good a way as any of reflecting the scope of the material.

In a session on foreign direct investment and its importance for productivity spillovers in the UK economy, the first paper, by Rachel Griffith, Stephen Redding and Helen Simpson from the Institute for Fiscal Studies, looked at whether there is evidence of manufacturing establishments catching up in terms of total factor productivity to the companies on the technology frontier, for if so it would indicate the importance of technology spillovers. Their preliminary results confirmed this was a significant phenomenon, whether the technological leader was domestic or foreign-owned. However, a substantial proportion of the companies at the frontier - about a quarter on average, much more in some sectors - were foreign-owned multinationals.

Richard Harris (Durham) and Catherine Robinson (Portsmouth) in their work considered three potential channels for productivity spillovers to domestic plants from foreign direct investment: within industries, between industries, and those resulting from agglomeration effects. Estimates of the indirect impact of FDI for a number of manufacturing industries in the UK suggested the spillover could in fact be negative, the main explanation being the limited capacity of domestic plants to improve productivity. In that case, the presence of higher-productivity competitors is damaging. However, the authors clearly doubted their own finding that there seems to be little sign of positive spillovers, noting that the measurement of the effects does not take account of the complicated forward and backward linkages involved.

The third paper in the session, by Sourafel Girma and Holger Görg (both University of Nottingham), focussed specifically on the capacity of domestic firms to benefit from productivity spillovers. Domestic producers might not be able to benefit from technology transfer if the gap between them and the foreign producers is too wide. Variations in absorptive capacity might explain why industries differ so much in the extent to which they seem to benefit from spillovers. The explanation is obvious if the local capacity is too low, but it could be too high as well, for then FDI in other regions could create negative productivity spillovers.

The session addressed an important policy question. For many years now successive governments have placed high hopes on attracting foreign investment in part for its potential to improve Britain's productivity performance. After hearing about some of the latest research, it was hard to escape the conclusion that we have not yet got far beyond the instinct that FDI by world-class companies is bound to be helpful. Discussant Christopher Moir from the DTI noted that he was left with two unanswered questions, one about the models, another about their empirical application: what is the transmission mechanism for productivity spillovers? And does FDI improve domestic productive capacity beyond what it would otherwise have been? As there are such differences in results between industries, it seems clear that the IFS's use of establishment data may shed more light on the answers to these.

From there I went on to hear David Hendry (Nuffield College, Oxford) who noted, in presenting a paper written with Michael Clements (Warwick), that the models needed for economic analysis and those needed to make good forecasts of the economy are different. He cited a recent *Washington Post* headline - 'Never a Crystal Ball When You Need One' - to make the point that it's the things we don't know we don't know that are the problem. Structural change is pervasive in economic time series. Changes in technology, legislation, culture, politics or weather mean it is essential to allow for structural breaks and mis-specification in forecasting - not to mention leaving a role for judgement. He described ten areas in which it is already possible to move away from the conventional approach which assumes stationarity and well-specified models, and another eight areas in which further research is needed. As terrible macroeconomic forecasts are one of the main reasons economists are held in such low esteem by the public, this progress is hugely encouraging. Let's hope that this is one area in which non-academics can catch up swiftly to the technology frontier.

Rounding off Monday, in his *Review of Economic Studies* lecture Matthias Dewatripont (ECARES) gave a superb panoramic survey of the state of knowledge on information processing and delegation. It was a masterly demonstration of economics as one way of thinking, and a uniquely muscular way at that, about aspects of human society. He started with models in which information processing and communications costs drive the structure of organisations, and moved on through incentives to be informed or not, reputation-building and the exercise of power.

The next morning, Marcus Miller (Warwick) kicked off a session on monetary policy and asset prices with an analysis of Argentina's economic crisis, with the gloomy bottom line that events have turned out just about as badly as possible. The final costs of the crisis will depend on the success or otherwise of the post-devaluation and default policies. Financial restructuring and indexation would allow the devaluation to work. On the other hand, policy failure will result in a self-fulfilling confirmation of the view - held by former finance minister Domingo Cavallo - that the devaluation and default option should be avoided at all costs. The 'correct' policy prescription

in the first place depended on beliefs about the likely ex post policy reaction to the various possible outcomes, and therefore the smoothness of the transition from the old policy regime to a new one. In practice, the chaos of the transition is weighing in favour of those who opposed devaluation at all costs.

The other two papers on asset prices brought us back to home territory, and the debate about whether the central bank should target asset prices or instead simply use them as part of the information set available for inflation targeting. As Simon Wells (Bank of England) pointed out, presenting a paper co-authored with his colleague Stephen Millard, asset prices do have some predictive power for output and inflation - especially house prices. It is, of course, hard to identify specific bubbles in asset prices. The authors therefore looked at financial conditions indicators that combine a number of different asset prices, and concluded that use of such an index as a monetary policy target would not have delivered better outcomes than a simple Taylor rule. In another paper Jagjit Chadha (Cambridge) and Charles Nolan (Durham) considered the role for asset prices in the presence of financial frictions such as liquidity constraints, and concluded there could be a case for targeting asset prices. However, their volatility would mean much greater volatility in the monetary policy instrument. Policy would have to be quite aggressive, and this would weigh against incorporating asset prices as a policy target. The opposite conclusion was drawn by Boris Hoffman (Bonn), presenting a paper co-authored with Charles Goodhart (LSE). Central banks should respond directly to asset prices as evidence of future excess demand, he argued.

This is another area of academic debate that has spilled over into the public domain, for the obvious reason that it could hit us all in the bank account. It is no surprise that, broadly speaking, commentators in the City and media favour using a monetary conditions indicator that would incorporate the exchange rate, but are more sceptical about the use of house prices as a target for policy. In other words, arguments weighing on the side of lower interest rates are popular, while those favouring higher interest rates are not.

Tuesday morning also brought a special session on new technologies and productivity growth, one that promised to be extremely interesting in its extension to UK data of the kind of research that has now been so plentiful for the US.

One of the papers, presented by John Fernald from the Federal Reserve Bank of Chicago, was about the US. He reported finding that cyclical variations in capacity utilisation made little difference to estimates of the acceleration in trend productivity growth (in contrast to the well-known result from Robert Gordon). However, incorporating adjustment costs to new technologies produced an estimate that the consequent drag on output had sliced 0.6 per year a year off US growth from 1995-99. Correcting for the adjustment costs therefore led to an even bigger estimate of the contribution of the technologies to an improved trend in productivity growth. As Garry Young (Bank of England) observed, the findings raised other questions apart from the contrast with other results on cyclical effects, particu-

larly in terms of the differences at industry level. Some industries appeared to be displaying technological regress, especially in services, suggesting there might be serious measurement issues.

Turning to the UK, Hasan Bakhshi from the Bank of England presented a paper, co-authored with colleague Jens Larsen, on investment-specific technological progress in the UK, building on the Bank's programme of research in this area. Discussant Bill Martin (UBS Asset Management) noted that this approach, looking at technical progress embodied in investment, fits in with the longstanding investment-obsession of policy-makers but overlooks the fact that it is a steady-state approach; whereas in growth accounting exercises the contribution of information technologies to total factor productivity stems from increases in their weight. The income and price elasticities of the new technologies are almost certainly more than unity.

Gianluca Violante (UCL) started out with the observation that measurement is all-important in this area of research. He and co-author Jason Cummins (Board of Governors) estimate that the percentage of output growth due to quality-improvements in capital climbed from 21 per cent for the whole of the 1948-99 period to 31 per cent in the 1990s. The technology gap between industries had not changed but that between the best and the average companies within industries had risen over time. In other words, the evidence for the UK points to an acceleration in the rate of embodied technical progress across industries but greater adoption by some firms than others.

In fact, every speaker in this session spent some time talking about data and measurement issues. So it was a shame that most of them did not manage to attend the subsequent special session, *New Measures for a Changing Economy*, in which three speakers from the Office for National Statistics described work in progress on improving statistics needed for exactly this kind of research. I have now spent some years popularising research on technology and productivity, and have therefore kept a close watch on the work being undertaken on both sides of the Atlantic. To my mind, the developments in statistics are just about the most challenging area of all the new economy research. For the precision needed to collect statistics demands the utmost clarity of thought about the underlying economic concepts. So far, I think economists are failing the statisticians, demanding 'better' measurement without offering the conceptual advances that would make it possible to meet that demand - or, indeed (with honourable exceptions) bothering to pay enough attention to what the statisticians are actually doing.

The papers covered a wide range of innovations which the ONS has in hand. Sue Holloway described the methodology for the household accounts, being developed as a satellite to the national accounts. At a time of structural change in the economy, when the production boundary is shifting these are likely to emerge as one of the most illuminating sources of evidence we have available. Eunice Lau described the programme of work to develop quality-adjusted labour supply measures and link up this evidence from the Labour Force Survey with the productivity data based on the national accounts. Tony Clayton presented the ONS's work on measuring e-commerce and other indicators of changes in behaviour by businesses and households. As the scope of these subjects indicates, the statistical programme is ambitious and exciting.

The final morning of the conference brought a special session on globalisation, with Richard Portes (LBS) and Thierry Verdier (LSE) presenting an overview of a report 'Globalisation and its Discontents' published by the Centre for Economic Policy Research. The report, prepared for the European Commission, gives an overview of the economic evidence on the most salient aspects of globalisation. The body of research available is now huge, of course, but so far economists have had little impact on the policy debate. This is more than a shame, because a number of the 'facts' about globalisation current in the debate are at best over-simplifications and at worst pure myth. Thus, for example, the evidence certainly does not point overwhelmingly to the conclusion that globalisation has increased inequality. This is a claim that depends on looking at the data in one specific way, namely the gap between Sub-Saharan Africa and most of the rest of the world. Similarly, there is no evidence of a race to the bottom in corporate taxation or environmental standards. What's more, such myths divert attention from the problems that do emerge as developing countries globalise, the institutional weaknesses and market failures that become more pressing as they engage in the world economy.

It is surely time for economists to take a higher profile in the public debate, but the evidence from the conference session at any rate is that it is not such a hot button issue for the profession. It was one of the least argumentative discussions of globalisation I have ever witnessed. Perhaps that was the result of the presenters' skill in generating more light than heat.

Or perhaps it does reflect a division between the preoccupations of academics and the rest of us, a division that is natural in any subject but particularly striking in economics because of its over-riding importance in public policy.

The conference turned out to be a good opportunity to catch up on some research in areas that interest me, although not really geared towards the needs of economists who are not academics. It did also leave me wishing that there had been a bit more evidence of academic interest in what is preoccupying both other professional economists and wider audiences, and not so much obsession with the RAE. The Royal Economic Society's media initiative has done wonders during the past few years for the public profile of economics, finding the juiciest research plums and translating them in ways that respond to the public and media agenda. It has demonstrated that there is an appetite for economic research.

Academics could do a lot more to help in future by being more willing to engage in communication, and taking communications skills more seriously. (I hope all those who presented their papers at the conference with their arms folded and their gaze fixed on their feet know who they are.) It is especially in a subject like globalisation, overly-fashionable and crowded with pundits, that economists need to make themselves heard. For the abdication of serious researchers leaves the way open for all kinds of nonsense to become conventional wisdom, and contributes to the ebbing of public confidence in economics. To invert David Hendry's comment, although we don't know what we don't know, we do know what we know, and ought to be getting the message out.

Letter from Germany- Introducing the (T)Euro

In his latest letter, Ray Rees examines the introduction of Euro notes and coins in Germany for lessons about money illusion. Ray Rees is Professor of Economics and Chair of the Economics Department at Munich University. He also holds a Visiting Professorship at the University of York.

UNTIL IT WAS introduced as notes and coin at the beginning of this year, I was fond of using the Euro as an illustration of the zero degree homogeneity of demand and supply. The approximate halving of all prices and incomes in Germany (the conversion rate is 1.9558DM/Euro) leaves everything in real terms unchanged, so why should anybody's behaviour change? The furore in the German tabloid press over the last couple of months seems to run counter to this predicted absence of money illusion. The leader writers have renamed the Euro the 'Teuro' — *teuer* means dear, expensive — blaming its introduction for a wave of excessive price increases. So is there money illusion, and if so, of what kind?

The pizza price explosion

In the early part of the year the bureaucrats at the German central bank were happily congratulating themselves on a relatively frictionless operation. Huge supplies of Euro notes and coin had been distributed to banks, stores, vending machines and so on, masses of deutschmarks had been taken out of circulation, all without noticeable problems. But suddenly they were confronted by a vitriolic press campaign, accusing them of having implemented an inflationary disaster. It was sparked off by startling increases in prices of some basic foodstuffs — tomatoes up 52 per cent, cabbages 33 per cent, milk 12 per cent, bread eight per cent, beer six per cent. Then came the stories on the theme of how restaurants, pubs, cinemas, small bakeries and butchers seemed to have used the introduction of the Euro to round prices handsomely upward. Everyone has a story about a restaurant menu on which the DM price simply became the Euro price, especially, for some reason, for pizzas.

Take the case of the Italian ice cream sellers of Munich. Young Katherina, interviewed by a local newspaper, angrily recounted how she had reduced her ice cream intake from three scoops per cone to two, because the price per scoop had increased from 1.20DM to 70 cents, an outrageous 14 per cent increase (which of course *appears* even higher, at 17 per cent, if you convert at 2DM/Euro). The spokeswoman for the Munich association of Italian ice cream sellers explained that prices had been constant for four years, and that the increases in costs of fruit and milk products had made price increases inevitable if quality were to be maintained and bankruptcy avoided. Ice cream sellers had waited as long as they could to put prices up, and the need in any case to print new price lists and menus on

the introduction of the Euro made increases both convenient and unavoidable. However, she admitted that consumer reactions had been very hostile, and with hindsight price increases should have been made in smaller steps. She urged members of the association to compensate by giving larger scoops. Though there is a strong scent of collusive opportunism about the whole story (Munich ice cream sellers admitted to phoning each other up to check that the new prices would stick) it is hard to say without further evidence to what extent the price increases really were cost-driven. The discreteness caused by menu costs of price increases seems also to have played a role in the determination of the sizes of the price increases.

What is very noticeable in all this is the clear absence of money illusion on the part of buyers. After all, just about anyone can divide or multiply by 2. Indignant readers in the newspapers' letters columns point out that their real incomes have not

In reality people, in the face of price increases, do not slide noiselessly along their demand curves like beads on a string, but do so with a lot of fuss and complaint...

changed, and that if some prices were accurately converted from DM to Euros (larger supermarket chains and department stores were particularly careful in this regard), why not all? In other words they showed complete awareness that what matters are relative prices and real incomes, and that is all the theory is asserting. Katherina's highly elastic demand response is reflected in stories of walk-outs at restaurants, and boycotts of small stores that have made excessive price increases. In reality people, in the face of price increases, do not slide noiselessly along their demand curves like beads on a string, but do so with a lot of fuss and complaint, and why not? A little noise does no harm to the theory. But illusion of a particular kind there was.

But inflation unaffected

In contrast to the media furore, overall inflation in the first quarter of 2002 was at an annual rate of 1.6 per cent. In comparison to the first quarter of 2001, apartment rents, and prices of electricity, consumer durables and computer equipment fell significantly. Some discount supermarket chains actually used the introduction of the Euro to launch across the board price cuts of 2-3 per cent. It is easy to explain the observed price increases in terms that have nothing to do with the Euro. Unusually cold wet weather in the countries of southern Europe, the major suppliers of Germany's fruit and vegetables, and the aftermath of the foot and mouth and BSE problems are essentially responsible for the food price increases that sparked off the protests.

...continued on p.14

The Dangers of Public Economic Illiteracy

Two years ago, the Society established a subcommittee under Barry McCormick to explore ways of raising the public profile of economists and their work. As a contribution to this campaign the Newsletter is inaugurating a new series of articles in which potential consumers of economic wisdom comment on the research findings of professional economists. For the first article in this series we have asked Sir Alan Budd, Provost of The Queen's College, Oxford, and an eminent and experienced policy-maker to respond to Professor Gorge Caplan's findings, published in the Economic Journal, April 2002, that the average voter's beliefs about how the economy works are deeply misguided.

WHEN I WAS working at the Treasury I was occasionally asked to comment on ESRC research proposals as a potential user of the results of economic research. I cannot remember ever being asked about the usefulness of research after it had been completed but perhaps the question was directed elsewhere. Now I have been asked to comment on Bryan Caplan's article in the *Economic Journal* as someone who was once involved in policy-making. The two relevant questions when assessing research from this perspective would seem to be:

- Did it change my beliefs about the world?
- To the extent that it did so, how might it have changed the advice I gave to ministers?

There is an implicit third question, namely, if this advice had been taken would it have improved economic outcomes? But that is possibly too difficult. I am not, of course, suggesting that this is the only or even the best way of evaluating a piece of research. I shall add some comments at the end about some more general questions raised by the paper.

The public has long been sceptical

The starting point for answering my first question is my prior beliefs. Caplan's paper is about the difference in the views held by economists and non-economists. My prior beliefs on this subject are roughly as follows. I accept the evidence provided back in the 1970s in Sir Samuel Brittan's book *Is There an Economic Consensus?* My memory is that he showed that economists of all political persuasions agree far more closely about economic propositions than do economists and non-economists. My second source is the extremely interesting comment by Alan Blinder in 'Hard heads, soft hearts' that the general public tends to ignore the views of economists on those topics on which economists agree (mainly micro-economic issues) but is happy to accept their views on macroeconomics, which are, generally, far less soundly based.

My third source of evidence is a lifetime living among non-economists and being attacked for my views at a seemingly

endless series of North London dinner parties. That experience has convinced me that the general public accepts very few of the propositions that economists take for granted. I have been concerned by this fact and have seriously proposed that there would be considerable economic benefit from providing everyone with a brief course on economics. I might also have enjoyed the dinner parties rather more.

...and for many reasons

Caplan is concerned not only to establish the differences in views between economists and non-economists but also to explain them. I believe that some non-expert errors are of the type that could readily be resolved by a few hours of instruction. For example, most non-economists will tell you that prices in Bond Street are high because rents are high. Or they will ask why the Government cannot just spend more on hospitals by printing more money. The correct answers can be both complicated and counter-intuitive. The second area of disagreement concerns policy prescriptions. We then have two problems. The analysis on which the prescriptions are based may be difficult, but in addition the economist's solution is morally unacceptable to the layman. A typical example would be whether, under schemes of rationing, people should be allowed to buy and sell coupons. A current example, of a similar nature, is whether the USA should be allowed to buy traded pollution permits from poor countries. Economists can go on about Pareto improvements until they are blue in the face but the non-economist will stoutly maintain that such systems are unfair. People should not be able to acquire coupons for scarce commodities, and countries should not be allowed to buy the right to pollute the atmosphere just because they are rich. It's not fair. I shall come back to this point later.

Caplan's findings

What does Caplan find? Caplan's paper uses the 1996 Survey of Americans and Economists on the Economy. The respondents were 1510 randomly selected members of the public and 250 PhD economists. The latter worked full-time as economists and specialized in domestic economic policy. Each

group was asked the same 37 questions. Caplan reports the answers and seeks to explain the differences. More strictly, he examines some of the explanations that have been offered in the past for these differences. He does this by using the additional information that those questioned provided about their incomes, education etc.

Before I report some of his findings on differences in belief I must start with a confession. On some of the questions I found myself agreeing with the ignorant general public rather than the professional economists but I shall say no more.

There are three types of question. The first type asks about possible causes for under-performance of the economy. The second asks about the standard of economic performance (real wage growth, etc) in the past and in the future. The third (and smallest) group asks for explanations of economic events, for example the rise in gasoline prices. The biggest differences in answers are where I would expect them to be. For example, there are wide divergences in levels of agreement with the following possible explanations for unsatisfactory economic performance:

- Foreign aid spending is too high
- There are too many immigrants
- Business profits are too high
- Technology displaces workers
- Companies are sending jobs overseas

There are also large disagreements over whether gasoline prices rose because oil companies were trying to increase their profits, and on whether real family incomes had risen over the previous 20 years. On the latter Caplan summarises the results of a number of similar questions as follows: 'At least on the surface, economists' vision of steady progress in spite of minor adversities has little in common with the public's picture of stagnation and decline driven by a multitude of crises.'

No surprises there then. Non-economists disagree with non-economists about how well the economy is performing and they have different views about why economies perform well or badly. They also don't understand simple supply and demand analysis.

Is economics a special case?

Caplan points out that these systematic differences distinguish economics from other disciplines. In other fields non-experts tend, on average, to have the same views as experts but with a wider dispersal around the average. That had not occurred to me, possibly because I had never asked myself the question. Do non-physicists differ systematically from physicists about the subject or do they just have vaguer and more dispersed views? I can believe that the latter is the case. So this does make the case of economics particularly interesting. I have given above some of my possible explanations for the differences of views on economic issues; but that does not explain why such differences persist in economics but not in other disciplines. Why is economics different? Caplan is able to reject convincingly the assertion that economists hold the views they do because of self-interest or ideological bias. Their higher general level of education compared with the non-economists' group explains some, but by no means all, of the difference.

Why do views differ so much?

So Caplan has added weight to my prior belief that the views of economists are consistently different from those of non-economists. He concludes, in his phrase, that the views of non-economists are systematically biased. For an economist that is likely to mean that professional economists are right and everyone else is wrong. He suggests that these differences, rather than special interest politics, may explain political failure, by which I think he means the failure to introduce the correct economic policies. Although that suggestion is added as an afterthought to his other findings, it does raise an interesting question on its own. How far can we explain policy errors by these differences in view? Does my experience in policy-making suggest that this is so?

I have always believed that the views of non-economists differed from those of economists, but it is relevant to recall Alan Blinder's comments about micro- and macroeconomics. When I have given policy advice, it has usually been on macroeconomics where, paradoxically, the question of political acceptance was less acute. There were, of course, the usual problems of the unpopularity of measures to reduce demand. Tax cuts are much more popular than tax increases. That might have inhibited Treasury ministers from taking unpopular decisions but that is not peculiar to economic policy.

It is important to remember, incidentally, that ministers are frequently, though not always, drawn from the general public rather than the ranks of professional economists. So the differences described by Caplan may exist between ministers and those who advise them on economic matters. If there is 'political failure', is this because the adviser cannot persuade the minister to change his or her mind or because, even if the minister's mind is changed, the correct policy is not adopted because there is no public support for it? Of course both can happen.

Policy errors certainly result

On a non-scientific basis it is fairly easy to think of areas where wrong decisions (from an economist's point of view) are taken and this certainly happens in cases where the professional view differs from the non-expert view. David Henderson gave a masterly set of Reith Lectures on the errors arising from man-in-the-street economics. One example would be almost everything to do with trade. Everyone (apart from economists) knows that exports are a good thing and exports of manufactured goods are particularly to be valued. As Wilfred Beckerman has observed, economists will know they are making progress when there is a Queen's Award for Imports. Sir Samuel Brittan has often written about the great difficulties this false belief engenders, with the boosting of arms sales as a particularly pernicious example. (This is a case in which special interest politics play a part; but it is greatly helped by the general belief in the value of exports.)

A linked area is the business of saving or creating jobs. (In this area there is, unfortunately, only too often purportedly professional support from economic consultants; but I mustn't get carried away.)

Economics 101 the answer?

So I know that economists differ from non-economists and I believe that these differences can lead to policy errors. How might these views, strengthened by Caplan's paper, have changed the kind of advice I gave? I return to my proposal of the benefits of wider education in economics. But here the results tabled by Caplan are slightly disappointing. Education does narrow the gap slightly, but I would assume that all American graduates have done Economics 101 or whatever. Maybe it just doesn't stick. Caplan does persuade me that economists have a particularly challenging task when giving policy advice. They have not only to give the correct advice, they also have to explain its economic rationale and be aware of why the advice may be politically unacceptable. They also have to suggest how the political hostility might be overcome.

Here is an example. As it happened I was one of those whose views are recorded in *Is there an economic consensus?* which I have identified as one of the sources of my prior beliefs. (I replied to the questionnaire, on which the results were based, anonymously since I was a Treasury official; but Sir Samuel Brittan was able to identify me, or at least the category to which I belonged.) One of the questions was whether railway ticket prices should be higher or lower during the rush hour. We all know the answer to that. And we all also know, in a similar context, that congestion charges are a good thing; but in practice it is very difficult to introduce them. The most familiar arguments that I hear against them are that they will cause inflation and they are unfair to the poor. That brings me back to the earlier distinction I made between disagreements based on difficulties in understanding economics and differences based on views on what is fair. The first objection - that the result will be inflation - presents a challenge of exposition but the problem should be soluble. The economist will typically reply to the second objection - that they are unfair to the poor - by saying that we must distinguish between allocative and distributional effects. We can always compensate the poor. Perhaps it is at this point that one might start to sympathise with the layman and to understand why the economist's views are so often rejected. Hypothetical compensation is of little interest. If the debate about congestion charges is to be won, this sort of concern does have to be recognized and solutions need to be found.

Sensible economists know this perfectly well. They also know, to quote Richard Layard's essay 'Why I am an economist', that human wellbeing depends on more than individual opportunities. As he says:

It is most unfortunate that the thousands of economists who think about how to maximize a welfare functionshould have devoted so little attention to what actually generates utility. It is one reason why politicians often disregard the advice of economists - because they know better what affects utility than economists who think that income and prices say it all.

The riots against globalization (which all economists know is a good thing) can be seen as another manifestation of disagree-

ments about social functions. Again, Economics 101 would help but would not close the gap.

Suppose that, as a Treasury official, I had been asked in advance whether Caplan's research would be valuable for policy-making research, how would I have replied? Sceptically, I suspect, since I already knew about the disagreements, though I would have been interested in knowing why they exist. Caplan's careful work answers that question negatively by eliminating some popular explanations. He suggests - as a possible topic for future research - that there are topics that elicit emotional rather than analytical responses. (For example, hostility to immigrants and to foreign trade agreements may be based, he suggests, on strong negative feelings about foreigners. I dare him to try that at those North London dinner parties though he may be right for the wider public.) I suspect that a little more modesty may be in order. Is the economist always analytical and the non-economist always emotional? That seems a slightly insulting suggestion. Some soul-searching by economists might do no harm. It is a serious matter that economists and non-economists disagree. We either want to close the gap or to work out how to avoid policy errors that arise because of the differences in views. That's a research project that I would be happy to support.

New directory of online resources

To mark its centenary, the British Academy has just launched **Portal**, a directory of online resources in the humanities and social sciences.

The directory

- offers scholars easy access to online information about research resources in all areas of the humanities and social sciences;
- is intended primarily for post-graduate and post-doctoral researchers;
- includes only sites which demonstrate high quality and potential utility to the academic community, responsible ownership and up-to-date material;
- links to different types of resources including texts of major works;
- images of artworks and artefacts, datasets, maps and dictionaries and encyclopedias.

Portal covers the whole range of subject areas within the remit of the British Academy, including economics and economic history.

The address is:

<http://www.britac.ac.uk/portal>

Obituaries

Heinz Arndt

Heinz Wolfgang Arndt, Emeritus Professor in Economics at The Australian National University, died in a motor accident in Canberra on 6th May. He was born in Breslau (then part of Germany, now the city of Wroclaw in Poland), where he spent most of his childhood and received his primary and secondary education. His father, Fritz Georg Arndt, who originated from Hamburg, was a lecturer and later a professor of chemistry in the University of Breslau.

When Fritz Arndt was dismissed by the Nazi regime in 1933, most of the family moved temporarily to Oxford where Heinz entered Lincoln College. There he read Modern Greats; his tutor was Harold Cox, but for economics - which comprised barely one quarter of the course - he was sent to Robert Hall at Trinity. After a First in his finals, Heinz Arndt stayed a further two years at Oxford, writing a thesis on conservative political thought in the nineteenth century. He associated mainly with historians and political scientists and knew few economists other than A.J. Brown and J.E. Meade. In 1938 a Leverhulme Research Fellowship took Arndt to the London School of Economics where again he was marginal to the economists (although he was among a brilliant group of postgraduate students including Arthur Lewis, Tibor Scitovsky and Tom Wilson, who became a lifelong friend).

Arndt's career in economics really began in 1941, when he unexpectedly secured a job as a research assistant in Chatham House for the Royal Institute of International Affairs. He then became the accidental author of a volume sponsored by the RIIA entitled *The Economic Lessons of The Nineteen-Thirties* (OUP, 1944). This work was both controversial and lasting. It was for many years the only analytical economic history of the inter-war years on a world canvas; it made Arndt's name in the United Kingdom and doubtless helped him gain appointment in 1943 as Assistant Lecturer in Economics under J.R. Hicks at Manchester. From that post he went in 1946 to a Senior Lectureship in the University of Sydney, and thence in 1950 to the new Chair of Economics at the Canberra University College, merged in 1960 into the Australian National University.

Arndt's early academic work in Australia was in the fields of international trade and payments, monetary and fiscal policies, banking and the capital market. In the latter areas the pickings of data were slim; Arndt laboured long and imaginatively to gather primary information on bank operations, bond holdings, consumer credit and the sources of public and private investment, all of which nowadays are the subjects of official, published statistics. From this work came many academic and other articles and, especially, the pathbreaking book on *The Australian Trading Banks* (Cheshire, 1957), which went into four subsequent editions with a series of co-authors. During the 1950s and 60s, Arndt was prominent in public discussion

of economic policy in Australia and in professional leadership; he was President of the Economic Society of Australia and for many years editor of the *Economic Record*; he was also very active - as he had been in Manchester - in promoting adult education in both Sydney and Canberra.

However, Arndt's interests were turning towards international economic growth and development. To some extent this was stimulated by working on issues of Australian overseas trade and aid, but perhaps more importantly by new contacts with notable economists in the then fashionable and important field of economic development. Among the first of these was the very influential Swede, Gunnar Myrdal, whom Arndt met fortuitously on an aeroplane in 1953. Arndt's interest in development burgeoned further in the course of a sabbatical at the University of South Carolina. It was during his six-month sojourn there that he wrote two of his most seminal articles, 'A Suggestion for Simplifying the Theory of International Capital Movements' (published in *Economica Internazionale*, 1954) and 'External Economies in Economic Growth' (*Economic Record*, 1955). Eager then to 'to learn something about economic development in real life', Arndt spent three months in 1958-59 at the Indian Statistical Institute in Calcutta and at the Planning Commission in Delhi. He travelled widely in India and was 'powerfully affected by the emotional experience of learning about the abysmal poverty of hundreds of millions of human beings' (*A Course Through Life: Memoirs of an Australian Economist*, Australian National University, 1985).

In 1960-61, another opportunity arose for Arndt to work on development themes at the United Nations Commission for Europe, in Geneva. Among those themes were 'why growth rates differ' and 'trade preferences for developing countries', both hot subjects at the time. Arndt contributed substantially to the Commission's *Some Factors in Economic Growth in Europe During the 1950s*.

Back in Canberra, Arndt took over, in late 1963, the headship of the infant Department of Economics in the ANU's Research School of Pacific Studies. Substantial research programs on Malaysia and Papua New Guinea were already established; but for Arndt, Indonesia had the more compelling attractions of being important, difficult and risky. It may fairly be claimed that 1964 was the nadir of the Indonesian economy in structure, management and performance. Arndt's approach - in the face of much contrary advice - was to devote substantial effort and institutional resources to a long-term program of studying the Indonesian economy. His initiatives quickly matured and include the *Bulletin of Indonesian Economic Studies* which has been acknowledged as the premier serial publication on the economy of Indonesia and among the world's leading journals of economics.

Arndt retired formally from his university post at the end of 1980; freed from administrative responsibilities, he plunged immediately into a highly productive late life of personal

scholarship and research leadership. Between 1981 and 1990, he was co-chairman (the other being a representative of the ASEAN governments) of the ASEAN-Australia Joint Research Project, which produced a remarkable number of original monographs and articles on the ASEAN region and built an enduring network of Australian and Asian scholars. Also in this period, Arndt was the founding editor of *Asian Pacific Economic Literature*, which has become the beacon for new research on the region's economies. On the personal front, Arndt followed *The Rise and Fall of Economic Growth; a Study in Contemporary Thought* (Longman Cheshire, 1978 and Chicago University Press, 1984) with *Economic Development: The History of an Idea* (Chicago University Press, 1987). Other books in the last period of his life included *Fifty Years of Development Studies* (Australian National University, 1993), *Essays in International Economics, 1944-1994* (Avebury, 1996) and *The Importance of Money* (Ashgate, 2001).

Heinz Arndt was an extraordinarily energetic and stimulating academic, and a kind, caring and generous man. He actively promoted the careers of numerous students and colleagues, and maintained a substantial list of regular correspondents until the very end. He married Ruth Strohsahl in London in 1941; she predeceased him in 2001 and they are survived by three children, nine grandchildren and one great-grandchild.

Peter J. Drake
Professor Emeritus
Australia Catholic University and University of New England

George Clayton

George Clayton was born on July 15 1922, the son of a primary school headmaster. In 1940 he won a scholarship to read Classics at Cambridge but chose instead to study and make a career in economics. (His brother, Fred, was a noted classicist, holding the Chair at Exeter for many years).

Like many of his generation, Clayton had his undergraduate education interrupted by the war. He joined the RAF in 1941 and spent much of the war based in the USA where he was seconded to the USAF to help with pilot training. Although he was a keen and accomplished player of rugby union (and later a qualified referee) flying remained a lifelong passion. In his seventies, he took up gliding.

He returned to Cambridge, and to economics, in 1945. Unsurprisingly, perhaps, he was much influenced by the ideas of J M Keynes and remained an eclectic and pragmatic Keynesian for the rest of his career. His particular interests were in monetary and financial economics, to the study of which he brought a depth of institutional and practical knowledge. He was acutely aware of the way in which institutions shape and constrain policy, both in its making and in its outcomes. Partly for this reason his expertise was frequently sought in policy-making circles. He served on the Crowther Committee on consumer credit and on the Scott committee enquiring into property bonds and equity-linked life assurance. He also advised overseas governments, including those of Gibraltar, Kenya, British Honduras and Tanzania, and he served on economic missions to Argentina and the Caribbean.

After graduating in 1947 he began his academic career as an assistant lecturer at Liverpool University where he helped to found a centre for South American Studies. In 1963 he moved to University College of Wales, Aberystwyth, as Professor of Economics. While there, he helped to establish a Faculty of Social Sciences and became its first Dean. In 1967 he accepted the Newton Chambers Chair of Applied Economics at Sheffield, becoming Dean of the Faculty of Social Sciences there shortly afterwards. His taste for, and skill at, university administration led him to a four year period as pro-Vice Chancellor during the 1980s. This proved to be a particularly turbulent period for many universities whose students (and many staff) were quick to express their resentment at the Thatcher administration's treatment of higher education. In the circumstances, the University was fortunate in having George Clayton's negotiating skills and tireless good humour to call upon.

He wrote extensively on a wide range of topics relating to money and macroeconomics. This included banking, insurance, exchange rate and monetary policy and the financial system in general. His work was widely read, partly because it was extremely readable but also because of its strong practical and policy focus. The same qualities applied to his lectures: he was a popular, generous and much-respected teacher.

He is survived by his wife Rhiannon (née Jones), whom he married in 1948, and by two sons and two daughters.

Peter Bauer

Peter Thomas Bauer was born in Budapest on 6 November 1915. He was the son of a bookmaker who was killed by the Nazis. Fortunately for Bauer *films*, one of his father's clients provided the funds for him to come to study in England in 1934.

With an excellent academic recommendation from his Budapest tutors (but with little English and little money) he was accepted as a student by Gonville and Caius College, Cambridge. During the remaining years of the 1930s he returned several times to Hungary, completing a law degree there and serving briefly as a conscript in the Hungarian army. On graduating from Cambridge, he took a job with a leading company of rubber growers and merchants, in a first step towards the interest that was eventually to make his reputation.

His first academic post was a research fellowship in the University of London from 1943 to 1946. In the latter year he was elected to a Fellowship at Caius and then took the post of Reader in Agricultural Economics from 1947 to 1948. It was during this period that he became committed to what was later to become known as 'development economics' as a result of a Colonial Office commission to report on the rubber growing industry in Malaya (Malaysia). This was published in 1948 as a book *The Rubber Industry*. The book was notable for the expression that it gave to Bauer's scepticism about the consequences of official intervention, a view that was to grow in stridency in years to come.

In 1948 he took up a lectureship at Cambridge and shortly afterwards was asked by the Colonial Office to look at trading activities in British possessions in West Africa. From this

emerged *West African Trade*, published in 1954. Like his work on the rubber industry, this showed great attention to detail — it looked at the effects of marketing boards, at the role of international traders and merchants and the behaviour and incentives facing small-scale farmers. It also came to similar conclusions, namely that official intervention in market processes, however well-intentioned, generally worked to the disadvantage of the local populace. As the years went by, the evidence of these two studies led him increasingly to the view that much of the orthodoxy of development economics was wrong-headed.

The issue that led to the greatest rift with many fellow economists, however, was that of development aid. Inevitably aid went in the first instance to governments or official bodies who were then responsible for its distribution. All too often, he argued, this meant that governments themselves rather than the people were the main beneficiaries. Despotic and corrupt governments were maintained in power and inefficient policies prolonged. From 1960 to 1983 he held the post of Professor of Economics at the London School of Economics and it was during this period that Bauer composed his major attack on mainstream development economics, *Dissent on Economic Development*, which was published in 1972.

During his career, Peter Bauer received a number of honours. He was elected a Life Fellow of Gonville and Caius in 1968, became a Fellow of the British Academy, and was elevated to the House of Lords by Mrs Thatcher in 1982. In 2001 he received the Order of Merit of the Republic of Hungary and in 2002 he was granted the Milton Friedman Prize for Advancing Liberty.

A man whose professional views aroused strong feelings amongst politicians and fellow economists, he was, nonetheless, a generous man of wide-ranging interests. He was particularly helpful to younger colleagues and will be missed by friends whose company he enjoyed, and who enjoyed his.

Editorial board vacancies

The journal *Economic Issues* is seeking to strengthen the membership of its Editorial Board. The journal is particularly keen to recruit individuals who are at the outset of their academic careers. Individuals who may be interested in joining the Board should contact the journal directly at economic-issues@mmu.ac.uk

Economic Issues is a broad spectrum economics journal which has built a reputation for the quality of its content and also for the speed of decision on, and publication of, submissions. It has also set the standard for the use of the latest technology. Until the printing of final copy, the production of *Economic Issues* is virtually paper-free, making the editorial and production processes very efficient.

Its website is at: www.economicissues.org

The Euro and money illusion

...from p.8

Other significant price increases, such as those for gas, petrol, tobacco, alcohol and insurance were caused by tax increases. Ultimately we are left with little acts of opportunism by small traders in the restaurant and entertainment business, who may well have underestimated the elasticity of consumers' demands as well as their ability to calculate price increases. My guess is that future studies will show no significant persistent impact on prices of the introduction of the Euro.

What seems to have happened is that there was considerable consumer suspicion before the introduction of the Euro that this event would be exploited by sellers, and that after the event any evidence that confirmed this was highlighted and evidence to the contrary ignored. A survey of consumers published towards the end of 2001 showed that over 60 per cent believed that the Euro would lead to higher prices. The fact that price increases were for frequently-bought items such as foodstuffs, price decreases for less prominent items such as electricity and computers, allowed the illusion to be fostered of a general inflationary wave driven by the introduction of the Euro. The tabloid press happily fed this illusion. After all, the headline: '**Prices Stable, Introduction of the Euro By and Large Trouble Free**' would hardly have sold newspapers. I don't think I have to change my lecture.

Longitudinal data sources

The UK Longitudinal Studies Centre at the Institute of Social and Economic Research (University of Essex), in partnership with the Office for National Statistics, has developed a new, free, website publication called *Keeping Track*, an electronic reference guide to major longitudinal data sources.

The central purpose of the site is to encourage greater use of longitudinal data. Keeping track of cohorts of people as they travel through life enables detailed analyses of different experiences in their lives, and of the impact of government policies such as those designed to improve their education, develop skills and maintain health.

The site covers data sets collected by government agencies, academia, private social research organisations and medical and private industrial sources.

To access *Keeping Track*, go to:

www.iser.essex.ac.uk/ulsc/projects/ldr4ss/index.php

Preserving statistical material

The electronic recording of data has made it possible to store and share a much larger range of datasets than in the past. In 2001, for example, the UK Data Archive took in 160 new collections. *Preserving and Sharing Statistical Material* offers advice and best practice guidelines on the preservation and sharing of electronic data. A joint initiative between UKDA and the ESRC, the booklet is available from:

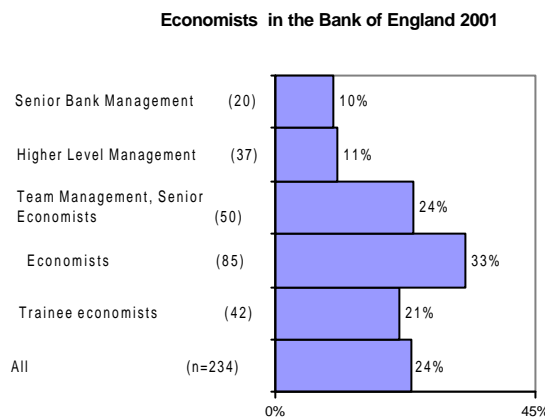
www.data-archive.ac.uk/home/preservingsharing.pdf

Women in Threadneedle Street - and Elsewhere in Economics

A report from the the RES Committee on Women in Economics, by Heather Joshi, Institute of Education

THE RES Committee on Women in Economics has received a report on the gender of economists in the Bank of England to add to the evidence from our Biennial survey of academic economists (see *RES Newsletter*, January 2002) and from the Government Economic Service (GES) (see *RES Newsletter* July 2001). The Bank of England defined 'economists' by the subject of their degree, rather than their function as in the GES. The Bank's definition has two versions: i) those with economics degrees at Masters level and above, ii) as (i) but including economics degrees at Bachelors level. At the end of 2001 there were 156 economists employed by the Bank with degrees of Masters and above, of whom 21 per cent were women; there were a further 78 economists with Bachelors degrees, of whom 29 per cent were women. The latter were not confined to most junior posts; they included a minority of those in top rank posts, held by women as well as men.

Percentage of Employed Women among Economists, UK 2000-1



include economists who have moved into senior management jobs outside specifically economic posts, and accounts for only 10 per cent of posts, compared to nearly one quarter by the top two in the Bank.

It is notable that women constitute 33 per cent of Bank 'Economists' compared to 21 per cent of the Government Economic Advisers. Also the GES has 30 per cent female among Economic Assistants compared with 21 per cent among the Bank's Trainee Economists. This might indicate that women seem to be finding it relatively easy to enter and stay in the Bank or that the Bank might be recruiting women economists from the junior levels of other sectors.

When the Bank of England is compared with academic employment of economists, women's relative success at achieving senior and middle positions in the Bank is more

The combined forces of economists are distributed over the levels of the Bank of England organisation as illustrated in the chart. The rungs of this hierarchy do not exactly correspond to those of the Civil Service or the academic institutions, but comparison with their graphs should give a rough idea of the

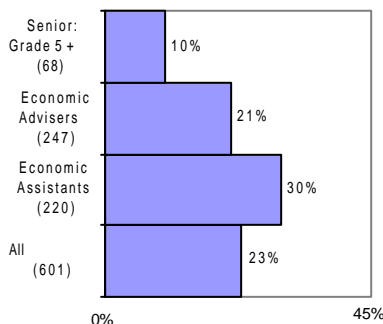
structure of careers for women economists in these three sectors. The Bank of England has about the same proportion of female economists (just under 1 in 4 on the broad definition) as the Government Economic Service, but the profile by seniority is different. The Bank appears to have a less-

striking, with seven per cent professors (accounting for 21 per cent of academic posts) being women compared with 11 per cent of the higher and senior management in the Bank.

Whatever the reason for the relatively small number of women at the top of all these hierarchies (a subject that the Committee continues to investigate), an undeniable consequence is that 'senior women' are in extremely short supply relative to demands such as sitting on appointment boards or mentoring junior women. Mentoring of women by women may in principle be one way to overcome barriers to career progress, and has been suggested as an activity to be organized by the Committee, but, given the scarcity of 'senior women' and their shortage of time, it is hardly feasible. In practice, mentoring should and does involve mentors or both sexes

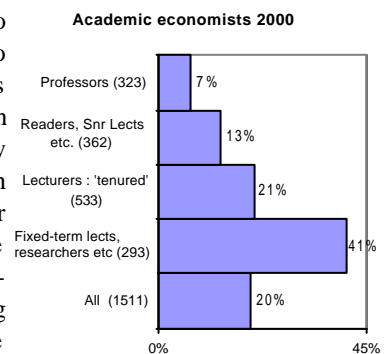
guiding juniors of both sexes, and the RES Committee on Women hopes to continue to provide colleagues with relevant information. Please visit our pages on the RES's Website <http://www.res.org.uk/women.htm>

Percentage of Employed Women among Economists Government Economic Service, 2000



er proportion of women at the bottom, but as many at or near the top. 21 per cent of the Bank's trainee economists were female compared with 30 per cent of the Government's Economic Assistants. If the higher and senior managers of the Bank may be compared with the GES Grade 5 and above, then both have about the same proportion of women in senior positions (11 per cent vs 10 per cent), but these figures should be compared with caution because the GES top grade does not

Percentage of Employed Women among Economists Academic economists 2000



Work and Communities

What makes some areas of our cities attractive places to live and work while others become notorious for crime, poverty and other symptoms of social deprivation is a question of considerable public interest. In this article, a summary of a recent presentation to the Department of Trade and Industry, Paul Gregg, Reader at the Leverhulme Centre for Market and Public Organisation, University of Bristol, reports on recent research.¹

Historically the main focus of geographical dispersion in employment has been across regions (the North-South divide) but dispersion at neighbourhood levels is increasingly coming under scrutiny. This article looks at what shapes these patterns and the growing evidence on how such concentrations of deprivation affect the outcomes of residents — so called neighbourhood effects. The article also looks at what policy areas reduce such inequalities.

Local patterns of employment dispersion

One route through which social housing tenure may influence employment outcomes is through reduced residential mobility. It is almost impossible to keep social housing subsidies when moving region. Those in social housing are less likely to migrate but this is common to the children of residents as well as the householders. Those in social housing are not willing to migrate whatever housing type they occupy.

So are there neighbourhood effects whereby heavy concentrations of less educated people worsen employment chances? Since a lot of recruitment among the low skilled is by word of mouth, living in a deprived area may reduce access to job networks.

The most recent data comes from the Employment Domain of the Index of Local Deprivation. This is derived from levels of receipt of welfare benefits by ward and is largely a measure of male non-employment. Around 10 per cent of wards have more than 20 per cent of the working age population reliant on welfare payments. The worst areas have over 40 per cent welfare dependency. These areas are mainly in cities and former coal mining areas. Some are edge of city estates but most are located in inner city areas near to the main business district, where thousands work but live in more affluent suburbs. This suggests that geographic isolation is a major issue in only a minority of deprived wards.

Does a concentration of deprivation impact on residents?

The best evidence is from US experimental studies. The 'Moving to Opportunity Program' moved families from acutely deprived neighbourhoods into more affluent neighbourhoods. To date two studies have produced early results. They suggest that moving results in:

- Reduced crime victimisation and fear of crime
- Reduced delinquency and arrest rates of adolescents
- Improved health outcomes
- No significant impact on earnings and employment.

It appears then that neighbourhood concentration of deprivation has little impact on the economic behaviour of adults but may have consequences for children. Employment of the least educated however is sensitive to wider economic conditions in the region.

A three pronged approach to policy is required:

1. Regional policy to promote employment at a regional/city level. Employment growth will result in inflows of well educated labour but this can provide spin off employment. Cities have very high employment but many of the workers do not live in the city, especially not in inner city areas. So regional policy alone will not address the problem.
2. A strong emphasis needs to be on getting residents into employment over a wider geographical area. The Employment Service needs to recognise the geography of employment deprivation and focus on these areas. It needs to develop a regional and nationwide infrastructure for low-skilled employment opportunities.
3. Reduce the link between residential sorting and outcomes. This appears to be greater for children. First, create more mixed communities by fighting against the selection mechanisms and second, counter the adverse effects of concentrated deprivation through services. Improved services may also reduce the adverse selection against an area, so these approaches may be complementary.

What creates pockets of deprivation?

There are two very strong selection mechanisms that create areas of acute deprivation even within prosperous cities.

The first stems from how inequality of work and wages is transmitted through house prices/rents to patterns of housing demand. As an environment deteriorates (improves) those able leave (move in). Thus it is likely that increasingly inequality in Britain has made segregation more extreme. Tackling this would probably involve increased Council Tax charges for high value housing and charges for commuting, as well as improving the quality of life in cities.

The second form of selection is how access mechanisms to rationed social housing restricts allocation solely to those with acute employment problems. Social housing provides housing subsidies to low income families based on the capital cost of buildings rather than incomes. They are flat rate and allocation rules only apply once - so the subsidy continues provided the recipients don't move out of the area.

Correspondence

More on journal submissions

Sir,

Paul Ormerod is right to raise the issue of the time taken by economics journals to arrive at decisions regarding publication (*Newsletter* no.117, April 2002). For beginning academics on short term contracts, the speed of editorial decisions can be a career shaping (or career-threatening) issue. I have tried to bear that fact in mind throughout the 15 years that I have spent editing journals. That editorial experience tells me that there can be no legitimate reason for the decision lag to exceed 6 months.

Today marks the fourth (yes, the *fourth*) anniversary of my submitting a paper to a certain well-established economics journal, and despite regular correspondence with the editor, there is no decision in sight.

One would wish to rely on the market to drive out bad editors such as the one responsible for my four year wait. But good information is not available on which we can base a judgement about which journals perform well and which perform badly in this regard. The RES might wish to consider helping the market along by publishing a blacklist (giving editors the right of reply, of course - that should be a laugh).

To start the ball rolling, the journal that is keeping me waiting is *Public Finance*.

Yours sincerely,

Geraint Johnes
Professor of Economics & Associate Dean
Lancaster University Management School

Editor's note: The *Newsletter* would be interested to hear from others who have been subject to excessive (say greater than one year) decision lags.

Correction

In Professor Prakash's letter ('Policy and the poor', *Newsletter* no.117, April 2002) we stated that 'George Fernandes ...claimed in 1988 that 520 million people...were living on just ten Rupees.' The correct date was 1998. We apologise to Professor Prakash and to any readers inconvenienced by this error.

Since 1979 the rationing mechanism has become increasingly restrictive, especially in areas of high demand. Restriction is biased toward those with acute housing need and this is strongly correlated with lack of work, low income etc.. Rationing is also achieved by offering extremely low quality housing. Furthermore the subsidy value has diminished greatly. This means that only those with the lowest incomes will take social housing outside areas of housing shortage and in areas of housing shortage over-subscription means that only those with the most acute housing crisis can get it.

Easing this selection involves paying the subsidy to the family. Better off people can enter social housing estates but at full rent. Those getting a long-term subsidy can take it with them when they move area or into private rental or owner-occupation. This creates a degree of competition between social housing providers and the private sector. The long-term subsidy should not be for life, but to maintain work incentives it should also not be means-tested. A five or ten year support package seems a sensible approach.

Social housing development should probably be increased, with an emphasis on small numbers of units in mixed areas and existing large estates should encourage more mixed tenure options.

Whilst moves in these directions may slowly ease the concentration of deprivation, those areas of deprivation that continue to exist need increased funding of mainstream services. Services aimed at adolescents appear a key priority, such as education, employment and youth services. Crime reduction is also likely to be crucial. Thus there needs to be increased central government funding and targeting of funding for mainstream services to poor areas.

Note: 1. The full article can be read in *Market and Public Organisation*, a non-technical 6-monthly bulletin produced by the Leverhulme Centre for Market and Public Organisation at the University of Bristol. Copies can be obtained from www.bris.ac.uk/cmppo or from cmppo-office@bristol.ac.uk.

CMPO gets new director

Professor Carol Propper has been appointed Director of the Leverhulme Centre for Market and Public Organisation at the University of Bristol. She takes over from Professor Paul Grout as the Centre undergoes a period of rapid expansion. Paul Grout worked to establish the Centre and saw it through its early years.

The increase in the size of the Centre has led to an internal re-organisation. Four programmes have been established: 'Incentives in Organisations'; 'Welfare Reform and Public Sector Delivery'; 'Market Organisation and Regulation' and 'Competition in Public Services'.

Research at the Bank of England and the Academic Community

At the meeting of CHUDE, which took place at the Society's Annual Conference on 25 March, Simon Price from the Bank of England gave a presentation on research at the Bank of England and how it connects with research in economics being carried out within the academic community. This is a shortened version.

If the Bank is to discharge its responsibilities effectively, its staff need to be fully up to speed with current economic understanding, and also able to initiate and pursue research. In the process, the Bank has innumerable links with the academic community. The aim of this note, is to give a flavour of what these are.

Academics at the Bank

The most obvious inputs are from our visitors. In a typical year there may be between ten and twenty short visits from academics working in areas of interest to the Bank. For example, Tom Sargent spent two months in the Bank last year; in other cases, scholars passing through London might visit for a few days. We also commission academics for particular tasks. For example, Adrian Pagan recently spent time at the Bank, undertaking a review of how we use forecasting and econometric models. There are longer term relationships: Simon Wren-Lewis has for some years been helping us to develop our main macroeconomic model. Other UK academics are retained on a continuing consultancy basis across the Bank. For example, Hyun Shin acts as an academic advisor to Financial Stability, working particularly on issues to do with the design of the international financial architecture. These relationships sometimes work as secondments, generating two-way traffic between the Bank and universities. And some external MPC members retain positions on a part-time basis.

We periodically commission research projects of varying sizes, or actively collaborate with outside institutions. For example, we are currently pursuing a joint investigation into firm level UK investment with IFS, and John Muellbauer has been working on a regionally disaggregated analysis of financial liberalisation in the housing market. Our preferred model is for academics to work with Bank staff, rather than to buy in a finished research project, so that our staff end up benefitting from the research process and are able to take it further themselves. Any projects have to reflect the Bank's current priorities, so projects will typically be initiated by us, but we are open to suggestions from outside. Similarly, we run an active seminar programme, with external speakers ranging from internationally renowned scholars to young researchers at the start of their careers. (There are also extremely crowded internal programmes and study groups.)

We sometimes arrange *ad hoc* lecture series by academics on core topics. For example, in the Monetary Analysis division in 1999 Chris Pissarides gave a short series on equilibrium models of the labour market, and last year, Carl Walsh gave a one-week series on monetary policy. In the past year, the Financial Stability division has had Franklin Allen giving a course on financial crises, and Philippe Jorion a course on Value-at-Risk models. There is also a formal academic fellowship, the Houlblon-Norman, set up in 1944 to mark the 250th anniversary of the Bank. Sir John Houlblon was the first Governor and Montagu

Norman was the then outgoing Governor of the Bank. The fund was enhanced in 1994 to mark the Bank's tercentenary. The Fellowship has attracted many distinguished visitors, including Robert Barro, Larry Ball, Maxwell Fry and John Campbell, as well as junior researchers. The only condition is that fellows work on some topic of interest to the Bank. Fellows are based at the Bank with office and other facilities, and publication of resulting research assisted is encouraged. More information is available at <http://www.bankofengland.co.uk/houlblonnorman/index.htm>.

Contributions from the Bank

The Bank itself contributes to the academic community. One way in which we do this is via the organisation of *ad hoc* conferences on topics of interest to us. For example, in May 2001, we held a conference on 'Banks and Systemic Risk', co-organised by the UK Financial Services Authority, the US Federal Reserve Board of Governors, The New York Federal Reserve Bank and the US Office of the Comptroller of the Currency, with selected papers subsequently appearing in the *Journal of Banking and Finance*. Bank staff attend and contribute to innumerable national and international conferences. As in previous years, several staff presented papers at RES 2002, and we organised one special session, on 'New Technologies and Productivity Growth'.

Many Bank staff are active researchers. As well as drawing on the results in the policy process and in the Inflation Report and Financial Stability Review, we disseminate this research in various ways. Apart from conference papers and publications in refereed journals, there is the Working Paper series. This is an anonymously externally refereed series. Last year about 30 papers were published. Other papers are produced by the staff supporting the external MPC members, and less technical summaries may appear in the *Quarterly Bulletin*. There are also *ad hoc* publications, such as *Economic Models at the Bank of England*, which documents the suite of models we employ. The full range of Bank publications can be browsed at <http://www.bankofengland.co.uk/publica.htm>.

Finally, the Centre for Central Bank Studies (CCBS: <http://www.bankofengland.co.uk/ccbs.htm>) offers technical assistance, workshops, seminars and comparative research on and for central banks and institutions working in similar fields throughout the world. Its primary aims are to foster monetary and financial stability world-wide, to promote the Bank's core activities, and to provide opportunities for central banking staff to obtain broader perspectives on their own areas of expertise. Its goal is to be recognised internationally as a leading centre of intellectual excellence for the study of central banking, and runs research workshops, courses and conferences, and publishes a variety of expository and research material.

More on income in later life

As working lives shorten and time spent in retirement increases, governments throughout Western Europe are becoming increasingly concerned about how to prevent large numbers of people spending their retirement in poverty. A new study from the Institute of Economic and Social Research at Essex examines the relationship between people's employment histories and the risk of having a low income in later life.¹

The study, carried out by Elena Bardasi and Stephen Jenkins, shows that the long-term effects on income of ceasing work before the age of 60 vary widely between occupational groups. The research was based on data from the British Household Panel Survey, collected during the 1990s, and was supported by the Joseph Rowntree Foundation.

What the study shows is that the risk of having an income in the lowest third of the distribution after 60 was strongly related to occupational group and continuity of employment. But it is not simply a case of white collar/manual or skilled/unskilled differences.

For example, early retirement (or redundancy) makes little difference to the chances of being poor for men in managerial, professional or manual occupations. But men who had worked in clerical or sales, or were skilled manual workers or worked in the personal and protective services were especially vulnerable if they left employment early.

For women, the association between early departure and later poverty is less marked, though it remains the case that continuous employment in managerial and professional jobs diminishes the chance of later poverty. The weaker association, Bardasi and Jenkins suggest, arises because for many women intermittent labour market attachment is a characteristic of their whole working life, not something that arises solely by reason of early retirement or redundancy. What matters most for the prospects faced by a woman over the age of 60 is the type of household to which she belongs and her marital status. Women without a partner have a substantially higher risk of poverty than those who are married or cohabiting. It remains the case, that for many women, having a partner with a good working history is more important than their own employment record.

The important message for policy is that measures to tackle pensioner poverty which focus on early retirement from the labour market will be chiefly relevant to men.

Notes:

1. E Bardasi and S Jenkins, *Income in Later Life: Work History Matters* (The Policy Press for the Joseph Rowntree Foundation, 2002). Details of the Institute for Social and Economic Research and its work can be found at: www.iser.essex.ac.uk

RES

news items

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 M A Meyer, Nuffield College, Oxford OX1 1NF.

NOTE This scheme does NOT cover assistance to members to go to a conference at which they will be presenting papers or acting as discussants. A separate fund - the Conference Grant Fund - has been set up for this purpose. Details are given below.

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, June and October** each year.

2003 ANNUAL CONFERENCE

The 2003 Annual Conference will be held at the University of Warwick
from **Monday 7 to Wednesday 9 April.**

Keynote speakers

Professor Joshua Angrist (MIT)
Professor Steven Levitt (Chicago)
Professor James Proterba (MIT)

The Programme Committee invites submissions of papers from academic, government, and business economists, as well as from Young Economists (those who have spent no more than six years in professional activity since completing their first degree and who have not previously presented a paper at the Conference) in any field of economics and econometrics for the General Sessions. Proposals for the organisation of Special Sessions on Specific Topics are also welcome. For further details, including information on financial assistance for Young Economists and for postgraduate students, go to <http://www.warwick.ac.uk/res2003/>

General Sessions

Papers are invited in any subject area included in the *Economic Journal*. Two hard copies of papers (only complete papers will be considered) should be sent by

12 October 2002

to Dr Robin Naylor
Chairperson, RES Conference 2003
Department of Economics
University of Warwick
Coventry CV4 7AL

Notification of acceptance will be sent by the mid-December 2002.

Young Economists' Sessions

The Young Economists' Sessions are integrated with the general sessions and the sessions on specific topics. Young economists should submit two hard copies of papers (only complete papers will be considered) by

12 October 2002

to Dr Robin Naylor at the address above.

Call for Bids for Invited Sessions

As in past conferences, proposals for organising sessions on specific topics are invited. The proposals should be no more than a one-page outline and should detail the theme and give the name of a specific individual who will be responsible for the organisation of the session. Names of all authors of proposed papers should be included in the proposal. Special Session proposals should be sent by:

16 August 2002

to Dr Robin Naylor (by e-mail in Word or PDF format) at RES2003-papers@warwick.ac.uk

(All speakers are expected to pay the conference fee.)

Conference Diary

2002

august

27-29 August

London

*Bi-annual meeting of the **International Association of Official Statisticians** on Official Statistics and the New Economy, to be held at Church House Conference Centre, London. The four main themes will be: what do we mean by the new economy; policy implications and their statistical needs; business transformations and the consequences for official statistics; and structural implications.*

Further information from:

James O'Leary (james.o'leary@ons.gov.uk).

Tel: 020 7533 6203 Internet:

<http://www.statistics.gov.uk/iaoslondon2002/>

september

1-2 September

Stirling, Scotland

*Biennial conference of the **International Network on Economic Method** to be held at the University of Stirling.*

Further information from: Sheila Dow (s.c.dow@stir.ac.uk).

Internet: www.econmethodology.org

1-5 September

Karrebæksminde, Denmark

*Conference on **Vertical Markets and Cooperative Hierarchies: The Role of Cooperatives in the International Agri-Food Industry** organised by the European Science Foundation.*

Further information from: EURESCO website at:

www.esf.org/euresco

2-4 September

Stirling, Scotland

*Annual conference on the **History of Economic Thought** to be held at the University of Stirling.*

Further information from: Sheila Dow (s.c.dow@stir.ac.uk).

Internet: www.ecn.bris.ac.uk/2002/call.htm

5-8 September

Madrid, Spain

*Annual conference of the **European Association for Research in Industrial Economics (EARIE)** to be held at the Universidad Carlos III de Madrid.*

Further information from: Internet: www.fundacion.uc3m.es/earie2002/

9-11 September

Cambridge

*Fourth conference on **European Transport** organized by the Association for European Transport. Themes will include: transport policy and research; methodological innovations; applied transport methods; freight and logistics; aviation economics; railway reform; strategy and performance; investment in roads; planning for sustainability and demand management.*

Further information from: Sally Scarlett, Association for European Transport, 1 Vernon Mews, Vernon Street, London W14 0RL. Tel: 44 20 7348 1978 Fax: 44 20 7348 1989
E-mail: info@aetransport.co.uk
Internet: www.aetransport.co.uk

9-13 September

Lisbon, Portugal

*13th World Congress of the **International Economic Association**. Congress days will be devoted to invited lectures on the main themes and to parallel sessions of contributed papers.*

Further information from:

E-mail: ordemeconomistas@mail.telepac.pt

Internet: www.iea-world.org

19-20 September

Cambridge

*Conference on **Policy Rules - The Next Steps**. Organised by Money, Macro and Finance Research Group (MMF), ESRC Understanding the Evolving Macroeconomy Programme and Bank of England. Speakers include: Sumru Altug (Koch), Seppo Honkapohja (Helsinki), Timothy Kehoe (Minnesota), Ed Nelson (Bank of England), Robert Tetlow (Federal Reserve Board), Ignazio Angeloni (ECB), Peter Isard (IMF), Bennett McCallum (Carnegie-Mellon), Mark Salmon (CAS Business School), Martin Weale (NIESR).*

Further information is available at:

<http://www.econ.cam.ac.uk/dae/people/holly/Policy-Rules/policy-conference.htm>

19-21 September *Jubljana, Slovenia*

Tenth annual conference of the **European Association of Development Research and Training Institutes (EADI)**. The theme will be 'EU Enlargement in a Changing World'.

Further information from: EADI Secretariat, Kaiser-Fredrich-Strasse 11, D-53113 Bonn, Germany.
E-mail: postmaster@eadi.org Internet: www.eadi.org

19-22 September *Paris, France*

Annual conference of EALE to be held at the University of Paris 1.

Further information from: EALE Secretariat, ROA, Maastricht University, PO Box 616, NL-6200 MD Maastricht, The Netherlands. E-mail: eale@roa.unimaas.nl
Internet: www.eale.nl/pages2/call2002.htm

21-25 September *Seefeld in Tirol, Austria*

Conference on **European Societies or European Society?** Organized by the European Science Foundation.

Further information from: EURESCO website at: www.esf.org/euresco

21-26 September *Acquafredda di Maratea, Italy*

Conference on **European Integration** run by the European Science Foundation.

Further information from: EURESCO website at: www.esf.org/euresco

30 September - 3 October *Adelaide, Australia*

National conference of the **Economic Society** to be held in Adelaide. The conference will include sessions on water, electricity, wine, fiscal equalization, trade issues, Japanese economy, and economic reform.

Further information from:
Internet: www.ecosoc.org.au/conf2002.html

october

10-15 October *Montreal, Canada*

Fourteenth international conference on **Input-Output Techniques** to be held at the Université du Québec à Montréal.

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

October 31 - 2 November *Paphos, Cyprus*

Annual conference of the Association of Southern European Economic Theorists (ASSET).

Further information from: Internet: www.asset2002.ucy.ac.cy

november

14-16 November *San Juan, Puerto Rico*

Annual North American meetings of the **Regional Science Association International**.

Further information from: Internet: www.narsc.org/

20-22 November *Innsbruck, Austria*

Second annual conference on **International institutions and multinational enterprises (global players - global markets)** at the University of Innsbruck organized by the Centre for the Study of International Institutions.

Further information from: Gudrun Eder, Managing Director, CSI Centre for the Study of International Institutions, Faculty of Social and Economic Sciences, University of Innsbruck, Universitaetstrasse 15, A-6020 Innsbruck, Austria.
Tel: 43 512 507 7946 Fax: 43 512 507 2840
E-mail: csi@uibk.ac.at Internet: www.ulbk.ac.at/csi

december

6-7 December *London*

International conference on **Modelling Structural Breaks, Long Memory and Stock Market Volatility** to be held at City University Business School.

Further information from: Dr Giovanni Urga, City University Business School, Frobisher Crescent, Barbican Centre, London EC2Y 8HB. Tel: 020 7040 8698 Fax: 020 7040 8881
E-mail: g.urga@city.ac.uk Internet:
http://www.business.city.ac.uk/irmi/giovanni_urga.html

16-17 December

Hong Kong

Second biennial conference of the **Hong Kong Economic Association** to be held at The Baptist University of Hong Kong. Invited keynote speakers include: Robert Shiller (Yale), Bennett McCallum (Carnegie Mellon) and Anne Krueger (IMF).

Further information from: Hong Kong Economic Association,
G.P.O. Box 4004, Hong Kong. Fax: (852) 2891 7940
Internet: ww.cuhk.edu.hk/eco/hkea/second.htm

Membership of the Royal Economic Society

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

The benefits of membership include:

- Copies of the *Economic Journal*, the journal of the society, six times a year.

The *Economic Journal* is one of the oldest and most distinguished of the economic journals. As well as important articles by leading economists, it includes a substantial section on book reviews and notes, a regular software review section, a section on policy - the Policy Forum - and a recently introduced section dealing with current controversies in economics.

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

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

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

- Discounts on registration fees for the Society's annual conference.

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

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

Membership rates for 2001 are £45 (\$72)

There is a reduced rate of £22.50 (\$36) for members who reside in developing countries (with per capita incomes below US\$500). A special offer of three years membership for the price of one at this reduced rate is available to full-time students who join the Society for the first time in 2001. Details and application form are available from:

**The Membership Secretary, Royal Economic Society,
University of York, Heslington, York, YO10 5DD.**

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

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

..... in payment of my subscription for 2001.

Name:

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Address:

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Occupation..... Date.....