



NEWSLETTER

no. 122

July 2003

Conference Issue

The Royal Economic Society's Annual Conference was held again this year at the University of Warwick, from 7th to 9th April, and (again) it coincided with the production and distribution of the April *Newsletter*. Thus a major item in this issue is Richard Reeves's account of the event — a heroic feat of concentration and summary.

In addition, the Secretary-General's annual report to the Society is here. It describes a vibrant and healthy organisation and suggests that the decision, a few years ago, to restructure the contents of various parts of *The Economic Journal* has been a success.

Another regular feature of the July issue is Ray Rees's 'Letter from Germany'. The focus of attention this time is the slow and painful recognition within Germany that the economy, and the labour market in particular, requires considerable reform if it is to break out of its current stagnation. Chancellor Schroder has a plan, called *Agenda 2010* but, as Ray says, the Chancellor is no Margaret Thatcher and it is by no means certain that the reforms will be accepted, or even that they are sufficient in scope.

Amongst other regular items, is news from CHUDE and from the ESRC and a report from another of the Society sub-committees on the gender composition of editorial boards of economics journals. Denise Hawkes, of the Centre for Longitudinal Studies, Institute of Education shows how the proportion of women serving on editorial boards has increased quite substantially in recent years, while the proportion of female editors has declined.

Finally, our correspondence columns contain some strongly expressed views: on the euro, on funding higher education and on radical currency reform in the event of inflation. The views, we should stress, are those of the authors only and not of the Society or its officers. As always, replies and comments are welcome.

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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

Next issue

Newsletter No. 123 - October 2003

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

16 September 2003

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

17 September 2003

Contributions from readers

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

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

Visit our website at:

www.res.org.uk

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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 7th April during the 2003 Annual Conference at Warwick.

THIS YEAR'S ANNUAL CONFERENCE finds us again at the University of Warwick. We can be confident that the local organisation and facilities will be excellent this year as well. The Conference offers a wide range of opportunities to members of the Royal Economic Society and other participants, but it is just one of the major RES activities. This report will also cover our journals, the initiatives coming from the Society's various committees, and RES expenditures supporting our members and the progress of economics in the UK and elsewhere.

President and council members

The Society's President, Stephen Nickell, is now two years into his three-year term. At this Conference, he will give his Presidential address, on 'Poverty and Worklessness in Britain'. During the past year, he has led a review of the Society's expenditures and has been much involved in efforts to ameliorate the position of economics in the assessment and funding of UK university research in our field. At this Annual General Meeting, John Sutton will become President-elect, to take office in April 2004. In December 2001, he launched the Society's new series of Annual Public Lectures in Economics, of which more below. We also welcome at this AGM six newly-elected members of the Society's Council: Francesca Cornelli, Ed Crooks, Nobu Kiyotaki, Barry McCormick, Amanda Rowlatt, and Ian Walker.

The most visible of the Society's accomplishments in the past year is the total revamp of our website. The new website was launched a few weeks ago. It has many new features to offer to members and non-members as well. Navigation is much improved. Members may now access the full text of all articles in the *Economic Journal* and the *Econometrics Journal* and utilise the advantages provided to users by the Synergy software. There are also now web appendices to the journals' articles and notification of forthcoming papers. The Membership Directory is now properly on line; members must visit the site (www.res.org.uk) to activate their directory entries. There are various interactive news features, as well as an easy-to-use mechanism for feedback. The sophistication and much-enhanced functionalities of the site are due in great part to the outstanding efforts of our colleague Marius Ooms, who supervised the overhaul of the website and dealt with it at a level of detail that will benefit all users. He was supported in this by our media consultant, Romesh Vaitilingam, our Administration

Officer, Eleanor Burke, and our Membership Secretary, Kathy Crocker. We owe them all a considerable professional debt.

Publications

The standing of the *Economic Journal* is clearly rising. It ranked sixth among 42 leading economics journals in the article by Pieters and Baumgartner in the June 2002 *Journal of Economic Literature* (based on citations, deducting self-citations). The 'Features' issues of the *EJ* have covered a wide range of major policy-related topics — forthcoming numbers include several topics related to developing countries: 'Foreign Aid', 'Trade Liberalization and Economic Performance in Developing Countries', and 'Competition, Corporate Governance and Selection in Emerging Markets'.

The *Newsletter* has introduced a new series of articles. Peter Howells, the Editor, has commissioned contributions from practitioners in the private and public sectors on the relevance to their work of particular aspects of economic research. This series joins the regular 'letters' from the US, France, Germany and now India. A substantial majority of the Society's members are based outside the UK, and many members are not academics. The *Newsletter* is an informative and lively means of communication across these boundaries.

The media have given considerable attention to the Annual Conference in recent years. This is in great part due to our media initiative. Romesh Vaitilingam provides user-friendly material to the press, with intensive coverage of Conference papers and regular press releases on *Economic Journal* articles. The Society's media initiative was highly praised and recommended as a model for other social sciences in the recent report of the Commission on the Social Sciences. The Society's Council, in supporting the media initiative so strongly, has reaffirmed our commitment to communicating the results of economic research in forms that are accessible to non-specialists. There is still a long way to go, however, to convince many critics that the combination of theory and empirical work at the heart of modern economics is not hopelessly abstract, that our models and analysis can both help to explain the data and serve as reliable tools for policy-making.

ELSSS

The RES has assisted in the launching of the Electronic Society for Social Sciences (www.elsss.org), which is described at

length in the January 2003 issue of the *Newsletter*. We are very pleased to see that ELSSS has begun the publication process for its first journal, the *Review of Economic Theory*, which has attracted a distinguished team of editors, and we wish it well.

Annual Conference

The Annual Conference is overseen by our Conference Secretary, Jonathan Haskel, and his committee. We all benefit greatly from the work that they do for us. Robin Naylor is the Programme Chair for this Conference, and the printed programme suggests that the coherence of contributed paper sessions is exceptionally good, while the invited paper sessions offer something to every participant. The invited lectures are being given by Jim Poterba (Hahn), Joshua Angrist (Sargan), Steven Levitt (Economic Journal), and Alan Manning (Review of Economic Studies). The *EJ* Conference issue will again be edited by Ian Preston and Jonathan Temple. We are fortunate that Wiji Arulampalam, who did such a good job as Local Organiser last year, was willing to continue for a second time around, with the assistance of Liz Thompson, who has also been helping Robin Naylor.

RES Committees

The Committee on Women in the Economics Profession, chaired by Heather Joshi, continues to assemble data and work to improve the position of female economists in the UK. We are hoping that the European Economic Association will follow the example set by the RES (and the AEA before us) in backing such an initiative. The Committee's activities and output are set out in detail on the new 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. Economists in British universities owe much to John Beath, who has been a committed, extremely effective Chair of the Committee of Heads of Departments of Economics (CHUDE). I had announced the end of his term a year ago, but he responded to our request to stay on for an extra year and so is only now stepping down.

The committee on the public profile of economics has been ably chaired by Barry McCormick, for whom we are also seeking a successor. The second in the series of Annual RES Lectures launched by the committee was given by Nick Crafts in London, Manchester and Glasgow. An article summing up his discussion of 'Is Economic Growth Good for Us?' appeared in the January 2003 issue of the *Newsletter*. The lectures are aimed at non-specialists, especially school students, and a video will be on the website soon. The third lecture in the series, on 'Competition Economics', will be given in London and Manchester by John Vickers in December of this year. 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 work the committee has commissioned on developing new teaching materials for economics in secondary schools should be concluded by the end of the year.

Support for members

Despite the fall in the value of our assets and our decision to keep the membership subscription frozen for the fifth consecutive year, the RES is determined to continue its support for activities that we believe are of considerable benefit to members and the profession at large. The Society will again offer six Junior Fellowships this year (applications are due by end-April). The annual Easter Schools in economics and econometrics, each lasting for a week, continue to be extremely attractive to advanced PhD students and new faculty. That is because of the exceptionally high standing of those who come to lecture — this year, Fabio Canova and Ben McCallum on 'Monetary Policy', and Soren Johansen and Anders Rahbek on 'Non-stationary multivariate time series'. The small budget scheme for support of research has been managed by Jane Humphries, offering grants up to £600 available quickly on the basis of short applications. Chris Milner has continued to administer the Conference Grant Scheme. These will be reorganised, while the Visiting Lectureships scheme will end, both as part of our review of the Society's expenditures.

RES administration

I know I speak for all members of the Society in expressing our thanks to Kathy Crocker, our Membership Secretary, and Eleanor Burke, the Administration Officer who works with the Secretary-General. Please let us know — ideally, via the newly redesigned website — if we and the RES can be of any help to you.

Secretary-General honoured

Professor Richard Portes, Secretary-General of the Royal Economic Society was awarded a CBE in the 2003 New Year's Honours for services to economics

IMF data available at last

Researchers in macroeconomics, frustrated by the long-promised but continued absence of IMF datasets on the Manchester University data service, will be pleased to know that an agreement has finally been reached which should make access to the following datasets available from the end of June 2003.

- International Financial Statistics (IFS)
- Balance of Payments Statistics
- Direction of Trade Statistics
- Government Finance Statistics

The agreement provides for free access to authorised academics for a period of five years in the first instance.

Access to the datasets will involve registration with the newly formed Economic and Social Data Service (ESDS). The ESDS website is at www.esds.ac.uk

General enquiries can be directed to help@esds.ac.uk while enquiries regarding international data can be sent to international@esds.ac.uk

Conference report

Every year the RES invites an independent journalist to attend the RES conference and write a report for the Newsletter. This year the RES asked Richard Reeves to do this and his personal view is printed below. Richard Reeves is a former research associate for the Work Foundation and columnist for Management Today and the New Statesman. He has also been the economics, and Washington, correspondent for the Guardian.

BERTRAND RUSSELL, perhaps not surprisingly, was not a sunny adolescent: 'I hated life and was constantly on the verge of suicide,' he admitted in his brilliant essay *The Conquest of Happiness*. What kept him from hurling himself off a cliff, he added, was 'a desire to know more mathematics'.

Russell would have been happy for much of the three days of the RES 2003 Annual Conference. Each presentation contained hundreds if not thousands of numbers, and several plenty of equations, too. On the second night, after too much wine at the conference dinner, I dreamt that I was living in a kind of *Matrix*-world, with every object consisting of row after row of tiny, flickering numbers.....

This is not a complaint. Economics is necessarily a numbers game. (It may also have been Russell who said that the mark of civilized person was the ability to weep over a column of numbers.) And one of the distinguishing skills of an economist is the ability to look at a page of numbers and see a pattern — see quickly where the 'action' is. Just occasionally, though, it is good to remember that the numbers only matter in so much as they tell us something about the world. The numbers are a means, not an end.

How best to summarise a three-day numberfest? It is impossible to do justice to the mountain of work which was represented, tip-only, at the conference. Some presentations or sessions were important enough, or remarkable enough, to be worth summarizing here. And some overall impressions were strong. But so as not to bury the lead, my overwhelming sense was that despite some great research, some startling findings and some top-notch presentations, that the conference as a whole represented a significant missed opportunity for the economics community.

The annual conference is a chance to do a number of things which are difficult to manage on a day-to-day basis. First, to think about the broad state and role of economics in intellectual and public life, and get a sense of the key challenges lying ahead. Second, to hear and contribute to topical debates or controversies within the economics research community. Third, to allow researchers the opportunity to learn from others while their research is in progress. Fourth, to pick up emerging trends in areas of economics outside one's own field. According to my non-representative sample of one, the conference only really manages the last of these.

OK. Let's go for some good news. Alan Manning. He may look like a children's TV presenter — I kept wondering where

Bungle was — but he was undoubtedly the conference's star performer. Giving the *Review of Economic Studies* lecture, which is for a distinguished young economist, he wins top prize not only for the best one-liner — 'I now realise that being a young economist is not the same thing as being young' — but also for providing a model for other presenters. He took a theoretical innovation, applied it to a live policy issue, explained his terminology and held his audience.

The innovation was to look at the labour market from a 'search model' perspective, a departure from the traditional approach inspired by Mincer, which looks at human capital development as the key factor explaining wage differentials in a presumed competitive labour market. Manning's view is the monopsony is a better way of understanding labour market behaviour. As he put it: 'What happens if an employer cuts everyone's wages by one pence?' Not, as the competitive Mincerian approach suggests, a mass stampede for the exit. 'Stayer bias' is a hugely important variable in employment behaviour — not one to simply be controlled for, but which has explanatory power. While traditional Mincerian approaches treat job 'quits' and 'lay-offs' as identical, Manning argued they needed to be treated as distinct — and that additional consideration needs to be given to returns to experience and job tenure; costs of job loss; returns to job mobility; and the evolution of wages within jobs. 'Progress through life is like snakes and ladders,' he said. 'So we need to understand both the snakes and the ladders.'

Manning then turned his theory towards the issue of the gender pay gap, and in particular to the fact that younger women (eg those entering the labour market between 1975 and 1979) are doing no better than slightly older women (eg the 1968-72 cohort). The conclusion was that job mobility, differential promotion chances, training or career breaks for children have little to do with it — this last finding meaning that 'there is not much action, to be got, from a gender pay gap perspective, from increases in family rights, maternity leave etc'. The principal cause of the pay gap in the early years of labour market experience turns out to be *within-job* wage growth, with no obviously observable cause.

Why then this difference? For someone who believes that social factors are now impacting economic ones more than the other way around, Manning's suggested explanation was heartening. Having shown during the course of a theoretical and empirical *tour de force*, that the principal cause of the pay gap is not $E(\Delta W_1|X,Z,Q=1) - E(\Delta W_0|X,Z,Q=1)$ but $E(\Delta W_0|X,Z)$, he concluded that the reason for the difference may be the fact that there is an economic return to making a 'song and dance'

about things, and that men are more ‘moaning’ and ‘bolshie’ than women.

One last point about Alan Manning, before we move onto some of the other couple of hundred presenters. He recognized that his audience were from different fields of economics and so took the trouble to explain his terms. At one point he quickly said that, for those who were not labour market economists, ‘years of experience’ meant simply the number of years in the labour market minus age. It was a nice touch: other presenters might take note.

That said, there did seem to be an awful lot of labour market economists about. Indeed, a crude summary of the two species of principal presenter on show would be i) terrifically laid-back, casually-dressed British labour market specialist, likely habitat the LSE or ii) earnest, tie-wearing and slightly anorakish American number-wizard, likely habitat MIT.

Of this latter genus, Joshua Angrist was the most perfect specimen. His Sargan lecture, on ‘Treatment Effect Heterogeneity in Theory and Practice’ was dazzling. It was like watching Mozart composing on speed, without being able to read a note of music yourself. I know that Angrist’s work is important and innovative. And I know that the Sargan lecture encourages world-class economists to stretch their theoretical muscles. But it wasn’t the easiest start to the conference — perhaps the Sargan lecture could be moved? One doctoral candidate, who is working herself with some of the techniques of instrumental variables, admitted to understanding ‘about 10 per cent’. One of the UK’s leaders in the field said they got ‘about 63 per cent’. (Only an economist could *approximate* to 63 per cent.) Was the lecture a success? Not in a conference of fairly young economists from a variety of research branches, if success is related to new understanding. But maybe in this case it isn’t. Anyway, the one thing I learned was that parents who decide to have a third child thereby reduce their chance of still being married some years later by a (significant) 5 per cent, a research finding I passed on unvarnished to my partner, with whom I have two children, aged two and one.

James Poterba (MIT), who spoke on ‘Portfolio Risk and Retirement Saving’ for his Frank Hahn lecture, touched on a huge policy issue here in the UK, the move from defined benefit to defined contribution pension plans. And he threw some light on the attractiveness of Employee Share Ownership Schemes (ESOPs), which Gordon Brown is keen on. In particular, he looked at the investment by workers in their own company’s stock and whether this represented a good risk strategy for individuals. He showed that over time, large-cap stocks and individual company stocks have the same real mean rates of return (9.4 per cent), but significantly different levels of variation (with annual standard deviations of 20.2 per cent and 40.4 per cent, respectively). Simulating the retirement incomes for 300,000 imaginary workers, he concluded that own-company investment could be worth half as much as a diversified holding. Poterba correctly stated that the real issue about investing for retirement is the classic liberal dilemma: should people be free to make bad choices? More specifically, should annuities be required?

A special session on income and wealth in old age added a different twist to the debate. IFS research showed that people are

now, on average, more wealthy at the point of death than at the point of retirement. James Banks, one of the researchers, suggested that the UK may now be ‘over-annuitised’ — another fascinating viewpoint from the perspective of public policy. The problem with pension planning is that, as Tibetan writer Sogyal Rinpoche points out, the only two certainties in life are that you will die, but that you don’t know when.

Here, though, is an example of how the conference failed to meet its potential. The area of pension provision is highly topical, controversial and personal. Why not organize a debate between advocates of DC and DB? Or for and against annuities? The conference is instead built on a ‘download/upload’ model: people turn up, download their own research, upload other people’s, and then depart. It is not obvious how this differs, in outcome terms at least, from reading and writing for the right journals. What is surely needed is some debate, some conversation, some interaction. Even where sessions did contain time for Q&A, it was usually limited and limp. The best moments were when one person added some value to the work of another by offering their own insights or experience, or when a conversation led to new questions being posed. But these moments were rare.

This is partly the fault of the incentive structure underlying the conference, and the resulting structure. What seems to happen is that doctoral or post-doctoral researchers apply to present, knowing that if they are accepted, a) they will get funding to attend and b) they can put it on their cv. This means that the conference organizers have an incentive to accept lots of papers, in order to guarantee sufficient attendance (the vast majority of attendees were presenting a paper). The result is that most of the parallel sessions were sparsely attended, with researchers all too often presenting their research in order to get the funding to present their research and then to be able to say they had presented their research. To rub salt in the wounds, the organizers then run special sessions on sexy, topical issues, which seem specially designed to ensure that only the hardest souls are ever tempted to one of the dozens of parallel sessions

Here, in an empirical spirit, are some numbers. In the last session of the conference, there were 23 people in the special session on Competition Policy and 24 in the special session on Productivity. There was, meanwhile, a mean of 5 people in each of the eight parallel sessions taking place at the same time — which, given that there was a mean of 3 presenters for each, means that the mean ‘audience’ was just two people. Now I’m not an economist, but this doesn’t look very efficient to me.

It is a shame that parallel sessions are so clearly the very poorest conference cousins, given that they can provide a good space for expert gatherings. I will not easily forget the warnings about ‘fat tails’ and ‘improper posteriors’ in the paper from Rodney Strachan on ‘Bayesian Analysis of Stochastic and Deterministic Processes in The Error Correction model’. To explain: ‘there is no more fatal result for a Bayesian analysis than an improper posterior’. In some of these sessions, the specialists did seem to be swapping notes and updating their knowledge. Usually though, the feel was more undergraduate lecture than lively intellectual endeavour (of course the rooms don’t help).

If you were to attend the conference as a policy-maker, or indeed a journalist, the best approach would be to seek out the papers based on government-funded research, which at the request of the relevant department have not been press-released and/or made available on the conference website. Two examples stand out. The work of Jonathan Haskel, Denise Hawkes and Sonia Pereira at the Centre for Research into Business Activity (CeRiBA) represented a significant empirical step forwards in productivity research. For the first time in the UK, two official data sets — the Employer Skills Survey and the Annual Business Inquiry — were matched together, allowing Haskel *et al* to test the relationship between individual-level skills and firm-level performance. They found that the most productive firms do indeed have significantly higher proportions of skilled labour; the top decile of firms, ranked by productivity, hire workers with, on average, two years more education compared to the bottom tenth. Now why would the DTI and Treasury not want to shout this from the rooftops?

Perhaps because of the next stage of the research. Digging deeper, the CeRiBA team probed the factors underlying Total Factor Productivity (TFP), and found that the difference in employee skill levels accounted for only 7-8 per cent of the TFP gap between firms at the top and those at the bottom. Haskel describes this as ‘puzzling’ — and it certainly flies in the face of the high-skill, high-productivity orthodoxy driving public policy.

The second ‘stealth’ research project, funded by the Department for Education and Skills, was the first assessment of Excellence in Cities, one of the Government’s flagship policies for raising school performance in depriving areas. The basic message of the research, conducted by Sandra McNally and colleagues at the LSE, is that EiC is working. One effect of the policy — which costs an average of £120 per pupil — is to lift 4 per cent of boys up a whole level in the Key Stage Three tests. EiC areas are also the only ones in which there has been a *reduction* in the number of unauthorized absences. The research also suggests that in EiC areas where more money was spent, results improved more dramatically. Why the DfES were so reluctant to share this knowledge (the researchers were not even allowed to post their paper on the website) is anyone’s guess.

I also got a kick out of the parallel session on central banks. This is probably because I need to get out more, but also because the moment when Gordon Brown announced independence for the Bank of England is one of my most treasured journalistic memories. Sitting between the economics editors of two national newspapers, I heard two simultaneous expletives when Brown dropped his bomb in 1997.

Two interesting papers at the session also provided evidence of the ever-present need to look beneath the surface of research. (Academics are sometimes the very antithesis of journalists, seeking to bury the really interesting stuff in the dense thicket of the paper) Maria Demertzis’s paper showed that central bank ‘transparency’ has no impact on the level of inflation but does reduce variability in inflation (by about 50 per cent), which has clear benefits. The most interesting finding, however, is that among the various elements which comprise transparency, constitutional independence and the presence of an inflation target

has no impact at all. Other factors, such as the publication of data and forecasts, clarity about the central bank’s economic model, are more important than institutional arrangements. The top line: transparency is not synonymous with independence, and is more important.

James Talbot, from the Bank of England, wins top prize for research *chutzpah*. His research compared group decisions on interest rates to individual ones, using a series of simulations with undergraduate and postgraduate economists (and no, there was no difference in the performance of the two groups!). And he did find what he wanted: while the average individual rate-setting ‘score’ was 41, the average group score was 68. Hurrah! Committees are better than monetary dictatorships. But the performance of the best individuals within each group averaged 65 — statistically different from the group score at only the 10 per cent level, as James rather quietly admitted (0.10 being shorthand for ‘Desperately Seeking Correlation’). What this tells me is that an exceptional individual is likely to do at least as well as a normal group. So unless your committee is full of stars, just let Mervyn King set the rates (after all, a similar approach has worked in the US for years).

I feel I should try to resist the temptation to write about Andrew Oswald — it being difficult to imagine an economist in less need of extra publicity. But I can’t. In part, this is because his paper was so straightforwardly interesting, but also because he delivered it in a way that others should emulate. His opening line was, ‘it is very important to get married, especially if you are a man and especially if you are a smoker.’ Using BHPS data, he showed that being married adds 5-7 years to the life expectancy of a man, which is almost exactly the loss of life expectancy associated with being a smoker. Rather than giving up smoking after getting married, as so many of us do, this research suggests that opposite course would be more rational — enjoying a first, post-nuptial, fag.

Oswald’s session was far and away the most interactive, engaged and conversational of any that I saw over three days. Rather than going laboriously through each stage of his methodology, he cut to the chase and then encouraged people to ask questions — some of which were to clarify methodological issues, others to suggest alternative explanations or argue about consequences. One questioner suggested that presence of grandchildren might have an effect, someone else confirmed that the BHPS collects data on this, and Oswald said he would look at it. These few minutes felt like a community of scholars sharing findings, ideas and suggestions, adding value to each other’s work. The lesson — which was also demonstrated by the excellent Chiara Criscuolo in the productivity session — was to cut to the chase at the beginning of the presentation, encourage interruptions and enjoy the conversation.

And now for a delicate issue. How, in a report on the RES Annual Conference, being written for the RES, to say that the address given by the RES President was a disappointment? Steve Nickell is a man whose academic reputation precedes him, and his current status as a member of the Monetary Policy Committee is formidable. The Presidential Address takes place in front of the assembled conference at the end of two long days of papers, numbers and overheads and just before the conference dinner. It is the moment for some broader thinking, some vision, some passion, and maybe even some philosophy.

Prof Nickell admitted up front that he had supplied the title for his talk — ‘Poverty and Worklessness in Britain’ before giving any thought to what he was going to say. I am afraid it showed. At the beginning he described the two central problems of the UK economy as being productivity and poverty, and for an instant it looked like we were in for an interesting overview. It was not to be. (PS to conference organizers: get some roving mikes. No one could hear the questions.) There was little new to be found; the narrative line was shaky and the concluding policy recommendation — ‘bribe’ good teachers into poor areas — was neither original nor fleshed out with any modeling, projections or theory.

The RES Annual Conference could be so much more than it is. Great stuff happens — but, as in so many institutional contexts, this happens despite the structures and incentive systems rather than because of them. Rethink the parallel sessions; rehearse the main speakers; run debates, question times and panels; give more time and better spaces for networking. Otherwise the conference risks becoming one of those events that takes place because it has always taken place. And given the importance of economics not only to intellectual but also to public life, this would be a great shame.

Oxford University Press announces launch of

Journal of Financial Econometrics

Oxford University Press is pleased to announce the launch of the new *Journal of Financial Econometrics (JFEC)*. *JFEC*'s aims are to address substantive statistical issues raised by the tremendous growth of the financial industry, and to advance the relationship between econometrics and finance at the methodological and empirical levels.

JFEC's core focus encompasses estimation, testing, learning, prediction, and calibration in the framework of asset pricing or risk management. Topics covered include volatility processes, continuous-time processes, dynamic conditional moments, extreme values, long memory, dynamic mixture models, endogenous sampling, transaction data, and microstructure of financial markets. Methodological issues are also of interest.

JFEC features a Practitioners' Corner section that emphasizes the practical side of the articles and places them within a broader perspective. Book reviews will occasionally be published.

Papers may be submitted via e-mail to jfec@cirano.qc.ca. Alternately, three printed copies can be mailed to René Garcia or Eric Renault, Editor, *Journal of Financial Econometrics*, CIRANO, 2020, University Street, 25th Floor, Montréal (Québec), Canada H3A2A5.

JFEC is freely available online through 2003. Issue 1 will be published in June. For further information, please consult the *JFEC* web site at www.jfec.oupjournals.org

ESRC news

Awards consultation

The ESRC is undertaking a review of its methods of allocating standard studentships awards and wants the views of the social science research community. The plan is to make final decisions in October 2004, so it is important that those wishing to give their views should do so urgently. The issues being considered are detailed in a consultation document which is available on the ESRC's website: www.esrc.ac.uk

New research

The ESRC's Research Priorities Board has recently agreed to fund two new research centres, one research network and a research programme.

Catherine Waddams at the University of East Anglia will direct the Centre for Competition Policy which will bring together economists, lawyers and management researchers to examine the UK Government's competition policy, while Mike Savage, at the University of Manchester, will lead a new centre to research cultural change in Britain and its impact on economy and society.

The network, on 'Gender Inequality in Production and Reproduction', will be directed by Jackie Scott at the University of Cambridge while the new programme will focus on Ageing Research. A director for the programme will shortly be announced.

cpb Report

The latest report from the Netherlands Bureau for Economic Policy Analysis reveals that Dutch pension funds have been struck by the fall in equity prices in much the same way and with much the same consequences as those in the UK. An article 'Pension Funds at Risk' detailing research by Casper van Ewijk and Martijn van de Ven, discusses methods of shifting the balance of risk, in future from firms to employees.

Other topics of general interest include public expenditure and debt reduction, transaction costs and residential mobility and consumer choice in health insurance.

The cpb's website is: www.cpb.nl

Letter from Germany — Reform on the agenda

In his annual letter from Germany, Ray Rees reports on the current state of the German economy and on Chancellor Schröder's plans for reform. Ray Rees has been a Professor in the Department of Economics at the University of Munich since 1993.

A QUESTION THAT CAN always be asked about economic policy in a democracy is: how bad do things have to get, for politicians and public to make a serious commitment to change? In Britain, that point was reached in the 'Winter of Discontent' of 1978/79, when uncollected rubbish piled up in the streets and unburied bodies filled the morgues. After two decades of relatively poor economic performance, growing tax burdens and industrial unrest, culminating in that Winter, the country elected and then re-elected a right wing Prime Minister who forced through her agenda for reform. A recent study¹ attributes most of the impressive performance of the British economy over the past decade to these labour market reforms of the 1980's (albeit helped by changes in industrial structure which dramatically reduced trade union coverage). Has Germany now reached a similar point?

Slow growth and high unemployment

As far as the economy is concerned, the answer is, certainly not. Things are quite bad, but not that bad. Over the past ten years German *per capita* GDP has grown at about half the rate of the European front runners, Britain, France, Ireland and the Netherlands. It is currently experiencing a worse recession than any other of the major European countries. Long comforted by the fact that West Germany had the highest *per capita* GDP in Europe, it has now been overtaken by the UK (though since this comparison is based on nominal exchange rates this may not survive the recent substantial depreciation of the pound against the euro). When we add East to West Germany, the country as a whole moves well down all the economic league tables, except, significantly, that for inflation. Germany has just about the lowest inflation rate of any major economy with the exception of deflationary Japan.

Of particular concern is the shape of the West German unemployment path over the last thirty years. This shows cycles along a growing trend, and a tendency for the lowest unemployment level in a boom to be above the highest unemployment level in the previous cycle's slump. When we add in the persistently high East German unemployment, this turns the current unemployment rate of a little more than 8 per cent for West Germany into a rate of close to 12 per cent for the country as a whole. All this stands in dismal contrast to Chancellor

Schröder's stated intent, announced in the euphoria of his 1998 election victory, to halve the unemployment rate in his first term of office. In fact, he squandered the opportunity offered by the two years of reasonable growth that followed the election, choosing instead to reward his trade union supporters with measures reinforcing the labour market rigidities that almost all economic commentators see as a major source of the problem.

Reforming the labour market

There is among economists almost total consensus on the diagnosis and cure for what ails the German economy. The problem is perceived to be the labour market — high labour costs, structural rigidities created by a dense thicket of labour laws, and poor incentives for the low-skilled unemployed (who form 40 per cent of the total, though only 15 per cent of the labour force) to take jobs. Reinforcing the effects on wage levels of centralised collective bargaining, and large aggressive unions, are the high non-wage labour costs in the form of pension, health and unemployment insurance contributions. The proposed solution reads like Margaret Thatcher's manifesto of the late 1970's. Cut public expenditure, taxation, health service costs, and unemployment and pension benefits, and reform the

The problem is perceived to be the labour market — high labour costs, structural rigidities created by a dense thicket of labour laws, and poor incentives for the low-skilled unemployed...

labour laws and collective bargaining process to increase flexibility and efficiency of the labour market.² There are some dissenting voices. Bob Solow labels the consensus view the 'flat tyre fallacy'. You see a flat tyre, and ask where the puncture is, and the answer comes, it must be at the bottom, because that's where the tyre's

flat. He sees the real source of the problem not where the unemployment is, in the labour market, but in the excessively restrictive monetary policy of the old Bundesbank, which tended to tighten things too far and too fast in the upswings, and loosen things too little and too late going down. All indications are that the ECB is, at least from the German perspective, dedicated to the same kind of policy, only more so. Broad evidence for this view could be the fact that what growth there has been in the German economy over the past decade was primarily generated by exports, with consumers' expenditure and construction in particular stagnating. Even now, real interest rates are high in Germany relative to other countries, due to the low inflation rate. My colleague Ekkehart Schlicht³ has an interesting model of the labour market, in which wage and price infla-

tion respond to the rate of change in, rather than the level of, unemployment, and, coupling that with a monetary policy that reacts restrictively to the first signs of growing inflation, it is easy to generate the kind of unemployment time path that characterises Germany over the last thirty years. Overall, the argument is that Germany's low inflation has been bought at too high a cost in terms of unemployment. This may sound like unreconstructed Phillips Curve-ism, but recent theory and evidence seem in any case to be moving in that direction.

The two sets of explanations are of course not mutually exclusive.⁴ However, given the limited capacity to force through policy change, emphasis matters, and that is very firmly on the labour market as the major problem. Now Gerhard Schröder is certainly no Margaret Thatcher. In personality and approach he is much more of a Harold Wilson (*The Economist* labelled him an 'opportunistic populist' not so long ago). Yet for him things seem, in the election of 2002 and just after, to have become sufficiently bad that he has now acquired the will to change. For long trailing badly in the pre-election polls, he looked very likely to suffer the ignominy of being a one-term chancellor, but then was saved by two acts, one of Nature and the other of George Bush. Nature sent heavy flooding to East Germany, and this allowed Schröder, the populist, to win back much support by handling the event far better than his rather stiff opponent, Edmund Stoiber. George Bush made known his hostile intentions towards Iraq, and this allowed Schröder to win further support, particularly for his coalition partner the Greens, by categorically refusing to have anything to do with it. That turned out to be crucial. Schröder ended up in a dead heat with Stoiber, but the Greens finished well ahead of Stoiber's coalition partner, and so Schröder was able to form the government. A chaotic post-election period (the new government was in serious need of a couple of good British spin doctors, their news management was appalling) was followed by two landslide defeats in state elections, and the writing is on the wall for Gerhard Schröder.

His response has been to put together a package of reforms, some new, some already in the pipeline, which he has labelled *Agenda 2010*, and the acceptance of which by his own party he has made a resignation issue. For it is from his own party that the opposition comes, although of course for tactical reasons the official opposition will vote against the measures. If enough of his own party vote against the introduction of these reforms, it will be a classic case of turkeys voting for an early Christmas, since many of them are likely to lose their seats in the resulting election. For this reason, if for no other, at the present moment it looks as if he will succeed in getting the package through.

The *Agenda* is very far from being a frontal assault on union power. It is a large bundle of measures, many of them minor in themselves, designed chiefly to improve the functioning of the labour market and to reduce non-wage costs.

In respect of the labour market, the major and most controversial measure is to change the unemployment benefit regime. Instead of unemployment benefits being paid for three years, as

at present, they will be drawn for 12 months, and then commuted into the lower rate of social welfare benefit. The government unemployment agency is to be redesigned to play a much more active role in placing benefit recipients into jobs. It will be able to act as an employment agency, hiring out workers on fixed term contracts to the private sector. Refusal of a job offer can lead to loss of benefit, not the case at present. Benefit payments will be redesigned to reduce the marginal effective tax rate on low incomes. At present, people taking jobs at less than the average unskilled wage can face a marginal effective tax rate of 100 per cent, due to the way benefits are withdrawn. There will be an earned income supplement. Job protection restrictions for very small firms are somewhat relaxed. This modest little package brought a storm of protest from several of the trade unions and the left wing of Schröder's party. The response otherwise was that these are the first small steps in the right direction.

In the interests of cutting non-wage costs, health costs are to be reduced by a large bundle of measures aimed at deregulation and introduction of more competition between providers, as well as increased user charges. Pension contributions are to be

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reduced by (most probably) limiting the very popular practice of early retirement without actuarial penalty (the median retirement age in Germany is currently 59), by raising the official retirement age in small steps from 65 to 67, and by introducing a 'sustainability factor' to adjust the rate of pension increase, currently indexed to average earnings, for changes in the ratio of beneficiaries to contributors (in Germany an ever-worsening statistic). However, the final details are awaiting the report of an expert commission.

A part of the *Agenda* that seems to have been ignored in the British reports I have seen is the increase in support for all-day schools and pre-school child care. Yet this is potentially an important measure. Germany has, along with Italy and Spain, both the lowest female labour supply and the lowest fertility rate in Europe. An increase in both of these would expand the tax base now and in the future, reduce contribution rates and greatly ease the problem of funding the welfare state. The tax system, which discriminates heavily against working women, and social security levies on part time work are, it is true, also important obstacles, but the scarcity of affordable, good quality pre-school child care, and the fact that schooling is typically half-day, also play a role in limiting both female labour force participation and family size. This measure is therefore a potentially significant development.⁵

Are the reforms enough?

Does the *Agenda 2010* add up to a solution to Germany's economic problems? In itself probably not, though in my opinion it will improve employment growth in the context of the long-awaited upswing. But there are deeper problems which it does not address. Germany's politicians, above all Helmut Kohl, committed their country to three major politico-economic adventures, with no regard for or evaluation of the economic costs (the recent economic evaluation of the case for Britain's entry into the Eurozone stands in stark contrast). These were

the reunification of East and West Germany, the introduction of the euro, and the eastward expansion of the European Union. Despite massive west-to-east transfers, which have contributed to the growth-inhibiting tax burdens in the West, the East German economy is still a disaster area⁶, and nothing in the *Agenda* is likely to have a major impact on that. The Eurozone-oriented policy of the ECB has arguably been especially bad for a Germany in need of a more expansive monetary policy over the past three years. In other words, the loss of control over its monetary policy has been a serious cost of membership of the Eurozone for Germany, the old Bundesbank notwithstanding. And the entry into the EU of low wage countries on or very close to Germany's borders, such as Poland, the Czech Republic and Hungary, is going to intensify the problems in East Germany and on West Germany's unskilled labour market. The strains that have been or will be imposed by these three momentous economic events cruelly expose the structural problems of the German economy. Probably the best that can be said for the *Agenda* is that it is better than nothing, it at last demonstrates that Germany is capable of some kind of economic reform, and it may make subsequent change more feasible.

Does the *Agenda 2010* add up to a solution to Gerhard Schröder's political problems? Quite possibly. If he gets it through, it may transform his image from that of 'opportunistic populist' to 'resolute reformer'. If the world economy begins to pick up at the end of this year, as it should do, then the next election will take place at a much more favourable point of the cycle than did the last. He may well be re-elected. Stranger things have happened. Who in that Winter of 1978 would have predicted the British economic performance of the last decade?

Notes:

1. Stephen Nickell and Glenda Quintini, (2002) 'The Recent Performance of the UK Labour Market', *Oxford Review of Economic Policy*, 18, (2).
2. For a very well-presented statement of this position see my colleague Hans-Werner Sinn's 'The Laggard of Europe', *CEifo Forum*, Spring 2003 (Ifo Institute of Economic Research, Munich).
3. See E Schlicht, 'Autonomous Wage Inflation' in K Gerlach and R Schettkat (eds), *Determinanten der Lohnbildung* (Sigma, 1995).
4. Thus Hans-Werner Sinn also argues for a less restrictive monetary policy.
5. They have gained added impetus from the results of the latest PISA cross-country survey of childrens' educational attainment, which were featured prominently in the media. Germany, the country of Einstein, Gauss and Planck was placed in the bottom third of countries, performing particularly poorly in science and mathematics.
6. The reason for that, though, is the high wage levels set by the western unions and employer associations, fearful of competition from cheap labour in the East, in the early days after unification (for more on that, see G Sinn and H-W Sinn, *Jumpstart*, MIT Press, 1995). Even now, IG Metall, the aggressive engineering and metalworkers union, is conducting strikes in East Germany in support of the reduction of the working week from 38 hours to the 35 hours that is the norm in West Germany.

News from CHUDE

The Society's Conference of Heads of University Departments of Economics met at the University of Warwick on 7th April. Its agenda was dominated by three main issues.

Funding of departments

The first concerned the funding of economics departments. It has long been a bone of contention between university departments and the Higher Education Funding Council for England, that economics is treated as a wholly 'library-based' discipline, when much research activity requires the use of computing and other equipment while the teaching of economics is often supported by the use of IT equipment. Previous protests have achieved little but Steve Nickell reported that he had met with Sir Howard Newby to raise the issue of Economics as a part-laboratory based subject (Band C). If the argument is to succeed, clearly evidence needs to be assembled regarding the role of laboratories for teaching Economics and submitted to HEFCE. John Beath agreed to contact departments for this purpose.

Relations with ESRC

The second was an address from Professor Ian Diamond, who put forward his views on the future of the ESRC and the place of Economics within that vision. The ESRC was concerned that it may not be attracting the best research proposals, and was keen to redress this situation.

This year the ESRC would fund ten professorial fellowships for a period of three years starting in October 2003. Successful applicants would in association with their fellowship supervise a PhD student. Three years of funding for the studentship would be provided as part of the fellowship funding.

He indicated that there appeared to be a view in the Cabinet Office that there was not enough empirical research being conducted on the UK economy and would like to know if that was a view shared by the academic research community. He also indicated that the ESRC was concerned about recruiting the next generation of academic researchers. In response to this the research councils had increased PhD stipends and improved the funding position for post-doctoral students. It would also be important to develop an appropriate strategy to keep students on PhD programmes.

The ESRC considered that research centres played a vital role. However, comments from the floor felt that the need for centres for quantitative methods had not been supported by the ESRC and that a change in attitude was required.

The current funding policy for Centres of ten years plus five years is under review, with a proposal to abandon the 15-year rule and replace this with quinquennial market testing.

...continued on p.18

Revisiting the Gender Composition of Editorial Boards in Economics

In 1998 the Royal Economics Society Women's Committee considered the gender composition of the editorial boards of 25 economics journals where at least one of the editors was based in the UK. Now five years later these same journals have been reconsidered to see whether the gender composition of their editorial boards has changed. This report was prepared by Denise Hawkes, Centre for Longitudinal Studies, Institute of Education.

IN 1998 A SURVEY undertaken by RESWCE found a much smaller proportion of females on both the editorial boards and as editors/co editors than the proportion of women in the economics profession. Now five years on this report considers the same 25 journals to see whether there has been any change in the gender composition of editorial boards of British-based economic journals.¹ In 2000, women accounted for 20 percent of all British academic economists. Of the professors, from whom one might expect editors to be recruited, 7 per cent were women. Of readers and senior lecturers who might be expected to sit on editorial boards, 12 percent were women. As these percentages reflect increases of 3 and 1 percentage points respectively since 1998, one might have expected the increase of women in the profession to have filtered through onto editors and editorial boards.

As concerns the positions of editor/co editor of the selected journals no net change is apparent. Only 3 of the 25 journals considered had female editor(s)/co editor(s) in 2003. Of those where a change had occurred 2 journals had increased the number of female editors by 3 in total while 2 journals had decreased by 3 female editors, producing therefore a net gain of zero! Therefore in both 1998 and 2003 there were only 4 women editors/co editors. In fact the proportion of females has declined since 1998 as the total number of editors had increased from 95 to 111 across these journals resulting in a fall in the percentage of female editors from 4.2 to 3.6 per cent. Another measure of the profile of women in economics could be the gender composition of keynote speakers at key conferences. For the last two RES annual conferences (2002 and 2003) each of the four keynote speakers have been men. If this is a pattern across conferences this may in part explain the lack of female editors.

However, when it comes to editorial boards there has been some change in gender composition. Women now make up on average 10.1 percent of editorial board members. This is slightly lower than the 12 percent predicted above but represents a large increase since 1998. The number of women on editorial boards increased by 24 individuals in total from 27 to 51, while the total number of board members has increased by 50 from 453 to 503. Therefore while the increase in the

absolute number of editors has not been exploited, the increase in the numbers on editorial boards has helped towards better balance in the gender composition. However although the proportion of women has increased by 4 percentage points on average there are large differences among journals. Six have had a slight fall or no change in the composition of women while three journals have had more than a 10 percentage point increase in the proportion of women serving on their editorial boards. These results are summarised in the figure below.

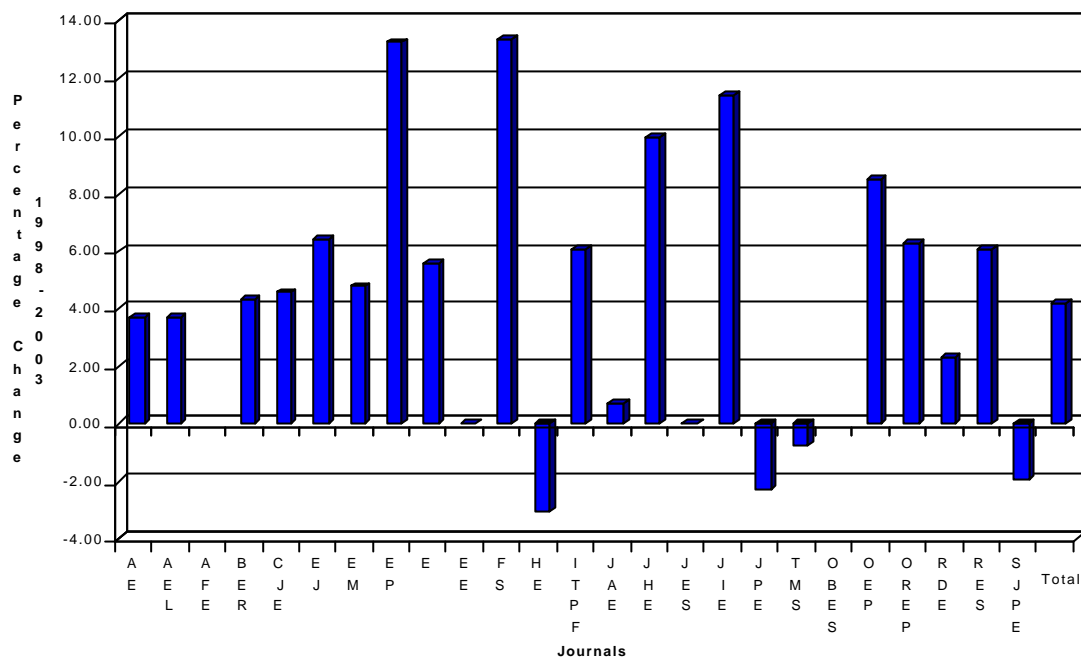
In total 51 female editorial board members were identified however this consists of only 40 individual women. Thus the increased female membership of editorial boards is probably partly due to the increase in the number of boards on which a given number of women are found, but unfortunately we cannot tell exactly as the 1998 survey did not report overlapping board membership.

What are the reasons for these patterns? In 1998 the journal editors were asked about the low proportion of females on their boards. The answers were at best vague. Some editors suggested it was due to a lack of females in the profession while most were merely unconcerned. For 2003, those women who were UK-based and on more than one of the editorial boards were approached and asked for their thoughts. It appears that the situation reflects at least in part, the process of the selection. My respondents suggested that they were approached by editors (usually those they knew personally from conferences etc) to join an editorial board. Maybe women are less involved in the referring papers therefore less well known as potential board members. Therefore it is at least in part about getting out to conferences, referring and networking effectively.

What additional restrictions are there for women with regard to networking? It may be related to occupation segregation within the economics profession. Women are disproportionately concentrated in research only posts and in fixed term lectureships. Those on fixed term lectureships may be less focused on conferences and networking as they are likely to be more concerned about the renewal of their contracts and less focused on their own professional development. Those in research only

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Percentage change in the proportion of women on editorial boards of selected economic journals



Key			
AE	<i>Applied Economics</i>	HE	<i>Health Economics</i>
AEL	<i>Applied Economics Letters</i>	ITPF	<i>International Tax and Public Finance</i>
AFE	<i>Applied Financial Economics</i>	JAE	<i>Journal of Applied Econometrics</i>
BER	<i>Bulletin of Economic Research</i>	JHE	<i>Journal of Health Economics</i>
CJE	<i>Cambridge Journal of Economics</i>	JES	<i>Journal of Economic Surveys</i>
EJ	<i>Economic Journal</i>	JIE	<i>Journal of International Economics</i>
EM	<i>Economic Modelling</i>	JPE	<i>Journal of Public Economics</i>
EP	<i>Economic Policy</i>	TMS	<i>The Manchester School</i>
E	<i>Economica</i>	OBES	<i>Oxford Bulletin of Economics and Statistics</i>
EE	<i>Education Economics</i>	OEP	<i>Oxford Economic Papers</i>
FS	<i>Fiscal Studies</i>	OREP	<i>Oxford Review of Economic Policy</i>

Notes:

1. All journals selected had at least 1 academic at a UK institution as an editor in 1998
2. 1998 data taken from RES Women's 1998 article
3. 2003 data generated based on web based research (has not been confirmed by the individual journals concern except for *Fiscal Studies*)
4. Definitions of editor/co-editor and editorial board consistent between the 1998 and 2003 data
5. No board information for AFE and OBES in 1998 to compare to 2003 data

posts may also be less attached to the conference scene as they do not benefit from the break in their work load while the students are on vacation. Therefore those in research only posts are probably more selective as to the conferences they attend and therefore less able to network. Denise Osborn suggested that women may have less time to commit to networking. Those with family commitments may be less free to spend the time travelling and networking. She also suggests that the equal opportunity policies of universities may mean that women have disproportionately more administration to undertaken than their male counterparts.

Whatever the cause, the solution will depend on the ability of women in economics to be seen and the ability of the editors of journals to look more carefully. Of course the improvement in the gender composition of the boards may eventually feed through into an improvement in the gender composition of editors. Only time will tell.

Note:

1. I would like to thank Denise Osborne, Pat Fraser, Heather Joshi, Carol Propper and Margaret Stevens for their comments.

Visited the new website yet?

www.res.org.uk

Pay, Incentives and Performance in the Public Sector: PIPPS

The Centre for Market and Public Organization recently hosted the second two-day conference on Pay, Incentives and Performance in the Public Sector, in Bristol.¹ The PIPPS series of meetings is funded by the ESRC through their research seminar program and organised by CMPO in collaboration with colleagues at Essex, Nottingham and the London Business School. Here we provide a brief report of the event.

The programme was organised around two keynote lectures and a series of presentations of research related to four themes of contemporary importance to public policy. The lectures were given by Bengt Holmström (MIT, NBER) and George Baker (Harvard Business School, NBER).

A theory of firm scope

In his keynote lecture, Bengt Holmström presented the results of joint work with Oliver Hart (Harvard and NBER). He explained that their work broadened the scope of the property rights approach to make it more applicable to the context of large companies. The approach involved developing a simpler model with three key ingredients: (i) decisions are non-contractible but transferable through ownership; (ii) managers, and possibly workers, enjoy private benefits that are non-transferable; (iii) owners can divert a firm's profit. Under these assumptions firm boundaries matter. Nonintegrated firms fail to account for the external effects their decisions have on other firms. While an integrated firm is able to internalise such externalities, it does not put enough weight on the private benefits of managers and workers. This trade-off is explored in a model which focuses on the difficulties companies face in cooperating in a market with an uneven distribution of benefits. In such circumstances, merger may sometimes result. Holmström also showed how the analysis could be extended to industrial structure in a model with intermediate production in order to shed light on industry consolidation under conditions of excess capacity.

Volatility, noise and incentives

In the other keynote lecture, George Baker explained the work that he has been doing with Bjorn Jorgensen (Columbia). He began by outlining a simple agency model that helps explain the ambiguous logical and empirical connection between environmental uncertainty and incentive strength. The model shows that two kinds of uncertainty - volatility and noise - are important in determining optimal incentive strength. Noise is defined as uncertainty to which the agent should not react, while volatility is that kind of uncertainty which does change the agent's optimal action choice. Consistent with standard agency theory, the model shows that an increase in noise reduces optimal incentive strength. The new result is that, in most circumstances, an increase in volatility actually increases

optimal incentive strength. When effort is contractible, the optimal linear contract in the presence of noise is first best and puts no weight on output. In the presence of volatility, however, the principal will use output-based compensation in such a contract. These results help explain the 'controllability principle', by which agents should only be held accountable for risks that are within their control.

The four themes around which the remaining presentations were organised were

- Recruitment, Retention and Transparency
- Public Sector Pay Reform in Practice
- Measurement, Evaluation and Motivation
- Teams and Incentives

Recruiting teachers in the UK

In their contribution to the first of these themes, Peter Dolton, Arnaud Chevalier and Steven McIntosh (CEE and LSE) presented a paper titled 'Recruiting and Retaining Teachers in the UK: An Analysis of Graduate Occupation Choice from the 1960s to the 1990s'. In this paper the authors examined the UK market for teachers using graduate cohort data from five separate cohorts between the 1960s and the 1990s. They simulated the effect of teacher pay rises on recruitment and retention over time. They find that, whilst teachers' relative wages have a significant impact on the likelihood of graduates choosing this profession, the size of the impact depends on the market situation at the time. The wage effect on teacher supply is strongest when teachers' wages are relatively low, or following a period of decline in those wages, and it is also strongest for recent graduates.

Transparency, retention and recruitment

Another topical issue in the public sector continues to be the role of performance indicators. Clare Leaver (ELSE and CMPO) presented a paper written with Gian Luigi Albano (ELSE and UCL) in which they developed a model to investigate how the publication of performance indicators affects a public sector organisation's ability to recruit and retain good staff. The authors highlighted the possibility of an informational trade-off: publishing — as opposed to simply collecting — performance data minimises the cost of recruitment, but raises the cost of retaining good staff. They showed that, in the

absence of discounting and incentive considerations, non-publication is (weakly) optimal for any project value and explore the robustness of this prediction to alternative wage setting behaviour, disclosure policies and human capital accumulation.

The wrong kind of transparency

The benefits of ‘transparency’ have been loudly trumpeted in recent years, from the conduct of monetary policy to the pricing of medical procedures. In his presentation, Andrea Prat (STICERD and LSE) introduced a note of caution by showing how, in a principal-agent setting, increased transparency may not improve outcomes. In the context of career concerns for experts, for example, the author showed that a principal may be hurt from observing more information about her agent. A distinction was made between information on the agent’s action and information on its consequence. The paper then identified conditions on the agent signal structure under which transparency *on action* is detrimental to the principal. Complementarities were shown to exist between transparency on action and transparency on consequence. Prat then showed how the results of the model could be used to interpret existing disclosure policies in the spheres of politics, corporate governance and delegated portfolio management. In the latter case, for example, current proposals for more frequent disclosure of fund managers’ actions may make them more conformist in their investment policy.

Pay flexibility

On the second theme, of public sector pay reform, Mike Horsman (Office of Manpower Economics) presented a paper written with colleague Steve Palmer on ‘Pay, Flexibility and Performance in the Public Sector: An Overview of the Experiences of the Review Body Remit Groups’. This provided an overview of the history and role of the Pay Review Bodies — a uniquely British approach to public sector pay determination. Horsman and Palmer examined the government’s attempts to introduce pay flexibilities in the public sector, outlined the problems that have been encountered and made some practical suggestions about the essential ingredients necessary for pay flexibility to operate successfully in the UK public sector. These include an awareness of the existence of both cultural barriers to pay flexibility and ‘change fatigue’ amongst some elements of the public sector, as well as the need for sufficient resources to be employed in the introduction of any such scheme.

Following the leader

Contributing to the theme of ‘measurement, evaluation and motivation’ Marc Moller (LSE) discussed joint work with Jordi Blanes-I-Vidal (LSE) in a paper entitled ‘About Leaders and Liars’. This focused on two aspects of good leadership: the ability to take good decisions and the ability to motivate subordinates. But what happens when subordinates have their own information about the decision to take and there is disagreement with the leader about the best course of action? Their research studied the trade-off between the quality of a decision and the motivation of the workforce induced by it. Results suggest that, in these circumstances, managers may favour the projects that are good for ‘morale’ even when they are privately sceptical about their success.

Hiring and promotion procedures

Margaret Meyer (Nuffield College, Oxford) presented a paper written with Christopher Avery (Kennedy School, Harvard) which looked at the design of hiring and promotion procedures when evaluators are biased. Decisions to hire (or promote) often draw on evaluations of candidates by, for example, referees. These evaluators are often biased, consciously or unconsciously, in favour of those on whom they report. What Meyer and Avery were able to show was that where the evaluators have private information about their candidates’ abilities and about their own levels of bias *and* where they know that decision-makers are likely to keep track of their recommendations, they are likely to use unusually tough standards in their early evaluations in order to preserve a reputation for ‘objectivity’.

Performance measures

In the ‘Dynamics of Performance Measurement Systems’ Pascal Courty (London Business School) and Gerald Marschke (Albany, SUNY) showed how organisations manage performance measures when gaming is revealed over time. At the outset, the principal does not know what will be the agent’s response to a particular performance measure. He finds out the agent’s responses only as time passes and then uses this additional information to update and fine-tune the incentive system. The main prediction is that the correlation between a performance measure and the true goal of the organisation should change after the performance measure is included in the incentive system. Using data from a government organisation, the authors find some evidence for this hypothesis.

Teams, incentives and mergers

How, post-merger, should we design uniform compensation scheme teams with managers originating from companies with different incentives and working habits? In ‘Redesigning Teams and Incentives: A Real Effort Experiment with Managers of a Merged Company’, Marie-Claire Villeval (GATE, CNRS) presented joint work with Claude Montmarquette (Cirano, Université de Montréal), Jean-Louis Rulliere and Roman Zeiliger (GATE, CNRS) which reported an experiment to analyse the relationship between executive compensation schemes and performance in these circumstances. Their results showed that not only changes in compensation affect performance but also that both managers’ past compensation schemes and company cultures matter for cooperation. The efficiency of a new compensation package is conditional on the reshuffling of teams and on the influence of past incentives within the new teams.

Pedro Rey Biel (UCL) discussed the optimal team contract in a setting where employees are averse to inequity in the sense described by Fehr and Schmidt (1999). In his presentation, ‘Inequity Aversion and Team Incentives’ he showed how a reward scheme that creates inequity off the desired equilibrium, enables the employer to induce employees to perform effort at lower total wage cost than when they are not inequity-averse. Also, the optimal output choice might change when employees are inequity-averse, and an employer can gain, and never lose, by designing a contract that accounts for inequity aversion, even if employees have standard preferences.

Note:

1. Full copies of the papers can be found at www.bris.ac.uk/cmpo

Correspondence

Avoiding the economic consequences of Mr Blair

Sir,

If a poll of economists in Australia and Canada was taken on whether Britain should enter the EMS, I predict that a large majority would say no, especially with the conditions ruling in Europe now and the near to medium-term future. Like Canada, my country, Australia has been a Federation, in Australia's case for over 100 years. We are a relatively homogeneous society and there are not huge social and economic disparities in conditions between the states. This does not preclude intense interstate rivalries over economic and sporting issues. I have never ceased to be amazed at the venomous passion that used to be shown by some spectators at interstate football matches (Aussie Rules, of course), especially when the opponent was Victoria! It was then indeed hard to believe that we were all Australians. And quite idiotic decisions from the point of view of the economy as a whole were made when state governments competed for, or poached from other states, particular industries. For example, the Victorian government poached the motoring Grand Prix from Adelaide. Moreover, the annual debates over redistribution through the Council of the Australian Government (formerly the Commonwealth Grants Commission) from the richer to the poorer ('mendicant') states often cause great strains in the Federation. (The object of the redistribution of Federal revenue to the States is to provide minimum uniform standards of services from their social infrastructures.) How much more so will such strains be in Europe, especially when it is enlarged, where the disparities in resources, customs and institutions are so much greater? So why buy into insoluble brawls like these when the UK can have the benefits of a free trade zone, yet keep its own political, social and economic independence? I understand why the French and Germans want a united Europe, in order to avoid future wars between them. But the UK can support this laudable aim without adopting the Euro and being dominated by institutions based on arbitrary criteria and poor economic reasoning.

Winston Churchill always regretted giving in to finance at the expense of industry when in 1925, as Chancellor of the Exchequer, he took the UK back into the Gold Standard at pre-first world war parity. This was so, not least because some of Maynard Keynes's predictions in his pamphlet, 'The Economic Consequences of Mr. Churchill' very quickly came true. As Larry Elliot wrote (*Guardian*, 20.1.2003), Gordon Brown and the Treasury are at the moment investigating the relevance of this episode for the possible entry of the UK into the EMS. I do hope that the present British government does not repeat Churchill's mistake. There are now even more substantial reasons why the UK should not go in. In addition to the reasons I have outlined above, there are others, more familiar and sharing more common ground.

First, at the present Sterling-Euro exchange rate, it would lock the UK's manufacturing industry into an uncompetitive posi-

tion at a potential rate of growth of its productivity in the near to medium future which would be most unlikely to improve its competitive position. For entry at this rate would create an economic environment, especially for manufacturing and UK exports generally, in which the rate of investment needed to raise their productivity to the required higher rate would not be forthcoming. Much of UK industry would therefore be locked in to a lasting uncompetitive situation. Secondly, to have the ECB set the UK's interest rate is unacceptable as it is most unlikely that it would ever be set at a level appropriate for the UK's specific conditions over the cycle. (After all, the MPC and the Bank of England have more than enough trouble setting an appropriate rate for the UK as a whole.) Thirdly, the arbitrary straightjacket on fiscal policy associated with the Euro is also unacceptable — the most likely effect would be to transfer to the UK the built-in contractionary bias it has imposed on continental Europe. Look at Germany's dilemma at the moment; it needs further fiscal stimulus but it has already hit the upper constraint on what the deficit may be.

In conclusion, I should emphasise that, in the light of all the arguments above, I do not favour entry of the UK into the EMS at any Euro Sterling exchange rate. Not to enter would be in accord with Churchill's initial, correct instinct that, as he wrote to Otto Niemeyer at the Treasury in February 1925, he 'would rather see Finance less proud and Industry more content'.

G C Harcourt,
Jesus College, Cambridge.

Publication lags

Sir,

In the April issue of the Royal Economic Society Newsletter a number of reasons were put forward to explain the long delays in publishing economic articles. There seems to be an apparent acceptance of this regrettable state of affairs. Yet this need not be so.

Three years ago the editorial board of Economic Issues resolved to speed up the refereeing process. It was decided that what people find most unacceptable is to wait inordinate lengths of time only to have their papers turned with few reasons given. A second issue was the long delay between final acceptance and actually appearing in print. Among the reforms adopted to address these issues are: (1) a universal reliance on electronic submissions, refereeing and the dissemination of reports and so on; (2) production (including printing) is done in-house. This not only makes production cheap, it is extremely flexible and with a minimal time lag between final copy and the printed journal. (3) A guarantee that any accepted paper will appear in the next issue of the journal.

However, the most important reform is the application of a pre-sift which means that well over half the submissions are rejected within one week of their (electronic) submission. No doubt this might mean rough justice for some, but at least people

appreciate timely responses. Our defence is that, although that the pre-sift might mean incorrect decisions in some cases, there are many other journals in competition for quality papers. If everyone applied a fast pre-sift, quality would emerge more rapidly than the current system of 'pot-luck'.

The only aspect of our operation that is beyond our control is the significant minority of referees who either fail to respond at all or take too long to respond. However, given that all these services are done on a *pro bono* basis, there is little that we can do about this. But if anyone has any suggestions that could address this issue, they would certainly be appreciated by us.

Admittedly by the standards of the major journals, we are small and do not have the reputation of some of the better known journals. There is also, no doubt, a snobbish attitude among some academics that speedy responses are indicative of low quality – Sraffa has a lot to answer for in the folklore of academic economics. My personal belief is that a younger generation of economists will begin to vote with their feet and boycott journals that take it for granted (because of their assumption of prestige) that aspiring authors will accept a second-rate service.

Derek Leslie,
Manchester Metropolitan University,
Editor, *Economic Issues.*

In case of deflation...

Sir,

The world economy is now generally gloomy and depressed, especially some highly industrialised countries such as the USA, Germany and Japan, while the more agricultural nations such as India, Indonesia and Malaysia are, relatively speaking, less affected.

The crux of the matter is that money held by people has to be spent or to change hands in sufficiently large volumes for the economy to be buoyant. If people lose their jobs, have little or no money to spend and curtail or stop spending the economy would be in trouble. Equally bad is the situation where employment is high and people have money to spend but are hardly spending. The point is that governmental policies and aggressive advertising and marketing could only try to persuade people to spend more but the final choice of whether to spend or not still belongs to individuals. This means that our economic ills would continue to be intractable unless a more radical change in the monetary system is effected to ensure sufficient spending, besides the maintenance of full employment and/or the creation of more employment opportunities and other economic measures. Of course, to keep inflation at bay our supply of goods and services or production of output has to keep up with the expected increase in demand for goods and services as a result of this 'compulsory' spending.

Perhaps, two types of currencies should be introduced to ensure that there is sufficient spending. One type of currency would have an expiry date while the second type of currency would have no expiry date (as in the usual case). The issuance and administration of such currencies, especially the first type which has an expiry date, are to be the responsibility of a gov-

ernmental monetary authority or statutory board. For example, the government could pass a law to the effect that all salaries have to be paid in the following format: 70 per cent in currencies which expire say three months from the date of payment and the balance 30 per cent in currencies with no expiry date. The seller who receives the currency with expiry dates from the buyer could then exchange it at the governmental monetary authority for the following currencies: 70 per cent in currencies which expire in three months' time and 30 per cent in currencies with no expiry date. In this way everyone, bosses and employees, and, buyers and sellers alike, have to spend at least 70 per cent of their earnings within the allotted time frame of three months. Here we are only talking about salaries and purchases within the same country.

At the international level, where business between countries is concerned, the same principle should also apply, except that the currencies with expiry dates and the currencies without expiry dates should now be issued and administered by an international authority, for example, a newly created division of the United Nations.

This new monetary system should help to eradicate recessions, unemployment and other economic and related social problems.

Bertrand Wong
Eurotechnical Research University
Singapore

Financing of higher education

Sir,

The 'Features' issues of *the Economic Journal* perform a valuable service in providing expert debate on current policy issues, but regular readers of this *Newsletter* will understand my disappointment when I read the paper by David Greenaway and Michelle Haynes in the February 2003 issue, 'Funding higher education in the UK: the role of fees and loans', for this paper merely recycles the authors' report for the Russell Group of Universities (2000), extracts from which were printed in the *Newsletter* in October 2000 as precursor to my critique of their Report in the same issue ('Paying for higher education: a critical note').

My note had pointed out in some detail that their Report gave a misleading account of the contribution of graduates to society by avoiding any mention of the higher taxes they unavoidably incur on their higher average lifetime incomes of £400,000 vis à vis non-graduates. Greenaway and Haynes mention various non-pecuniary social benefits of higher education but perversely deny the existence, despite my Note, of that direct pecuniary contribution. This then makes their case for some kind of graduate taxation (thinly disguised as income-contingent repayment of 'loans') on the grounds that otherwise graduates make *nil* contribution to the public costs of their degrees.

What is it that economists in general, from Becker and Blaug to Barr and Greenaway, find so difficult about the concept of income tax? All those named agree that higher education seems to have something to do with graduates' obviously higher aver-

age incomes, even if only as a better signalling device than school blazers or the SATS. None recognises the extra revenues automatically accruing to governments from pre-existing taxes payable on those higher incomes. Whether such tax revenues are a sufficient contribution to costs of higher education is or ought to be of some interest. My note implied they are ignored because they are evidently so much larger than the derisory one per cent of GDP that most governments spend on higher education. My article submitted to *The Economic Journal* (13th June 2003), 'The mythology of higher education funding', estimates annual income tax revenue from graduates in Britain worth at least five times more than annual public spending on higher education by 1995, a far cry from the Greenaway-Haynes estimate of *minus* £4-5 billion.

The failure to mention graduates' higher taxes was repeated by the authors of the British Government's White Paper (*The future of higher education*, 2003, para.7.20), and led to its proposal for a graduation tax raising the top marginal rate of direct taxation on graduates' income to 50 per cent for periods as long as 15 years, despite the Government's electoral commitment not to raise the top rate of income tax above 40 per cent.

The Greenaway-Haynes paper also appears to have misled the authors of the White Paper into a belief that British universities have been 'excluding' students from the lower socio-economic groups (p.F155), as their share of total student enrolment has not increased significantly even when tuition has been free. The White Paper repeated this claim (para.1.28) and has established a new body (Office for Fair Access, OFFA) to rectify it by allowing only those universities that can demonstrate they do offer fair access to charge the new tuition fees. My hopefully forthcoming paper shows in detail that the Greenaway-Haynes claim is false, ignoring as it does both all schools' very low output of tertiary-qualified students from the lower socio-economic groups, and the falling share of the lower socio-economic groups in the working population.

The making of false and misleading statements like those of Greenaway and Haynes is a serious matter. For example, company legislation in most countries outlaws false statements of rates of return in prospectuses. Greenaway-Haynes persist (despite my note) in citing 'private' rates of return to degrees that are gross of income taxes. The resulting exaggerated rates of return would be a clear breach of company law in the commercial context. It is compounded when they advise the British government that it derives no fiscal return at all from graduates' demonstrably higher incomes. If Greenaway and Haynes had not read my comments on their earlier Report (2000) one might recommend leniency, but they did, as shown by their letter here (January 2001) — and both then and in 2003 they ignored the substantive issue.

The above critique, if accepted, allows a more rational reform of higher education financing that would:

1. Establish complete financial autonomy of all universities with freedom to set their fees at any level (because with over 170 universities or equivalent colleges there would be sufficiently atomised competition);
2. Allow all paying such fees themselves complete tax deductibility thereof from their future income (in recognition of the money they save the government);

3. Provide all unable to pay the fees (appropriately means-tested as before 1997 for student grants) with state grants in whatever numbers the government sees fit (by adjusting the means test), given its concerns for 'fair access', leaving it to the general tax system to recompense society for the costs of their tuition.

Tim Curtin
Australian National University

continued from p.11

news from CHUDE

The Government Economic Service

Jonathan de Berker, from the GES, advised the meeting that the level of applications was up by 60 per cent on last year's figures. Three competitions would be running this year - one currently until Easter, one in July/early August and one in October/November. The RES had planned an open day for the Autumn which was aimed at graduates with a first class degree. This would be chaired by Patricia Rice and Phil Sooben of ESRC would be attending.

Two GES events had also been planned, one on 29 November 2003 at the Treasury and one on 5 December 2003 at the Scottish Executive.

It was also noted that consultation regarding the next research assessment exercise would begin shortly and a response from CHUDE would be required. John Beath agreed to contact CHUDE members for input and Professor David Newbery (Cambridge) undertook to circulate an article amongst members.

International Seminar

Empirical Analysis of Labour Markets

1-12 September 2003 in Cologne

organized by the Central Archive for Empirical Social Research, Cologne and the Institute for the Study of Labor (IZA), Bonn.

Courses include

- Labor Supply Effects of Low Wage Subsidies (Dr Holger Bonin, IZA Bonn and Dr Hilmar Schneider, IZA Bonn)
- The Economics of Schooling (Dr Thomas K Bauer, IZA Bonn and Dr Michael Fertig, RWI Essen)
- Econometric Evaluation of Labor Market Programmes Prof Michael Lechner (University of St Gallen, Switzerland and Prof Jeffrey A Smith, University of Maryland, USA)
- Empirical Analysis of Labor Market Programmes with German Employer-Employee-Matched Data (Dr Lutz Bellmann, IAB Nuremberg)

For registration and further information please contact:
www.gesis.org/Veranstaltungen/ZA/CSS/

2004 ANNUAL CONFERENCE

The 2004 Annual Conference will be held at the University of Swansea
from **Monday 5th to Wednesday 7th April**

Keynote speakers include:

**Professor David Hendry (Oxford) and
Professor Ken Rogoff (Harvard)**

The Programme Committee invites submissions of papers from academic, government, and business economists in any field of economics and econometrics for the **General Sessions**. Proposals for the organisation of **Special Sessions on Specific Topics** are also welcome.

General sessions

Papers are invited in any subject area included in the *Economic Journal*. **Two hard copies** of papers should be sent by **11 October 2003** to Professor Francesca Cornelli at the address below: only **completed** papers will be considered. Do not submit papers electronically. Each submitted paper should nominate a corresponding author. The paper should include the **e-mail address** of the corresponding author and an **abstract, JEL Classification number(s)** and up to 5 Key Words. Submitting authors must not act as a corresponding author for more than one paper. Address for submissions:

Professor Francesca Cornelli
Chairperson, RES Conference 2004
London Business School
Regent's Park
London NW1 4SA

Notification of acceptance will be sent by the mid-December 2003.

Special 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 specify the theme and the name of the individual who would 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 **31 August 2003** to Professor Francesca Cornelli (by email in Word or PDF format) at RES2004papers@london.edu The selection of the invited sessions to be included in the Conference Programme will be made by the Conference Committee. We welcome submissions in all fields of research, both theory and applied.

Financial assistance

Postgraduate students who present papers at the Conference will be eligible for financial support.

Conference volume

Papers which are accepted for the Conference will be eligible for consideration for publication in the Conference Volume of *The Economic Journal*.

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

RES

news items

Publications

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

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

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

Special offer to RES members

Newman, Peter

F Y Edgeworth's 'Mathematical Psychics' and Further Papers on Political Economy (hardback)

Readers may wish to know of the recent publication by Oxford University Press of a volume of Edgeworth's writings under the above title. Some years ago, Peter Newman, one of the world's leading experts on the work of Edgeworth, undertook a commission from the Royal Economic Society to produce an edition of 'Mathematical Psychics' alongside other writings that had not been included in the three-volume edition of Edgeworth's *Papers Relating to Political Economy* (1925). Peter's death in 2001 prevented him from putting the final touches to the editorial apparatus. Largely as a result of the work of Margot Levy, who collaborated with Peter on the New Palgrave Dictionary of Economics, and with some assistance from Leofranc Holford-Strevens and Donald Winch, it has been possible to complete the book along the lines originally planned.

Besides 'Mathematical Psychics', the volume includes 'New and Old Methods of Ethics' (1879), never before reprinted, two short monographs 'On the Relations of Political Economy to War' and 'Equal Pay to Men and Women for Equal Work', and a selection of key articles and reviews, including all the important articles that Edgeworth wrote for the original Palgrave Dictionary. The volume is completed by the bibliography of Edgeworth's writings compiled by Alberto Baccini.

In addition to being the leading Anglo-Irish mathematical economist of his day, Edgeworth possessed a range of talents that enabled him to make major contributions to statistical theory and review books in the five European languages which he commanded. Peter Newman's introductions and editorial notes

on 'Mathematical Psychics' enable readers to understand the complexities of Edgeworth's mathematics, his proclivities and oddities as an inveterate reviewer of books, and why he has increasingly been recognised as a seminal figure in the history of game theory and the study of the optimizing properties of markets under varying conditions. Leofranc Holford-Strevens has provided translations and background information on Edgeworth's extensive use of Greek and Latin references and sources.

No scholarly library will be complete without this valuable 650-page supplement to Edgeworth's own selection of his papers, which will be of interest to economists, mathematical economists, probability theorists, philosophers interested in utilitarian ethics, and all students of the history of economic thought.

The volume is available to members of the Royal Economic Society at a members' discount. Full price: £95.00 **RES members special discounted price of £76.00 (post free)**. Cheques (only) should be sent to Eleanor Burke, RES Administration Officer, London Business School, Regent's Park, London NW1 4SA.

British Association for the Advancement of Science Section F.'

The Section F (Economics) Session of the 2003 British Association for the Advancement of Science will be held at the University of Salford on 8th and 9th September. This year's President is

Professor Charles Goodhart

who will be speaking on 'Money, Stability and Growth', on Tuesday 9th September. Other speakers include:

Monday 8th September p.m.

Eric Berglof: 'The Political Economy of Financial Development'

Stijn Claessens: 'Competition in the financial sector: a cross country perspective'

Patrick Honohan: 'Financial Development and Growth: How Close are the Links?'

Tuesday 9th September a.m.

Panicos Demetriades: 'Finance and Economic Growth: What We Know and What We Need to Know'

Beatriz Armendariz: 'Microfinance: where do we stand?'

Phil Davis: 'Institutional Investors, Financial Development and Growth'

Registration for the programme is via the BA website which also has further information:

www.the-ba.net/festivalofscience

Conference Diary

2003

august

20-24 August

Stockholm, Sweden

Eighteenth annual congress of the **European Economic Association**.

Further information from: www.eea-esem2003.org

20-24 August

Stockholm, Sweden

Annual meeting of the **Econometric Society**.

Further information from: www.eea-esem2003.org

27-30 August

Jyväskylä, Finland

Forty-third congress of the **European Regional Science Association (ERSA)** to be held at the University of Jyväskylä.

Further information from: www.jyu.fi/ersa2003

september

1-2 September

London

First annual meeting of **OxMetrics User Conference** to be held at Cass Business School. The conference aims to provide a forum for presentation and exchange of research results and practical experiences within the fields of computational and financial econometrics, empirical economics, time-series and cross-section statistics and applied mathematics.

Further information from: Giovanni Urga (g.urga@city.ac.uk) www.staff.city.ac.uk/~giourga/oxmetrics.html

2-3 September

Leeds

Annual International Network for Economic Method conference to be held at the University of Leeds.

Further information from: <http://lubswww.leeds.ac.uk/INEM/>

3-5 September

Leeds

Annual History of Economic Thought conference to be held at the University of Leeds.

Further information from: Guiseppa Fontana, Chairperson 2003 HET Annual Conference, Leeds University Business School, Maurice Keyworth Building, University of Leeds, Leeds LS2 9JT. Tel: 0113 3434503 Fax: 0113 3434465 E-mail: gf@lubs.leeds.ac.uk

10-12 September

Cambridge

Thirty-fifth annual conference of the **Money Macro and Finance Research Group** to be held at the University of Cambridge.

Further information from: www.econ.cam.ac.uk/mmf

15-16 September

London

International conference on the **Comparative Analysis of Enterprise (micro) Data (CAED)** 2003 will be hosted at the Cass Business School, City of London in association with the Office for National Statistics. For full details see the conference website.

Further information from: CAED Inquiries, Office for National Statistics, Zone D4-21, 1 Drummond Gate, London SW1V 2QQ, UK. Tel: (0)20 7533 5892 Fax: 01633 652593 E-mail: caed.2003@ons.gov.uk www.statistics.gov.uk/events/caed/

18-21 September

Erfurt, Germany

European meeting of the **Economic Science Association** to be held at the University of Erfurt.

Further information from: www.uni-erfurt.de/elab/esa

19-21 September

Tennessee, USA

Sixty-third annual meeting of the **Economic History Association**. The topic will be: Transitions in Economic History.

Further information from: www.eh.net/EHA/meeting

26 September

Cambridge

Centenary conference for **Alumni of the Cambridge Economics Tripos** and their former teachers. Speakers to include Amartya Sen*, Andrew Turnbull, Bob Solow, Eddie George*, Geoff Harcourt and Martin Wolf (* provisional). Open to Tripos Alumni and their teachers.

Further information from: Brian Holley, E-mail: brian.holley@econ.cam.ac.uk ('Centenary conference' in subject field).

30 September - 1 October

London

Conference on **Digital Transformations** to be held at London Business School. Speakers include Dale Jorgenson (Harvard), Michael Scott-Morton (MIT), Leonard Waverman (LBS) and Danny Quah (LSE).

Further information from: Elisa Eiroa, Leverhulme Project Secretary, London Business School, Regent's Park, London NW1 4SA. Tel: 020 7262 5050 xt3272. Fax: 020 7402 0718. Email: eeiroa@london.edu
www.london.edu/digitaltransformations

october

6 October

Nottingham

Conference on **Exporting and Firm Level Adjustment** to be held at the University of Nottingham. Speakers include: David Greenaway and Richard Kneller (University of Nottingham); Joakim Gullstrand (Lund University); Hege Medin (Norwegian Institute of International Affairs); Marc Melitz (Harvard University); Joachim Wagner (University of Luneburg).

Further information from: Sue Berry, Leverhulme Centre for Research on Globalisation and Economic Policy, School of Economics, University of Nottingham, Nottingham NG7 2RD. Tel: 0115 9515469 Fax: 0115 9515552
E-mail: sue.berry@nottingham.ac.uk
www.nottingham.ac.uk/economics/leverhulme

8-10 October

Strasbourg, France

Fifth European Transport Conference of the Association for European Transport.

Further information from: Sally Scarlett, Association for European Transport, c/o PTRC, 1 Vernon Mews, Vernon Street, London W14 0RL. Tel: 020 7348 1978 Fax: 020 7348 1989. E-mail: info@aetransport.co.uk
www.aetransport.co.uk

16-19 October

Quebec, Canada

Fifty-sixth international conference of the Atlantic Economic Society to be held in Quebec City, Canada.

Further information from: E-mail: iaes@iaes.org
www.iaes.org

november

6-7 November

Nottingham

Fourth international conference on Money Investment and Risk.

Further information from: Leighton Vaughan Williams, Department of Economics and Politics, The Nottingham Trent University, Nottingham NG1 4BU. Tel: 0115 848 5516 Fax: 0115 848 6829 E-mail: leighton.vaughan-williams@ntu.ac.uk
www.ess.ntu.ac.uk/economics/conference.htm

7-12 November

Maastricht, The Netherlands

Annual conference of the European Association for Evolutionary Political Economy to be held at the University of Maastricht. The theme is 'The Information Society: Understanding its Institutions'.

Further information from: E-mail: groenewegen@few.eur.nl
www.eaep.infonomics.nl

december

10-12 December

Rome, Italy

Twelfth international Tor Vergata conference on Banking and Finance to be held at the University of Rome.

Further information from: Professor Michele Bagella (E-mail: bagella@uniroma2.it) Tel: 39 6 72595720 Fax: 39 6 2020500
www.economia.uniroma2.it/

2004

january

3-5 January

California, USA

Annual meeting of the **American Economic Association** to be held in San Diego.

Further information from: www.wanderbilt.edu/AEA

march

11-12 March

Georgia, USA

CALL FOR PAPERS

Twelfth annual symposium of the **Society for Nonlinear Dynamics and Econometrics** to be held at the Federal Reserve Bank of Atlanta.

Further information from: Linda Mundy, Research Department, Federal Reserve Bank of Atlanta, 1000 Peachtree St., N.E., Atlanta, GA30309, USA. Tel: 1 404 498 8818 Fax: 1 404 498 8810 E-mail: linda.mundy@atl.frb.org

april

2-4 April

London

CALL FOR PAPERS

Annual conference of the **Agricultural Economics Society** to be held at Imperial College. The conference will include sessions on agriculture, the environment, food and related industries, rural communities and economic development, land use and development economics.

Further information from: Dr Deborah Roberts, AES Conference Secretary, Arkleton Centre for Rural Development Research, University of Aberdeen, St. Mary's, Aberdeen AB24 3UF Tel: 01224 273901 Fax: 01224 273902 E-mail: deb.roberts@abdn.ac.uk

5-7 April

Swansea

CALL FOR PAPERS

Annual conference of the **Royal Economic Society** to be held at the University of Swansea.

Further information from: see page 18

16-18 April

New York, USA

CALL FOR PAPERS

Annual meeting of the **Risk Theory Society**.

Further information from: <http://aria.org/rts/>

june

10-13 June

Munich, Germany

CALL FOR PAPERS

Second international conference on **Economics and Human Biology**.

Further information from: www.econhist.de/ehb/conference/index.html

august

25-28 August

Stockholm, Sweden

CALL FOR PAPERS

First EuroScience Open Forum to be held in Stockholm. The forum aims to: present science and the humanities at the cutting edge; stimulate scientific awareness; and foster the debate on sciences and society. Proposals for symposia, debates, seminars or workshops should be submitted by **15 September 2003** to Gabriella Norlin (gabriella.norlin@esof2004.org)

Further information from: www.esof2004.org

Membership of the Royal Economic Society

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

The benefits of membership include:

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

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

- On-line access to *The Econometrics Journal*, a new electronic journal published by the Royal Economic Society and 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 2003 are £45 (\$65)*

There is a reduced rate of £22.50 (\$36) for members who reside in developing countries (with per capita incomes below US\$500) and for retired members. 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 2003. 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, complete the adjacent application form and return it to the Membership Secretary at the address above.

* All customers in the EU should add 5 per cent VAT to these prices or provide a VAT registration number or evidence of entitlement to exemption. Canadian customers please add 7% GST or provide evidence of exemption.

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 2003.

Name:

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Address:

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