



ROYAL ECONOMIC SOCIETY

# NEWSLETTER

Issue no. 134

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ROYAL ECONOMIC SOCIETY

## The perils of speaking too soon

It might be described as rough justice — we make a virtue in the January issue of our increased speed of turnaround and the April issue is then published very late. Short of naming names, all we can say is that the circumstances were beyond our control. But we apologise nonetheless and hope that no one was too much inconvenienced. At the time of writing, this one is on schedule!

In this issue we have three regular July items — a heroic summary of the Society's Annual Conference at Nottingham, the secretary-general's Annual Report and Ray Rees's Letter from Germany, in which he looks at the economic implications of low fertility and at policy measures to increase it and to encourage women into the labour market.

Amongst the other items, there is a report on the PhD presentations and informal interviews that Leonardo Felli and John Sutton organised in January. By any criterion the event was clearly a success and students and supervisors should note that the event will be repeated, with details becoming available next month.

We have often commented in these pages that the rapid expansion of economics — in both academic and policy circles — after 1945 inevitably means that we have frequently to report the passing of experienced and respected colleagues. A careful reading of their obituaries reveals just how many of them came to the UK (or went to the USA) from central Europe during the 1930s. Harald Hagemann has spent some years researching this diaspora and he has contributed a very interesting summary of part of that work. It reveals the transfer of an extraordinary amount of talent.

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# ROYAL ECONOMIC SOCIETY

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## **Newsletter - subscription rates**

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## Next issue

### **Newsletter No. 135 - October 2006**

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

**15 September 2006**

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

**16 September 2006**

## Contributions from readers

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

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

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# New research from CEP and CMPO

*The Centre for Economic Performance at the London School of Economics and the Centre for Market and Public Organisation at Bristol University have recently published the results of a number of research projects. A selection of these is summarised below.*

## From the CEP...

### Multinationals: heroes or villains of the global economy?

Multinational firms are demonised by anti-globalisation campaigners. Yet according to a new book by Tony Venables and colleagues, the evidence is that they are generally a force for prosperity in the world economy. The research shows that multinationals typically perform better than national firms in home and host economies alike. Being multinational is often the best way to operate in an integrated global economy.

Multinationals tend to be larger than other firms, do more R&D and use more skilled personnel. Even in developing countries, multinationals employ more educated personnel than national firms. And despite fears about national firms closing down domestic activities and opening up foreign ones, outward foreign investment tends to strengthen firms, leading them to expand rather than contract their home activities.

### Is new technology good or bad for jobs?

'If men have the talent to invent new machines that put men out of work, they have the talent to put those men back to work. New research by Chris Pissarides investigates whether President Kennedy's claim is still true. He finds that virtually all technology that has hit labour markets in the last 30 years is of the kind that is good both for productivity and jobs.

The research also shows that productivity growth explains virtually all the changes in trend unemployment in the United States but only a fraction of European changes. So on its own, a recovery of productivity growth in Europe will not create enough new employment to offset the rise in unemployment.

### Boffins in the USA: the boost to UK productivity

UK firms that have placed a large number of their researchers in the United States have been able to tap into the new ideas of US scientists, according to new research by CEP's director John Van Reenen and colleagues. Bringing these ideas from places like Silicon Valley back to the UK helps boost our productivity.

Many European policy-makers are trying to get firms to relocate their R&D labs back to Europe in order to reach the 'Lisbon agenda' target of getting R&D up to 3 per cent of GDP. But the evidence on the productivity benefits of

US-based R&D suggests that they could be shooting themselves in the foot.

### What's wrong with Europe's economy?

There is a conventional wisdom that Europe's poor economic performance is a sign of deep structural problems, which must be addressed by product market liberalisation, labour market reform and reduction of uncompetitive tax burdens. But writing in a new CEP book, Adair Turner argues against that conventional wisdom. In his view:

- The Eurozone's poor growth is caused by macro-policy problems and rules, which must be changed.
- Taxation burdens are not in some general and structural sense unsustainable.
- Looking at longer-term differences between European and US prosperity and productivity, we need to recognise the impact of physical environment and social choice. Within this context, while the EU's product market liberalisation agenda is positive, it is unlikely to have more than a marginal impact.
- But some EU labour markets are seriously inefficient and should be reformed.

### More inequality means higher inflation

All governments claim to want low inflation — but not all achieve it. While poorer countries generally fare worse, inflation rates can differ markedly even between equally wealthy countries. Turkey and Korea had similar incomes at the start of the 1980s. But while Turkish inflation ran at 60 per cent a year over the next 20 years, Korea's was only 6 per cent.

One explanation is that policy-makers in countries like Turkey were simply unlucky or incompetent. But new research by Chris Crowe finds that more inequality is associated with higher inflation. His explanation is that politicians in high-inequality countries face incentives to choose higher inflation. Greater inequality means greater inequality in political participation — and policies more favourable to the wealthy.

### Tackling unemployment: Europe's successes and failures

The Big Four countries of continental Europe have very high unemployment; most of the rest have comparatively low unemployment. So why has unemployment fallen in some European countries but not in others? To answer this question, Richard Layard, Stephen Nickell and

Richard Jackman revisit their landmark analysis of macroeconomic performance and the labour market.

They argue that active labour market policies are needed to prevent people drifting into long-term unemployment. Further policies are needed to deal with regional unemployment. What's more, there should be a maximum period for which benefits are paid to people who are not working. And early retirement and uncontrolled access to invalidity pensions should be phased out.

## ...and from the CMPO

### Choice and competition in public services

Public service reform is essential, and while performance management and 'voice' have a role, the long-term answer lies in real choice for users and increased competition among providers. That is the central argument of the lead article in the new issue of *Research in Public Policy* from the Centre for Market and Public Organisation (CMPO).

Former Downing Street adviser Julian Le Grand (Richard Titmuss Professor of Social Policy at the London School of Economics) notes that the central problem with old-style public services in the UK was monopoly, which meant that there were no incentives for providers to improve. He concludes that properly designed reforms involving choice and competition are the 'least worst' way of achieving high quality, responsive and equitable public services.

### Britain's public-private pay gap

Public sector employees are markedly more educated than their private sector counterparts. And 'low-employability' individuals face large potential lifetime premia from public sector employment. These are among the conclusions of new research by Fabien Postel-Vinay and H el ene Turon.

Their study investigates whether public sector workers are better paid than their private sector counterparts. Simple income measures suggest the answer is a clear yes. But these researchers argue that assessing the 'public premium' should take account of worker quality and the lifetime value of employment in each sector.

### Executive compensation and corporate performance

Over the past decade or so, a series of high-profile reports have looked at the governance of the UK's leading companies. New research by Paul Gregg, Sarah Jewell and Ian Tonks has assessed the impact of these reports on the relationship between executive compensation and corporate performance.

The study finds that as measured by pay, executive compensation has increased substantially since 1994 without much relationship to corporate performance. But taking account of board shareholdings shows that the relation-

ship between executive compensation and company performance is much stronger.

### Regulating health care in the world of choice

Recent health care reforms are paving the way for greater competition between providers of health care, both within and outside the NHS — which the government believes will promote greater responsiveness of hospitals to patients' needs, cut waiting lists and reduce equity in the receipt of health care.

But as Professor Carol Propper points out, the evidence to support these claims is by no means unequivocal. 'The devil is in the detail', she argues: the impact of competition in health care markets depends on the precise nature of the policies introduced and the interaction between them.

In particular, it is vital that the government pursues a pro-competitive regulatory strategy if it is to reap the benefits of competition. Such regulation requires both an understanding of the market for health care and of the economics of markets. And it needs to address potential anti-competitive behaviour by providers.

### School achievements of ethnic minorities

All minority ethnic groups in the UK make greater progress on average than white pupils over the course of their secondary schooling. That is the central conclusion of new research by Dr Deborah Wilson and CMPO colleagues. What's more, a key part of the relative progress of minority ethnic groups comes just ahead of GCSEs, the most important, high-stakes exams.

The fact that there are substantial differences in the educational attainments of minority ethnic groups in England is nothing new. This research evidence supports the kind of findings in most previous studies: in the GCSE exams taken at age 16, pupils from some minority ethnic groups — notably Black Caribbean and Pakistani — achieve considerably lower on average than white pupils; while, in contrast, pupils of Indian or Chinese origin score much higher than their white peers.

But there are also three surprising new findings. First, when taking account of a small number of personal characteristics, all minority ethnic groups make greater progress on average than white pupils between the ages of 11 and 16. Second, much of this improvement is between the ages of 14 and 16, that is, in the run-up to GCSEs. Third, for most minority ethnic groups, this gain relative to white pupils is pervasive, happening in almost all secondary schools.

Further details of this and other research can be found at: <http://cep.lse.ac.uk/> and [www.bris.ac.uk/cmpro](http://www.bris.ac.uk/cmpro) respectively.

# The Royal Economic Society's First PhD Presentations Event

*The first PhD presentation event was held on the weekend of 28 - 29 January last. This report comes from Leonardo Felli and John Sutton.*

The first PhD presentation event, organized by Professor Leonardo Felli, was held at the London School of Economics in January and attracted over 100 student presenters from 24 participating universities, 17 of them from the UK.

Discussions about holding such an event had taken place over the preceding 18 months, following a series of consultations between John Sutton and members of Council, and the heads of UK departments of Economics (CHUDE). While it had long been argued that it might be beneficial to have some UK or European event similar to the US job market, views differed widely both on the form that such an event should take, and on its timing. A wide range of considerations were explored in the course of these consultations, and following a very well-attended meeting of CHUDE, it was decided that the event would be held as a two-day weekend event towards the end of January. This timing commanded a clear majority among CHUDE members, but there were, and continue to be, strong views as to whether this is the right time to hold the event. As to the design of the event, we settled on a format which allowed each of the student presenters to give a 15 minute presentation, and we provided each university's representatives with a cubicle in which to interview candidates.

We were under no illusions that we had hit upon an ideal design, but given the wide differences of view in the profession, it seemed better to go ahead and launch an event, once we had found a feasible solution that met with broad approval from the departments, and to learn from experience in remodelling it in future years. As things turned out, we were pleasantly surprised at the level of demand among students. We had 170 applications, but the design of the event limited us to accepting no more than some 100 or so papers. All papers were refereed by a member of a 30-person selection committee, and graded A, B and C. We accepted all 104 papers graded A. We regretted being unable to accommodate a substantial number of papers whose absolute quality level warranted acceptance, and we plan in the future to readjust our arrangements so as to be able to accommodate more papers.

Following the event, we wrote to all participating departmental representatives, all members of the selection committee and all student presenters to solicit their views. A total of eleven participating departmental representatives, five members of the selection committee and eleven student presenters provided us with feedback. All groups

were very positive about their overall experience with the set-up, but there were a number of areas of concern which we hope to address in future meetings. The issue of timing, unsurprisingly, attracted strong comment from a minority of participating departments and student presenters, and the range of alternatives they proposed ran from mid-December to late February. We suspect that this issue will remain a live one, but we have decided to run the event again next January at around the same time (27 - 28 January 2007). It will be held, once again, at LSE, with the intention of allowing it to move to alternative venues in subsequent years. In considering suitable venues, ease of access, both for UK participants and for those coming from abroad, will probably be the most important consideration.

Among the other issues on which participants commented, the most salient related to the manner in which different departments chose to use the opportunity to meet with individual candidates. All participants' papers were available to departments on a web page from mid-December, and we chose to leave it to departments to contact directly any students whom they wished to meet, and to fix a time for the meeting. It seemed to us that we would need to learn from experience as to whether some uniform model might prove desirable, or whether we should allow practice to differ from one department to another. It turned out that departments chose widely differing arrangements. In some cases, the department had fixed a very full sequence of meetings with candidates prior to the event, and chose to focus on those candidates. In other cases, departments made few or no appointments in advance, and invited selected students whose presentations they had heard to come and talk to them. Some students commented adversely on the diversity of approaches used, and would clearly have preferred a more uniform system. On the other hand, it is clear that many departments wish, for the moment, to have freedom to organize things in the way they prefer, and we intend to run the same arrangement in this respect next January.

Several participants commented on the fact that some of the participating departments already knew their exact position in respect of lectureship vacancies, and had already advertised these, while other departments were still unsure as to their position. This brings us to the heart of the problem which motivated our setting up this new event: it has been extremely difficult for students to work out what their prospects are within the UK, and indeed, a broader European, job market. *...continued on p.22*

## Letter from Germany —

# Where have all the babies gone?

*In Germany, the problems posed by low fertility have become more pressing than in most other European countries. In this essay Ray Rees, Professor of Economics at the University of Munich, discusses a number of policy innovations which might encourage both an increase in female participation in the labour market as well as an increase in fertility.*

Since the early 1960's, when innovations in the technology of birth control made it possible for women to determine, more or less, their own fertility, there has been a steady decline in fertility rates in virtually all OECD countries. At the same time, there has been a steady increase in female labour force participation. For any one of these countries therefore there is a strong, inverse empirical association between fertility and female labour supply. It is easy to rationalise this: increasing wages and employment opportunities for women increase the opportunity costs of having children.

But the countries differ widely in the slope of this relationship. Some, like the Scandinavian countries, France, the UK and the US have relatively steeper female employment growth and relatively flatter fertility declines, others, in particular Germany, Italy and Spain, have much steeper fertility declines and slower growth in female labour supply. This has resulted in recent years in a cross-country association between fertility and female participation that is in fact positive. Just looking at the differences in how the tax and social security systems in these countries treat working wives, in the cost and availability of pre-school child care, the incentives for mothers to rejoin the work force after the birth of children, and the organisation of the school system, leads very quickly to the conclusion that there is considerable scope for a country to influence just how negative the relationship is, and offers the hope to those countries suffering the adverse consequences of low fertility and low female labour supply that they could, by making the appropriate policy changes, have more of both.

Germany is very much a case in point. The problems posed by low fertility have become pressing. Population ageing, which is presenting severe problems in financing Germany's generous pay-as-you-go pension system, is much more a result of fertility decline than of increasing longevity. Labour economists are forecasting future shortages of skilled young workers. Effects on the condi-

tions of demand and supply of local public goods are already being felt: younger workers are migrating to the higher growth areas leaving empty schools and inadequate funding for social infrastructure behind them, especially in eastern Germany.

As a result, 'family policy' has moved to centre stage in political discussion. The Minister for Families, Ursula von der Leyen, who herself has seven children, has proposed replacing the traditionally defined spheres of a wife's activities, *Kinder, Kirche und Küche* (children, church and kitchen), by a new triumvirate, *Kinder, Kirche und Karriere* (children, church and career). She represents what can be thought of as the more progressive side of the debate, which is concerned with the question not of whether to support having more children, but of how. The view represented by Minister von der Leyen, and supported by Prime Minister Angela Merkel, emphasises

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**“ The problems posed by low fertility have become pressing. Population ageing, which is presenting severe problems in financing Germany's generous pay-as-you-go pension system, is much more a result of fertility decline than of increasing longevity. ”**

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making it easier for women to combine family and career, while the other side, which consists mainly of senior male members of the two centre-right parties, the Christian Democratic Union (CDU) and its Bavarian counterpart the Christian Socialist Union (CSU), prefers to encourage larger families while retaining as far as

possible the 'traditional marriage', in which the wife works exclusively at home. It is easy to distinguish one side from the other by the positions they take on the following four policy issues.

*Child subsidies:* Should fertility be subsidised by a large lump sum payment per child (raising the existing *Kindergeld*), or by considerably expanding and subsidising the currently scarce and expensive day care facilities for pre-school children? The point about the former is that it pays women to remain at home and have children. The latter allows substitution of professional for maternal child care, and so facilitates work outside the home. Two key points about this are that it increases family income, and so is likely to increase family size for that reason (all the evidence suggests that children are a normal good);

and that it expands the tax base, and so permits a higher level of gross expenditure on family support, for a given amount of net public expenditure.

*Joint vs. individual taxation:* Germany (as well as the US) has a system of income splitting, in which husband and wife's earnings are added, divided by two, and then taxed on a progressive marginal rate schedule. In most other countries in the world, including the UK, the two earnings are taxed on separate progressive schedules. Under the former system, the marginal tax rate on the first euro of the wife's earnings is equal to that on the last euro of the husband's, which is often a significant disincentive to a wife taking a job. Given the econometric studies which show that female labour supply elasticity is about four to five times as high as that of male workers, and cross elasticities are negligible, straightforward Ramsey arguments support the case for a lower marginal tax rate on women. Moreover, it can be shown that, in effect, this system redistributes income away from households where the wife works a significant number of hours per year toward households in which she works very little, if at all, outside the home. This can often be regressive. Consider two households, in one of which the husband alone earns 60,000 euros a year, the other of which has the two partners working, and earning that in total. They pay the same tax. Yet the (untaxed) value of the output of household goods produced by the wife in the first household could be considerable, the cost of these goods bought on the market out of taxed income by the second household (especially child care) equally so. Finally, the fact that under a progressive marginal rate tax system, a wife's earnings may push her husband into a higher tax bracket provides a further disincentive. Currently, some brave souls are suggesting a move to individual taxation. The response from the grandees in the CDU and CSU (especially the latter) has been: No Way! (Nicht mit uns!).

*All day schools:* Currently in Germany children typically go to school only in the mornings. A working mother either has to be at home from midday, or arrange for some kind of child care. There is now a policy of moving toward all-day schools, which of course involves issues other than purely family policy. For example, the teachers' unions are against it, partly because their members may well have part-time afternoon jobs (sometimes doing paid additional coaching). But the poor showing of German children in recent international comparative tests, for example PISA, has led to strong public support for all-day schooling on educational grounds. Nevertheless, there is still a groundswell of opinion arguing that it is placing much too great a burden to require a child to attend school all day, which of course to British ears may sound a little strange.

*Tax relief for child care costs:* A measure has recently been introduced allowing expenditures on child care, up to a certain limit, to be set against tax. In its original form, this was to be available only to families where both parents worked. After considerable pressure, again particularly from the CSU, this was changed to give tax relief on child care also to families with non-working wives (though in the latter case for a restricted age group of children). Since this extended the coverage of the scheme, while its total cost was held constant, this diluted the contribution per family.

To give an idea of how the political struggles on this issue can sometimes border on the absurd: Minister von der Leyen recently introduced a proposal under which for ten months after the birth of a child, the mother receives from the state 60 per cent of her previous earnings, up to a maximum of 1600 euros per month. If then the father took a further two months off from work to look after the children, the payment would be continued. The leaders of the CSU regarded this as an unacceptable attempt to dictate who in the family should look after the children — the difference between a command and an optional incentive was not apparent to them. The end result of the political horse trading was that the payment to the mother would be made for twelve months, and then would continue for a further two months if the father took over. Since this obviously just represents an extension of the period of support, with no change in principle, Mrs von der Leyen was quite happy to walk away with this 'compromise'.

Anyone who has read Alison Pearson's brilliant novel *I Don't Know How She Does It* will know that combining family and career in the UK is by no means easy, and yet on several of the above issues the UK is well ahead of Germany. This is reflected in the fact that in Germany, around 52 per cent of households with children under six have only the husband working, while in the UK the figure is about 33 per cent, in Sweden 25 per cent. Women in Germany are well-educated and well-trained (significantly more than half of all university graduates in Germany are female). The participation rate, which of course is a zero-one variable, conceals the fact that actual working hours and female labour supply overall are much lower in Germany than in most other comparable countries, because of the high prevalence of part-time working. There is a large human resource pool of well-qualified women, needing only the introduction of the right policies to enter the labour market. And there is every indication that the right policies would also help to find all those missing babies.

# The Annual Conference

*The Society's Annual Conference took place this year at the University of Nottingham, 18th to 20th of April. This report on the event is written by Chris Giles of the Financial Times.*

What would I make of academic economics after nearly a decade in journalism? I wondered to myself as I travelled to Nottingham in mid-April for the Royal Economic Society's annual conference. I had, of course, kept in touch with much of the research coming out of British universities and research centres, but had not experienced such a concentration of academic economists since the mid 1990s.

Would the discipline be ahead of current policy debates? Would its insights be useful? Would researchers be speaking to themselves in their own exclusive codes or would there be an attempt to reach out and influence the wider world? Was the RES conference even relevant for academics and researchers themselves? More personally, I wondered whether I would find ideas for features or news stories and, nagging at the back of my mind, I feared I might be out of my depth, unable to cope with the rigours of academic argument.

Let's cut to the chase. Three days later, I thought the RES conference in 2006 was, as it has often been described in the past, a mixed bag.

Excellence was in abundance. Imaginative collection and use of data dominated the papers presented; Steven Levitt had better watch out. The invited lectures and the special sessions were a treat. There were easily enough interesting papers to satisfy my demand for new ideas. And I left reassured that economics departments and research units across the country were actively trying to advance economics: helping explain how the world works and how (sometimes) to make it a better place. From discussing the conference with as many people as I could grab, I also found it served many of its own objectives: it stimulated participants, provided ample opportunities for networking, some new ideas and lots of scope for gossip.

But there were also frustrations and irritations that I seemed to share with quite a few participants. For too many people presenting papers, it seemed simply an opportunity to tick the box 'I've presented at the RES conference', leading to lacklustre presentations delivered to small and rather uninterested audiences. Too much research, particularly in the empirical papers, bordered on the irrelevant, with presenters seeming genuinely embarrassed when they had to provide reasons for why they were presenting their paper. The general sessions, even though they were billed as having a unifying theme, tended to consist of three disparate papers. They were delivered in rapid succession to meet the rigorous half-hour time limit and stimulated little more than an opportunity

for others to score points with tricky technical questions. So, for much of my time in the general sessions, I wondered what was the purpose of the conference.

One answer, of course, is that it provides an opportunity for many of the younger and less experienced participants to see the masters at work, presenting the invited lectures. And the fact that there were around 300 participants in Nottingham on each day of the conference guaranteed a large enough audience to attract top-notch speakers to the UK. The invited lectures, alone, made the RES conference worthwhile and that is to the great credit of Gavin Cameron, this year's programme chair.

My personal highlight was the Sargan Lecture, delivered by David Card of Berkeley. Card had always been, in my eyes, the man who caused controversy a decade ago with his studies of burger flippers, which showed higher minimum wages didn't necessarily cost jobs. This lecture placed his abilities in a much broader context. It provided a historical sweep of the development of empirical economics, highlighting the development of data, modelling, computing power, to the current state of the art. It was never a story of linear progress, and had as many ups and downs as the British economy before 1992.

Empirical economics before 1970 tended to rest on small macroeconomic models, hamstrung by a lack of data, quantitative techniques and computer power. The revolution occurred in the 1970s, with the development of all three. One of the high points of this era, was Daniel McFadden's multinomial logit model of 1974 which successfully combined microeconomic theory with the tools to evaluate discrete choice in real life situations. It was enough to win McFadden a share of the 2000 nobel prize. But, Card reminded his audience, the march of empirical economics came to an abrupt halt in the early 1980s as many empirical papers were found not to be replicable, errors had been made in calculations and the results did not hold when others used slightly different techniques or data. People worried that econometrics was just a 'con'. This led to the search in the late 1980s for better techniques and design driven approaches to ensure that published results reflected reality.

The current state of empirical economics has learnt much from past mistakes, Card said, and he was right to say it has become the driving force behind economic research today. He shared four lessons from his historical sweep. First, you do not need to have theoretical underpinnings for good empirical work, but a good design of the statistical work, preferably with some randomisation, is essen-

tial to claim causal links between two variables. Second, you need to pre-specify an outcome to test rather than mining the data for the best story. Third, any empirical work needs serious testing of the statistical models to ensure the results are not dependent on the particular statistical form or techniques used. And fourth, the data must be made available for others to try to replicate the results.

Card outlined the categories into which most current empirical research falls along a spectrum from deeply theoretical models in which data is appended in a calibration exercise, to implicit modelling which uses lots of data and clever techniques to answer questions without a formal structural model behind the analysis. Although there were advantages and disadvantages of each, he saw the future of empirical economics was to bring more structure into the current fashion for designed approaches to specific questions. This would stop the tendency for empirical economics to end up being ‘just a big scatter of individual programme analyses’.

In foreseeing a world with structural models sitting alongside less theoretical approaches, Card must have brought joy to anyone from the Bank of England, since that is exactly the type of approach it has adopted over the past few years in its new macromodel of the UK economy. Card’s analysis of the current state of empirical work, was spot on. If the RES conference was any guide, much more work is at the data and design end of his spectrum, but few papers had any general applicability to wider questions.

Empirical economists should also take note of Card’s final recommendations for the subject. Remember to be modest, he said, because economics does not explain a lot of observed behaviour. Unexplained behaviour still dominates most models.

If David Card’s lecture talked to the profession about what empirical economics can and cannot do, John Sutton’s lecture as President of the Royal Economics Society and Colin Camerer’s Hahn Lecture captured two alternative methods of making economic arguments. Sutton of the London School of Economics made use of powerful anecdotes to underpin his theory that the process of globalisation comes through a competition in capabilities, while Camerer of the California Institute of Technology revealed what we can and cannot deduce from neuroscience to aid our understanding of economics.

From the moment Sutton stood up it was clear that the President’s lecture was exquisitely prepared. He merged economic theory, insights from management theory, trade theories, anecdote and video clips to argue that globalisation can have very diverse effects on countries; much more diverse than standard theory relating production and trading performance to productivity differences might

seem to suggest.

His premise was that capabilities — the combination of productivity and quality — determined the outcome of a process of globalisation. Sutton defined two theoretical propositions. First, that high quality products can drive out low quality products completely at any price; and second, that competition in capability building will lead to a limit on the number of viable firms in an industry.

Incorporating these propositions in a model with an open trading environment, Sutton showed that when capabilities are similar between two companies in different jurisdictions, both countries can produce both goods. When capabilities differ markedly, however, all production will shift to the higher quality location; falling wages in the low quality zone would have no effect if the capability of the firm or product is not something consumers demanded.

From this he concluded that opening a country to global competition tends to have three phases. First, there is a destructive phase, in which the jobs of low quality companies are eliminated. This was all too plain to see in

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Eastern Europe in the early 1990s and no degree of devaluation or real wage reduction was likely to keep those poor quality products. Welfare in poorer countries declines in this phase as they suffer not just a decline in relative wages but also a complete loss of

production in many industries.

Second, is the phase of transferring of existing capabilities towards poorer countries. In this phase, which he said characterised much of the world today, some industries - such as motor vehicle components — would rapidly locate in poorer countries since the capabilities are easy to transfer. In these industries relative wages would be very important in determining production location decisions. In other industries where transferring capabilities is more difficult, for example aircraft or machine tools, transfer of capabilities is much more limited. Citing numerous examples of Indian and Chinese car plants, he claimed they could reach world-class standards of product reliability within eight years and that was why motor component production was now rapidly moving to low wage economies.

In his third phase of globalisation, he said companies would compete on the development of future capabilities and the outcome would depend on which companies could maintain an advantage in capabilities in their products, or at least, prevent their products falling too far behind. The most profitable companies would not necessarily survive if they suddenly found themselves lagging or unable to develop new capabilities in tune with changing demand.

Sutton concluded that this model fitted the patterns of trade and development much better than traditional theories and the convincing case for globalisation was the second phase, in which wealth and capabilities were spread rather than a more traditional comparative advantage story.

Colin Camerer delivered a *tour de force* on neuroeconomics, concluding that a better understanding of how the brain works can offer useful insights into human behaviour. He was careful not to dismiss traditional economics or 'oversell' neuroeconomics, but he claimed that some of the recent developments challenged accepted fundamental principles of economics.

In particular he listed many experiments on humans and animals that attempted to understand which parts of the brain are used in certain situations, and showed conclusive evidence that preferences, usually assumed to be fixed, are in fact dependent on the circuitry of the brain, which is not necessarily hard-wired. He showed that people with damage to areas of the brain associated with evaluating unfamiliar situations tended to act more rationally in experiments than people with healthy brains. And drug and electronic interference with parts of the brain could also change preferences.

Why does this matter? Well, neuroscience supports three propositions fundamental to economics,

Camerer said. First, that rationality is fundamental to animal and human behaviour as it is 'highly sculpted by evolution'. Second, that there is considerable support for the propositions of behavioural economics: people are more willing to take gambles in familiar situations than in unfamiliar circumstances even if the odds are the same. And third, traditional economics says preferences are fundamental, while neuroeconomics says brain circuitry is the first step. The lecture showed amazing cross-disciplinary knowledge, and was rather intimidating for people who think brain surgery is difficult, but it was a powerful description of the limitations of traditional economics.

The first invited lecture of the conference, the *Economic Journal* Lecture, was delivered by Narayana Kocerlakota of Minnesota University on household heterogeneity and real exchange rates. I went into this lecture knowing I was likely to be out of my depth and so it proved. But there was no doubt that it was an impressive piece of theoretical work, which had the appealing result that representative agent models were useless at explaining real exchange rate movements, however complicated they were.

In contrast, Kocerlakota concluded that it was possible to develop a model with heterogeneous agents in command

of private information in a pareto optimal setting that had some explanatory power over real exchange rates. Intuition wasn't the paper's strong point and I left thinking that though a formidable piece of reasoning, I couldn't quite see currency traders in London and New York using the insights to increase their profits and improve the efficiency of the market.

The difficulty of reporting the special sessions was that they ran in parallel, so I could only go to two out of eight possible events. Whether I chose well in picking intergenerational mobility and macroeconomic stability, I have no idea, but they were both highly enjoyable events, producing many insights.

The session on what we can learn from comparisons of intergenerational mobility did exactly what it said it would. For far too long, research in this area has had the rather nasty problem that it is hard to tell whether the transmission of income between generations is, to put it crudely, big or small.

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**“Colin Camerer delivered a *tour de force* on neuroeconomics, concluding that a better understanding of how the brain works can offer useful insights into human behaviour. He was careful not to... 'oversell' neuroeconomics, but he claimed that some of the recent developments challenged accepted fundamental principles of economics.”**

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The papers addressed this question in a variety of ways. The first paper, by Robin Naylor *et al*, compared intergenerational mobility across countries, showing the dangers of using simple summary statistic to describe a host of differences between countries. While Nordic countries appeared to have much greater mobility than the UK and the US came in last place, the

detail revealed a much more nuanced picture. In all countries, for example, over a third of the sons of top income quintile fathers were also in the top quintile. The rich in every country were able to defend their status down one generation to the same degree.

But where there were differences, they were stark. In the UK and the US, sons of rich fathers were much less likely to fall to the bottom of the income distribution, while in the US, the land of the American dream, sons of the poor were least likely to rise to the top.

Jo Blanden of LSE compared two UK cohorts, those born in 1958 and 1970, and found that mobility had fallen. Part of this, she showed, was that non-cognitive skills — behaviour of children, a winning smile, politeness etc — could explain the persistence in income patterns in the 1970 cohort but not in the 1958 cohort. Rich sons, it seems are better behaved and get more education than poor sons, leading to a greater persistence of income differences now.

The third paper from Jason Long and Joseph Ferrie gave a brilliant insight into why the myth of the American Dream has itself been so persistent. Using the fine work of the Mormon Church, which has digitised the UK 1851 census and the US 1850 census, they took a sample of the

censuses 30 years later to find how the same people had fared. What it showed was that occupational mobility in the US was huge compared with Britain in the nineteenth century, but in recent decades. And even though US mobility is no longer higher than other countries, the historical accuracy of the myth allows it to persist.

The three papers provoked lively discussion, ably moderated by Stephen Aldridge of the Cabinet Office who confirmed that the work had huge relevance to educational policy and suggested that early intervention is best if it is successful, in promoting greater intergenerational mobility.

The session on macroeconomic stability took as a premise the great moderation in the volatility of economic growth and inflation since the mid 1980s in most industrial countries. Was it good luck or good policy? It asked. At the end of a lively session, the consensus in the room was that it is still awfully difficult to know, but good policy, not necessarily monetary policy, was likely to have been crucial.

Chaired by Stephen Nickell, a monetary policy committee member of the Bank of England and soon to be moving to Nuffield College Oxford, the first two papers used structural dynamic general equilibrium models to try to answer the question. First, Alejandro Justiniano of Northwestern University and Giorgio Primiceri of the Federal Reserve used a state of the art model to show that it was a reduction in shocks to the economy not a reduction in policy shocks that caused the moderation. Next, Fabio Canova, Luca Gambetti and Evi Pappa of the Universitat Pompeu Fabra showed that in an international comparison, there were lots of differences between the US, Euroland, and UK and a simple story did not hold in each country.

But both papers were overshadowed by the work of Luca Benati and Paolo Surico of the Bank of England, which used a similar model, but restricted the results only to allow policy shocks. Since their model could still replicate the data, they concluded that these types of models were not helpful in answering in the question.

In discussions afterwards, a general consensus emerged that the models used were not good at distinguishing between policy and luck, and that it was probable that policies had been more influential. Stephen Nickell summed up the proceedings by casting his mind back to the UK in 1979. He predicted that even with the current structure of monetary policy, setting interest rates then 'would have been a hateful experience' because indexation was so deeply imbedded in UK institutions, preventing relative price changes and ensuring that inflation shocks were transmitted directly into wage rises.

If the special sessions showed the pretty face of the knowledge frontier, with top class research presented in a relevant forum alongside complimentary papers, the general sessions showed the isolation of much academic work. Sparsely attended, the papers were of varying quality and many could have been much improved if the pre-

senters had listened to David Card and taken his comments about what economics can and cannot say on board.

The thing I found most noteworthy was the general tone of friendliness and cohesion in theoretical sessions, contrasting with an undercurrent of sniping and pedantry in empirical sessions. My particular gripes were the lack of coherent motivation for doing the research, finding empirical results 'reassuring' if they conformed with a model rather than examining the implications of those results, a lack of realism about the policies that government's can choose and calibrated theoretical models which fail adequately to question the model's applicability.

But my main area of genuine concern was that there have recently been countless examples of cleverly designed policies which have gone spectacularly wrong due to unintended consequences or administrative complexity. Yet, a high proportion of empirical micro work seemed to be concerned with how government could tweak policy further. If ever there was need for research into the benefits of simplicity, it is now, but I saw little of such work in evidence. That was sad.

It made me dwell on the train back to London on how the RES conference could be improved. There is no point suggesting an end to the general sessions, since the presenters of the papers comprise most of the audience for the special sessions and the invited lectures. That will always be the case. But there is a strong argument in favour of trying to encourage more debate, interaction, and time for questions and discussion into the general sessions, alongside an attempt to create a unifying theme in each session to arouse greater interest.

For the conference as a whole, there would be great demand for sessions, which were based less around papers and more structured around arguments, whether they are theoretical, empirical or technical. That would be the best way of generating a more relevant discussion and raising levels of interest for participants and the outside world alike. Economics lives at the centre of public discourse in Britain, but the RES conference is largely irrelevant to it. That is the unfortunate truth.

I left to fly directly to Washington to attend the G7, International Monetary Fund and World Bank Spring conferences. I expected them to be much worse than the RES, since we tend to sit in a Washington bunker, waiting for a bland communiqué and listening to spin from finance ministers and central bankers. But to all our surprise, the 2006 meetings broke a rule of a lifetime and agreed a big reform of the IMF. The world is divided on its relevance, but the event, at least was pleasingly different.

That should be the challenge to the organising committee for the 2007 RES conference in Warwick: spring some surprises to lift a good conference onto a higher level.

# Obituaries

## Charles Feinstein

Charles Hilliard Feinstein, Fellow of All Souls College, and Chichele Professor of Economic History emeritus at the University of Oxford, died on 27 November 2004.

Charles Feinstein's achievement was to work out the structure and size of the British economy from the present and all the way back to the Industrial Revolution. His work makes it possible to evaluate how well the economy has performed at any period in the past two centuries, and to compare it with other periods and other countries. When the British Chancellor of the Exchequer Gordon Brown recently proclaimed the economy's longest period ever of unbroken growth, it was Feinstein's work that he relied upon.

Charles Hilliard Feinstein was born in Johannesburg in March 1932. He studied economics and subsequently accountancy at Witwatersrand University. Initially, he was attracted to Marxism, and as a student participated in the early stirrings of the anti-apartheid movement. In 1954 he arrived at Cambridge to study economics, and eventually wrote a doctoral dissertation on 'Home and Foreign Investment 1870-1914'. In 1958 he married Ruth Loshak, and also began to work as a research officer at the Department of Applied Economics, where, among other tasks, he joined an effort to construct a set of retrospective national accounts for Britain. The objective of national accounting was to construct a descriptive statistical model to capture the flow of economic activity on an annual basis. Keynes' *General Theory* of 1936 gradually persuaded policy makers that government could beat unemployment and control the level of economic activity by means of precise interventions in taxation, government spending and credit. National income accounts became the indispensable tool for 'tuning' the economy. During the 1940s, this method was implemented all over the world, and the growth rate of GDP became the benchmark for economic and social performance which it remains to this day.

By the 1950s, the main industrial countries had all embarked on projects to extend the national accounts backwards into history. In Britain this was undertaken at Cambridge University, and after Feinstein joined this effort in 1958, he made a notable contribution with an estimate of domestic capital formation. By the mid 1960s, the Cambridge project had reached a crisis, and Feinstein undertook single-handedly to bring it to completion. In 1972 this was published as *National Income, Expenditure and Output of the United Kingdom, 1855-1965*. Although Feinstein undertook many more investigations, this was perhaps his crowning achievement. Of the several similar

projects undertaken in different countries, e.g. the American, Canadian, Australian, and German projects, it is fair to say that the one which Charles brought into being was the most elegantly reasoned, organized, and presented, all the more remarkable for being the work largely of one man. It was achieved with very simple means: hardly more than a mechanical calculator and some research assistance. The large red volume, familiar to all students of British economic history, embodies an exceptional talent for order. It was a foundational work, and has stood the test of time remarkably well. Eventually, Feinstein and others extended the estimates back to the eighteenth century. It remains the backbone of our knowledge of British economic performance, and links almost seamlessly with the modern annual series of national output and income which continue to unfold. The meaning and implications of historical national income series were analysed (together with R Matthews and J Odling-Smee) in an important book on *British Economic Growth, 1856-1973* in 1982.

From 1963 and until 1978, Feinstein was a Fellow of Clare College, Cambridge, where he was an inspiring teacher, and a reforming Senior Tutor. In 1978, he accepted a Chair in Economic History at the University of York. His distinction and professional goodwill began to be recognized with a series of leadership positions. He became the head of a large and respected economics department, as well as joint-editor of the *Economic Journal*, the leading British journal in the field. He was also elected to the British Academy in 1983. There followed a succession of influential and prestigious positions in professional associations.

In 1987, after a year at Harvard, he moved to Oxford, first to Nuffield College, and then to All Souls College, where he was the Chichele Professor of Economic History for a decade after 1989. Economic history was falling on hard times. A large number of small independent departments created in the academic boom of the 1960s were being absorbed into larger departments of history or economics, as the subject became more technical and less appealing to undergraduates. At Oxford, however, Feinstein and his colleagues were able to reverse the trend and to build up a flourishing graduate course which attracted students from all over the world. He also pushed his research into new directions, into important studies of the standard of living during the nineteenth century, and of international capital movements between the wars.

Feinstein possessed an austere and supremely disciplined mind, and had an almost magical ability to impose order on the complexity of the past, combined with a scrupulous respect for the smallest detail. These gifts also served him well as an administrator and academic entrepreneur. They inspired his lectures, which imparted a wonderful clarity to the protracted muddle of the British economy. Generations of students took this clarity of vision as an ideal to aspire to, in economic history as in other disparate pursuits.

Feinstein was a private man. But despite a slight austerity, and a taste for hard-nosed social theory (first Marxism, then a more conventional neo-classical economics) he attracted much personal loyalty and feelings of great warmth, both among close colleagues, and in wider academic circles. Along with his sense of propriety and order there was also a manifest integrity, and a great innate generosity. He was always a giver, rather than a taker. In a crisis, his response was often to roll up his sleeves, to do it himself if others would not, in first-year teaching or in the grind of administration or editing.

The end of apartheid released a new outflow of generosity. He was exhilarated by the chance to take up the struggle for African betterment where he had left off as a youth. He began to teach courses at the University of Cape Town, and to spend part of every year there. Despite a difficult illness, the years after retirement were exceptionally productive, with a book on the economic history of South Africa about to be published. A not-quite-finished book-length study of the British economy in 1851 is another ambitious project, which we look forward to being completed by other hands.

Feinstein was a great craftsman, and the advances he made in his field were both decisive and durable. Economic interpretations change, but all of them rely in the end, on the quantitative foundations that he laid down. In that respect, at least, he was probably the most influential British economic historian of his age. He was also a good man, a considerate mentor, colleague, and friend. He leaves a second wife, Anne Digby, herself a noted social historian, and four children from his first marriage.

*Avner Offer*  
*All Souls College, Oxford*

## Mark Perlman

Mark Perlman was one of the great 20th century economists, first on labour economics and industrial relations; and later as a specialist in public health, demographic economics and the history of economic thought. His dissertation on *Judges in Industry: a Study of Labor Arbitration in Australia* (1954), in which he strongly came out in favour of incomes policy, was recently described by an essayist as the second best book on Australian labour arbitration, being surpassed only by the work of Henry Bournes Higgins (*A New Province for Law and Order* (1922)), who drafted the early law and was Chief Judge of the Court until his death. From the very beginning Perlman's writing was built on the conceptual basis of theory and sustained systematically by detailed empirical and historical research. His early work was followed later with *Labor Union Theories in*

*America: Background and Development* (1958), *The Machinists: a New Study in American Trade Unionism* (1961) and *Democracy in the International Association of Machinists* (1962), and *Health Manpower in a Developing Economy* (1967).

His major work on the interpretation of the history of economic thought, which encompassed different cultural contributions to the subject, is entitled *The Pillars of Economic Understanding*, published jointly with Charles R McCann Jr in two volumes: Volume I 'Ideas and Traditions' (1998) and Volume II 'Factors and Markets' (2000). In addition to his work as an author, Perlman was editor of many collective volumes, as well as founding editor of several highly influential journals. In recognition of the variety of Perlman's contribution to economics, three distinguished scholars, Hank Lim, Ungsuh K. Park and G.C. Harcourt, published a volume in his honour in 2002 entitled *Editing Economics* to which eighteen scholars contributed chapters exploring themes such as the history of economic theory, applied economics and an evaluation of Mark Perlman's written contributions.

Mark Perlman was born on 23 December 1923 in Madison, Wisconsin, USA, and died on 3 May 2006 in Shadyside, Pittsburgh, PA, USA, aged 82. He was the son of the famous and internationally respected labour historian Selig Perlman at the University of Wisconsin, a Polish émigré in 1918. After graduating from the same university in 1947, Mark took his PhD at Columbia University in 1950. He first taught as an instructor at Princeton University and subsequently held academic posts at the University of Hawaii (1951), Cornell University (1952-54) and Johns Hopkins University (1955-61). Returning to Pittsburgh University as Professor of Economics in 1961, he served as Head of the Department from 1965 to 1970. In 1968 he was named a University Professor for outstanding contributions to more than one discipline: economics, history and the economics of public health, and became Emeritus Professor on his retirement in 1993.

It was fascinating to listen to him discourse about his upbringing in a highly intellectual household, of having met, as a young boy, Albert Einstein and other luminaries of the academic world at that time. Most of the great economists and many of the leading historians and philosophers of the 20th century were known to him personally, and it was in such company that he honed his own intellectual tools. The frequency of his contributions to many volumes of essays in honour of famous colleagues is witness to the intellectual company he kept.

Apart from his writings, Perlman has been widely praised for his dedicated and inspiring teaching. His preferred imaginative approach was to provide undergraduates with broad-based instruction in liberal arts and proceed from this basis to economic science. The term papers they had to write for him (to be subsequently discussed in his office) also gave him the chance to become thoroughly

acquainted with his students, many of whom went on to become lifelong friends. Although occupying emeritus status, he much enjoyed continuous work with current and former students until shortly before his death, and even as late as 2005 he chaired a dissertation committee. His autobiographical essay 'What Makes My Mind Tick', published as the introduction to his selected essays *The Character of Economic Thought, Economic Characters, and Economic Institutions* (1996), as well as the other essays in this volume, is a stimulating read. He was a warm-hearted man and once a friend, a friend for life.

Perlman was a great anglophile who often talked of his rewarding period as an official faculty visitor and visiting fellow at Clare Hall, Cambridge in 1976-77. He and his wife Naomi delighted to entertain their English friends and colleagues at the Athenaeum Club in London during their frequent visits to the UK. He was also for many years a much appreciated co-editor of the Cambridge University Surveys of Economic Literature (1977-96) and the Cambridge Surveys in Economic Politics and Institutions (1991-95).

Last October, I received an e-mail from Mark with the worrying news that he was suffering from clinical symptoms of *myasthenia gravis*. However, more shattering was the diagnosis of a pancreatic malignancy. Typical of the person he was, his initial decision on nothing but nursing and pain-avoidance medication was taken partly to ensure that enough funds would be left for the care of his beloved hospitalized wife Naomi, suffering from Alzheimer's disease, whom he had visited every day for many hours over a number of years until he himself fell ill. His daughter Abigail Williams then took over so that medical intervention and chemotherapy could start. He himself did not request these interventions, believing in the text of *Ecclesiastes* — 'there is a time to live and a time to die.'

He considered the founding of the highly prestigious *Journal of Economic Literature*, a leader in its genre, in 1968 and managing editorship from 1968 to 1981 as one of his lasting achievements, and similarly, the creation of a journal for the US Department of State (*Portfolio on International Economic Perspectives*), along with a journal for the Schumpeter Society — *Journal of Evolutionary Economics* — in 1989. Among others, he was also an Editorial Board Member of *Industrial and Labor Relations Review*, *Surveys of Economic Literature*, and the *Quarterly Journal of Business and Economics*. His work on investment in public health, too, was highly original in its time, and he took great pride in his final volumes on *Authority Systems and Economic Thinking*.

Perlman's discovery of the English economist G L S Shackle, whom he counted as one of his most insightful mentors, was almost serendipitous, and he has advanced the important work of commending Shackle's influence by publishing papers and substantial reviews of his books, partly by Perlman himself, in the *Journal of*

*Economic Literature*. With his deep insight he stated in 1984 to a Shackle conference that

Shackle's golden threads include an important, and virtually novel, emphasis on the role and uses of imagination ... Attention by economists to the neglected role of imagination — intuition, if you will — undoubtedly offers an opportunity for a comprehensive Cartesian empirical research programme. But what Shackle has most clearly already given us on the theoretical side is that rare leavening agent .... which makes organic (i.e. living) our discipline's current body of accumulated thought.<sup>1</sup>

He returned to these thoughts twenty years later in his Shackle Centenary Lecture at St. Edmund's College Cambridge, in May 2004 in which he stated:

We Shackleans focus on the importance and effective uses of the imagination .... Shackle stands in the history of economic thought as the one who first drew attention to the importance of that organic instrument, the human imagination.<sup>2</sup>

Mark Perlman was a deeply religious man and a prominent member of the Jewish community in his home town. The core of his thinking was a religious conviction that it is the people (the tribe), not the individual, that comes before the Almighty, and he assured me that his one comment, if questioned, will be that he is not conscious of ever having tried to cover-up his serious errors.

Stephen Frowen  
St Edmund's College, Cambridge

Notes:

1. Mark Perlman, 'The Fabric of Economics and Golden Threads of G L S Shackle', in Stephen F Frowen (ed.), *Unknowledge and Choice in Economics. Proceedings of a conference in honour of G.L.S. Shackle* (1990), pp. 9-19. Reprinted as Chapter 14 in Mark Perlman, *The Character of Economic Thought, Economic Characters, and Economic Institutions*, pp. 271-280.

2. Mark Perlman, 'Memorializing George L.S. Shackle: a centennial tribute', *Cambridge Journal of Economics*, 29 (2), March 2005, pp. 171-178.

## J K Galbraith

The death of John Kenneth Galbraith engendered what he would no doubt have considered appropriately immodest attention. Indeed, the passing at 97 of Harvard's Warburg Professor of Economics emeritus on April 29 was front-page news in the *New York Times*, *Boston Globe*, and dozens of papers worldwide, and became the subject of more than 800 newspaper and magazine articles and 300 radio and television reports in the days following.

Galbraith's death marked the end of a remarkable half-century of celebrity that began in World War II. Though never as influential intellectually as Keynes, Samuelson, Friedman, or several others among his colleagues, with

more than seven million copies of his 46 books sold, he was the century's best-selling economist (with the possible exception of Marx, whose sales, Galbraith always noted, were frequently involuntary). Elected president of the American Economic Association and the American Academy of Arts and Letters, the recipient of more than four dozen honorary degrees (from, among other institutions, Harvard, Oxford, LSE, and the Sorbonne), and the only American twice awarded the Presidential Medal of Freedom (the country's highest civilian honor), Galbraith moreover was as widely known for his political involvements and current-affairs writings as his economics work. As an advisor to Presidents Roosevelt, Truman, Kennedy and Johnson, and to Democratic presidential candidates including Adlai Stevenson, Eugene McCarthy, George McGovern, and Edward Kennedy, his career in Washington spanned four decades.

Little about his childhood anticipated his later achievements. He was born at home on October 15, 1908 in Iona Station, Ontario, a hamlet of two dozen or so families, on the north shore of Lake Erie. His father was a farmer, one-time school teacher, and local leader of the Liberal Party; his mother a homemaker. Galbraith was the second of their four children, and inherited his notable height (6'8") from his equally tall father. The Galbraiths, like most in the surrounding Scots-Canadian community, enjoyed a stable but modest prosperity. The family farm of 160 acres produced cattle, grain, and a variety of market produce, the mix varying with season and demand. Farm chores early on convinced Galbraith of the superiorities of almost any non-agrarian vocation.

After elementary education in the local one-room schoolhouse, then at a middling nearby high school, he entered Ontario Agriculture College, where he received a desultory education not in economics, but animal husbandry, earning his BSc in 1931. In later years, asked about his undergraduate experience, he told *Time* magazine that he considered 'OAC the cheapest and worst university in the English-speaking world in his day', a remark irate alumni and administrators caused him to recant, though in Galbraithian fashion. 'I knew of course that Arkansas A&M was worse', he wrote to the magazine's editors, 'but hadn't been sure they spoke English.'

During his final year at OAC, he happened across a notice of fellowships in agricultural economics available at the University of California. Greatly preferring graduate study to his prospects in the Depression-era job market, he applied and was selected. At Berkeley, he did extremely well, and upon completing his doctorate in three years, was hired by Harvard as a young instructor, thus beginning his long association with the university.

Publication of Keynes's *General Theory* in 1936 abruptly drew his interests from farm policy to macroeconomics, and in 1937-38 he spent a year at King's, Cambridge, studying with The Circus (Keynes, in poor health, was absent that year). Returning to Harvard, and told he

would be let go along with several others young faculty for cost-saving reasons, he decamped for Princeton and an assistant professorship. He taught there only a year before leaving first for brief tenure as chief economist of the American Farm Bureau, then for Washington, where he eventually spent three years administering wartime US price controls at the Office of Price Administration.

In the fall of 1943, he joined *Fortune* as senior editor, and over the next five years produced a series of influential articles advancing Keynesianism among the magazine's audience of sceptical corporate executives. (Henry Luce, the devoutly Republican owner of *Fortune*, admired his young editor's talent, but later lamented to President Kennedy that 'I taught Galbraith how to write — and have regretted ever since.')

Galbraith took two leaves from *Fortune* for further government service — as a director of the Strategic Bombing Survey in 1945, and the following year as head of the State Department's office supervising economic recovery of Germany and Japan. In both jobs, his views proved controversial. He concluded of strategic bombing that it had done little to curtail German war production, a judgment heretical to the air commanders and their political supporters who were lobbying to create a US Air Force independent of the Army. At the State Department, he allied himself with Secretary Byrnes and General Lucius Clay, the American proconsul in Germany, against the growing calls for Cold War confrontation with Moscow, then being enunciated by figures such as Churchill and George Kennan.

In 1948 he returned to Harvard, and became professor of economics in 1949, a position he occupied until his retirement in 1975. Tenure unleashed a previously-untapped fluency, and in the first decade thereafter, Galbraith authored seven books, including *American Capitalism*, *The Great Crash: 1929*, and his best-known work, *The Affluent Society*, as well as dozens of articles and reviews each year for newspapers, magazines, and academic journals alike. (He sustained this extraordinary output level until shortly before his death; his final work was published eighteen months before his death.) The books soon became so widely read (and praised) that they would add the phrases 'countervailing power', 'conventional wisdom', and 'the affluent society' itself to the English language.

During the 1950s Galbraith also emerged as a well-known figure in America's liberal politics, as speech-writer and policy advisor to Adlai Stevenson's Democratic presidential campaigns in 1952 and 1956, as a founder of the influential liberal policy group Americans for Democratic Action, and as a prominent leader of the party's Democratic Advisory Council. (Thanks to the era's McCarthyism, Galbraith's public service helped generate a thick FBI file, which, he later learned, concluded that he was loyal but 'conceited, egotistical, and snobbish.')

Switching allegiance to John F Kennedy's candidacy in 1960, he served the young Massachusetts senator as he had Stevenson as policy advisor and speech-writer. (The memorable phrase in JFK's Inaugural Address, 'We must never negotiate out of fear, but we must never fear to negotiate', is Galbraith's.) The two men also established a warm and intimate friendship that soon proved politically important. When Kennedy became president, Galbraith was made Ambassador to India after declining chairmanship of the Council of Economic Advisors. From New Delhi, the two carried on a back-channel correspondence that proved enormously influential in Kennedy's decision to restrain his senior advisors, who were pressing for full-scale US military commitment in South Vietnam — a restraint abandoned by Lyndon Johnson, following JFK's assassination in 1963.

President Johnson greatly admired Galbraith, and recruited him to help design the Great Society's War on Poverty, but his military escalation in Southeast Asia doomed the relationship. By mid-1965 Galbraith turned from political insider to outsider, and soon became, as *The Times* put it, 'the peace movement's most prominent adult'. Once again teaching at Harvard, he balanced his anti-war work with another decade of prolific writing, producing eight books including *The New Industrial State* (his controversial diagnosis of the modern corporation and 'the technostucture' that controlled it), two novels, a memoir of his Indian ambassadorship, a well-received work on Moghul painting, plus shorter treatises on economic development, the Vietnam War, and the consequences of military spending. In 1968, he was a key leader of anti-war Senator Eugene McCarthy's campaign to become the Democratic Party's presidential nominee. Richard Nixon's victory that November was not welcomed by Galbraith, who'd employed Nixon as a low-level staffer at the OPA during World War II; Nixon's election prolonged Galbraith's antiwar work well into the 1970s.

In 1971 Galbraith took sabbatical leave at Trinity College Cambridge, then returned to become president of the AEA. (He organized the AEA's annual meeting into a memorably thorough critique of both prevailing economic theory and policy, with panels examining income and wealth inequality, poverty, the rising power of large corporations, the declining power of labor unions and consumers, and the inequitable treatment of women and racial minorities.) Simultaneously, he became deeply involved in Senator McGovern's 1972 attempts to replace Nixon as President.

For a third decade, his writing continued at the same extraordinary pace. Among his next eight books, he published *Economics and the Public Purpose*, perhaps his most 'radical' work (at least by US standards; in it he called for America's adoption of European-style social democracy), *Money*, and best-selling *The Age of Uncertainty*, which he'd written as the companion to his thirteen-part BBC/PBS television series on the history of economics, politics, and policy which he both wrote and

narrated. By the early 1980s, however, both Galbraith and his style of liberal politics and Keynesian economics were eclipsed by conservative challengers — the Reagan Revolution in Washington, and a combination of Friedmanite monetarism, Lafferite supply-side theory, and Rational Expectations in the academy.

None of these intellectual challenges survived intact, but the conservative political revolt has proved durable at least in America, though it bears faint resemblance today to its balanced-budget, limited-government, noninterventionist ideals.

Whether Galbraith's politics or economics — 'political economy' is perhaps more accurate — remains elusive, because the determining factors are social and political as well as formally theoretical. Many believe the economics profession is far too advanced mathematically to find Galbraith's ideas of use, although modern behavioural economics, asymmetrical information theory, and new institutionalist ideas about the corporation, wages, and trade bear a more intimate connection to his work than one might first imagine. As Amartya Sen generously remarked of reading Galbraith nowadays, 'It's like reading Hamlet and deciding it's full of quotations.'

Galbraith is survived by his wife Catherine ('Kitty'), and his sons, Alan, Peter, and James.

*Richard Parker*  
*Kennedy School of Government, Harvard University*

## Correction

In the obituary of Sir Hans Singer that appeared in the April issue, we incorrectly stated that Sir Hans was survived by his wife Ilse. Ilse Singer (née Plaut) died in 2001. The error was introduced in the editorial process. We apologise to the Singer family and to Professor John Toye who wrote the obituary.

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## New economics e-learning tool

Academics and journalists gathered at Cass Business School on Tuesday 6 June for London's first public demonstration of the *LiveEcon* PC-based package as part of an event to mark the release of a new report, *The Future of Economics Education*.

*LiveEcon* is designed to support the teaching and learning of economics and, above all, make it more dynamic and interactive. A distinctive feature is its 'U-Drive-It!' sections which allow students to run experiments on key economic variables such as output, consumption, taxation, government spending and investment — and immediately see the effects in graphs and tables on screen.

The report focused upon the personalisation of course design and the use of interactive learning as the key to making economics education more attractive to students.

More information about *LiveEcon* can be found at <http://www.liveecon.com>.

# German-speaking Economists in British Exile 1933-1945

*Readers of the Newsletter will appreciate better than most that the generation of economists now coming sadly to the end of its natural life includes a very large number who were born in Eastern Europe before 1939. Professor Harald Hagemann of the University of Hohenheim has researched and published a number of papers on this diaspora. This is a distillation.*

In his obituary on Sir Hans Singer in the April *Newsletter* of the RES John Toye referred to the fact that Singer received one of the first two refugee scholarships at Cambridge, due to Schumpeter's recommendation to Keynes.<sup>1</sup> Singer was among more than one hundred German-speaking economists who came to the United Kingdom during the Nazi period. Shortly after their rise to power the Nazis launched a new law, the 'Restoration of Civil Service Act' (April 7, 1933), which enabled them to fire scientists from their academic positions for racial or political reasons. This caused a group of British academics, on the initiative of the Director of the LSE William Beveridge, to found the Academic Assistance Council to help 'University teachers and investigators of whatever country who, on grounds of religion, political opinion or race, are unable to carry their work in their own country'. The support of the AAC was one of the reasons why the UK, after the US, became the most important host country for exiled scholars.<sup>2</sup>

The Academic Assistance Council (from 1936 the 'Society for the Protection of Science and Learning') mainly supported émigré economists with an 'international reputation', i.e. members of the middle-age group, whereas a more restrictive policy was followed with regard to the younger generation of exiled scholars. The reason was that the poor prospects of the younger British scholars should not be worsened further in the world depression with high unemployment. The Rockefeller Foundation followed a similar policy. During the second half of the Weimar Republic, the Foundation had supported some of the most innovative research centres in Germany, particularly in the area of business-cycle theory. While it stopped financing shortly after the Nazis' rise to power, the Foundation now played a major role in the continued support of many important émigré economists. This holds for the United States as well as for Great Britain, where the creation of additional jobs, the strict selection criteria of the Foundation and the high academic reputation of the émigré scholars, from which the development of economics in the host countries benefited, helped ensure that no greater animosities against the refugee scholars arose, but on the contrary an integration process was nurtured so that after the end of World War II only a few exiled scholars remigrated from the UK and the US to Germany and Austria.

The outbreak of the Second World War, and particularly the discriminations that émigrés had to suffer after the defeat of France, had the impact that British exile for many refugees became only of temporary nature. The loss of many great scholars who in the years 1939-40 moved to the United States, enforced the long-run shift of scientific power towards the US. A greater part of those émigrés who stayed since May 1940 were treated as 'enemy aliens' and interned by the British government on the Isle of Man from which many were sent further to the Dominions like Canada. The group included even prominent economists like Pierro Sraffa, who had been in Cambridge since 1927. Many younger economists from Germany and Austria were among these enemy aliens who were internment prisoners on the Isle of Man: Frank (Fritz) Burchardt (1902-58) who had held a position at the University of Oxford since January 1936 where he later became the director of the Institute of Statistics in 1948, or Heinz Wolfgang Arndt (born 1915 in Breslau), Sir Hans Singer (born 1910 in Wuppertal) and Paul Streeten (born Paul Hornig 1917 in Vienna), who all later gained international reputation as development economists. Furthermore, the group contained Erwin Rothbarth (1913-44), an outstanding young economist who was hired by Keynes as a research assistant in statistics in 1938 after he graduated from the LSE (Rothbarth later died as a volunteer in the British army in the Netherlands), and Eduard Rosenbaum (1887-1979), the former Director of the Library of the Hamburg Chamber of Commerce who became Librarian at the LSE from 1932-52. In summer 1940 Keynes, who actively fought for the liberation of many interned economists, in particular Sraffa, Rothbarth, Singer and Rosenbaum, intervened with the Home Secretary. He regarded the whole affair as 'the most disgraceful and humiliating thing which has happened for a long time' and finished his letter to F C Scott on 23 July 1940 with the statement: 'If there are any Nazis sympathisers at large in this country, look for them in the War Office and our Secret Service, not in the internment camps.'<sup>3</sup> The hope, which was expressed by Keynes, namely that the protest in the British public would lead to a correction of the policy against the ca. 65.000 'enemy aliens', was fulfilled in late 1940/early 1941, when many young economists were liberated from internment, for example Burchardt, who returned to the University of Oxford in November 1940.

Among the outstanding economists who were dismissed by the Nazis, in spring 1933, and emigrated to England were Adolph Lowe (1893-1995) and Jacob Marschak (1898-1977). Both of them were consulted by the Academic Assistance Council/Society for the Protection of Science and Learning as well as by the Rockefeller Foundation on a regular basis to report on the qualification of those persecuted social scientists who were looking for help. Like his friend Marschak, who had been a member of Lowe's research group at the Kiel Institute from 1928-30, Lowe was rated by the Rockefeller Foundation as 'A-1, both scientifically and from the point of view of character.'

The group of dislocated economists comprised 328 scholars. While 253 had already acquired academic degrees, there was a so-called 'second generation', a group of 75 economists who were young students or pupils who emigrated with their parents and later made an academic career as economists, for example, Frank Hahn, Walter Eltis and Sir Claus Moser. They did not contribute to the transfer of scientific methods or approaches and were socialized in the host countries, particularly at Anglo-Saxon universities, but can be regarded as part of the long-term brain drain. One hundred and forty-eight members of the first generation were dismissed from the universities, whereas 57 came from other research institutions, 28 from the public administration, and 20 had just finished their studies, like Richard A Musgrave who emigrated to the United States shortly after receiving the diploma degree from the University of Heidelberg in May 1933. Comprising about 20 per cent of the total, the share of the Austrian economists was considerably higher than the relative size of the population. Whereas the second generation comprised exclusively émigrés, 221 out of the 253 dismissed economists emigrated. This is a share of 87 per cent. Of those 32 scholars who did not emigrate almost one half died in the Holocaust, concentration camps or Gestapo prison, for example Carl Grünberg, Käthe Leichter, Robert Liefmann, and Cläre Tisch. The same fate befell the émigrés Rudolf Hilferding, who was arrested in Marseille and died in a Gestapo prison in Paris in February 1941, and Robert Remak, who had emigrated to the Netherlands but was caught there after the Nazi occupation and sent to Auschwitz.

In 1935 Marschak became the founding director of the Oxford Institute of Statistics (OIS), an institution that had been created with the assistance of funds from the Rockefeller Foundation, and which had already financed some of Marschak's research projects in Germany. The Institute soon got a high reputation in theory-guided empirical research. Marschak himself continued his studies on theoretical and statistical aspects of demand analysis, an area in which the former student of Slutsky did pioneering research as well as Ragnar Frisch, Henry Schultz and Wassily Leontief. Furthermore, he published a series of articles with Helen Makower and H W Robinson (1938-40) on the causes of regional mobility of

labour which showed for the United Kingdom differences in the unemployment rates as the decisive determinant. These studies were part of a more comprehensive research programme which can be considered as a 'multi-faceted attack on the problem of the business-cycle'.<sup>4</sup> They were published in the first volumes of the *Oxford Economic Papers*, a journal which also had been founded as an outlet for the research results of the Institute. From November 1939 onwards the OIS also published a *Diary* with actual information on economics statistics which was soon afterwards expanded to another regular economic journal, published as the *Bulletin* since October 1940. It still exists today as the *Oxford Bulletin of Economics and Statistics*.

Together with Roy Harrod, James Meade, E H Phelps Brown and others, Marschak, too, helped ensure that economics at Oxford, where Edgeworth originally had created an open-minded international atmosphere, made great achievements in the 'Years of High Theory'.<sup>5</sup> He also played an instrumental role in the genesis of Harrod's pathbreaking 1939 article which laid the foundations of post-Keynesian growth theory.<sup>6</sup> On July 6, 1938 Harrod wrote to Keynes: 'We have a sort of minor Tinbergen here in the form of Marschak.'<sup>7</sup> The OIS had already hosted the sixth European meeting of the Econometric Society which was opened on 26 September 1936 with the famous symposium on Keynes's *General Theory* where Harrod, Meade and Hicks presented their interpretations.

In the late 1930s and early 1940s émigré economists from Central Europe dominated the research work at the OIS. This is shown in an exemplary way by the famous study *The Economics of Full Employment* which was published in October 1944. The main aim of this cooperative effort is to give 'an outline of the strategic factors on a policy of permanent full employment in industrial countries'.<sup>8</sup> With this concern the study transcends the *White Paper on Employment Policy* of the British government which was published shortly before and which wanted to avoid mass unemployment by the application of anti-cyclical policy measures in the case of a beginning depression. The editor of *The Economics of Full Employment* was Frank Burchardt who also had built up the Institute's *Bulletin* since his release from internment on the Isle of Man in the autumn of 1940. With Burchardt, Kurt Mandelbaum (since 1947 Martin) (1904-1995), Ernst F Schumacher (1911-77), the Hungarian born Thomas Balogh and the Pole Michal Kalecki, who was the towering intellectual figure at the OIS between 1940 and 1944, five of the six contributors came from Continental Europe (the exception was G D N Worswick). Schumacher, who had come to know Burchardt during their shared internment as 'enemy aliens' in summer 1940, was delegated by the OIS to support Sir William Beveridge, whose report *Social Insurance and Allied Services* (1942) to the British government had laid the basis for post-war social policy in the welfare state, in the writing of the further report *Full Employment in a Free Society* (1944). In close coop-

eration with Nicholas Kaldor, Joan Robinson et al. Schumacher drafted the greater parts of the report and was instrumental in the transformation of Beveridge to Keynesian economics.

Josef Steindl (1912-1993), who had to emigrate from Austria after the Anschluss in 1938 and first got a research fellowship at Balliol College in Oxford, also moved to the OIS in 1941 where he became a member of Bowley's research team and came under the intellectual influence of Kalecki. In his autobiographical reflections Steindl (1984) names Kalecki as his 'Guru'.<sup>9</sup> Steindl had already returned from Oxford to Austria (1950) when his *magnum opus Maturity and Stagnation in American Capitalism* (1952) was published, which must be seen as the fruit of his Oxford years, revealing the deep influence of Kalecki's analytical methods.

Other émigrés from the German language area who worked at the OIS during the war years were Moritz Julius Elsas, Karl Forchheimer, Detlev Bruno Halpern and Siegfried Moos. Due to a great demand for economists in the war administration in 1941 besides G D N Worswick only two other British economists were left at the OIS. When Marschak decided to stay in the U S after the outbreak of the war, H E Caustin succeeded him as the director for an interim period of a few months before A L Bowley, who had already retired, became the director from 1940 until the end of 1944. During that period a lot of the daily coordinating work was done by Burchardt who was an able organiser of research and, due to his personality a great team-player. His own most important contribution to economic analysis was his first attempt to combine the schemes of the stationary circular flow of Böhm-Bawerk and Marx (Burchardt 1931-32), i.e. the vertical (Austrian) and horizontal (sectoral) approach to the disaggregation of production structures, which came out of his close co-operation with Adolph Lowe during their Kiel years. Burchardt's habilitation thesis had already been submitted to the Goethe University in Frankfurt in the winter semester 1932-33, but the process was not finalised due to the Nazis' rise to power. After Champernowne's term came to an end, Burchardt succeeded him as the Director of the Oxford Institute of Statistics at the end of 1948.<sup>10</sup>

Development economics, which evolved predominantly in Great Britain and in the United States at the United Nations and its ancillary organisations after the war, is among those areas where the contributions made by German-speaking émigré economists are most significant. Besides Alexander Gerschenkron and Albert O Hirschman, Paul N Rosenstein-Rodan, Kurt Martin, and Hans Singer have to be mentioned. During the formative period of the early and mid-1940s in particular the Universities of London and Oxford became institutional centres for the flourishing of development economics. This had a strong impact also on several of the brightest younger émigrés who studied at these universities and later made names in this field, among them Heinz W

Arndt, Warner Max Corden, Gerard O Gutmann, Alexandre Kafka, John H Mars, and Paul Streeten.

The presence of several exile-governments of Central, Eastern and Southeastern Europe in Great Britain during the war years as well as the high concentration of émigré economists coming from these regions and working in the Institute of Statistics and Nuffield College in Oxford and The Royal Institute of International Affairs in London before and during the war provided a great stimulus to the analysis of the economic problems and conditions for a successful reconstruction and industrialisation of backward areas, and explains why 'backward areas' were especially identified with Eastern and Southeastern Europe, as in Rosenstein-Rodan's (1943) pathbreaking article or Mandelbaum's (1945) follow-up study. In 1941 Rosenstein-Rodan accepted the offer from the RIIA to become Secretary of the new 'Committee on Reconstruction-Economic Group' which marked the beginning of systematic research on development questions at the Institute.

Heinz W Arndt was the author of the 1942 study *Agricultural Surplus Population in Eastern and Southeastern Europe* for the RIIA research team chaired by Rosenstein Rodan which wanted to employ the 'excess population' in the agricultural sector as a key factor in their programme of industrialisation of backward areas. This required an exact quantification of 'hidden unemployment' which in the Arndt report was defined as 'the number of people engaged in agriculture (active and dependants) who, in any given conditions of agricultural production, could be removed from the land without reducing agricultural output'.<sup>11</sup> On the basis of Arndt's estimations Rosenstein-Rodan calculated the excess population in the agricultural sector as in the range between 20 and 25 percent in his pioneering article Problems of Industrialisation of Eastern and Southeastern Europe (1943) which marked the beginning of modern development economics. From here onwards the concept of hidden unemployment in the agricultural sector played a key role in the explanation of economic backwardness, and the overcoming of this obstacle, i.e. the increase of productivity in agriculture, an essential condition of development. Other obstacles to economic development diagnosed by Rosenstein-Rodan in his pathbreaking article are discrepancies between the private and the social marginal net product, i.e. externalities in the sense of Pigou — Rosenstein-Rodan distinguished here between pecuniary and technological externalities — and further market failures in the provision of public goods, i.e. the lack of a public infrastructure. Rosenstein-Rodan thus identified those elements which played a key role in his theory of the 'big push', i.e. as conditions of a successful start of a balanced growth path. The government had to launch development programmes which should comprise investment in education and research, i.e. human capital,<sup>12</sup> as well as in the building up of a functioning infrastructure. In order to ensure 'external economies will become internal profits', Rosenstein-Rodan (1943, p. 207) considered

it necessary that these programmes comprise the whole economy to exploit complementarities in production and consumption for the development process. Although the analysis of disproportionate growth processes had been at the very basis of his understanding of problems of economic (under-)development, Rosenstein-Rodan, and later the Estonian born Ragnar Nurkse (1953),<sup>13</sup> laid the foundation for the balanced growth-strategy which dominated the first decade of development economics. Interestingly, with Albert O Hirschman (1958)<sup>14</sup> and Paul P Streeten (1959)<sup>15</sup> it was two younger émigrés who became the architects of the opposite ‘unbalanced growth-strategy’, which favoured the concentration of investment funds in a few carefully selected growth poles to set a development process in motion by a chain of disequilibria, thus launching a major controversy which lasted for years.

Hans Singer’s ‘two heroes’, Schumpeter (Bonn) and Keynes (Cambridge), revealed the advantages of a double education which made several of the émigrés, particularly in the age group between 1910 and 1918 (Austria), into *Emigrationsgewinner* (emigration profiteers), despite all the hardships caused by expulsion and emigration.<sup>16</sup> Singer had the main ideas of Schumpeter’s *Theory of Economic Development* in his emigration baggage, including the emphasis on technological innovation, the role of the entrepreneur, and the importance of credit for financing innovational activities, i.e. a deeper understanding for the necessity of breaking up the traditional circular flow. The high concentration of development economists born between 1910 and 1917 (Arndt, Baran, Hirschman, Hoselitz, Kafka, Singer, Streeten *et al*) does not only show that they were benefiting from a double education in economics and a mutual insemination at a time when different national traditions were still important. They themselves were for a greater part instrumental in the internationalisation process of the discipline. In the discussion of the ‘Americanisation’ of economics in the post-1945 period it is often overlooked that a great part of ‘the’ American economists were for a greater part colleagues who came from Hitlerian or Stalinist Europe. In interviews with emigrated economists the author of the present article was often told (by members of the age group born between 1890 and 1910) how deeply they had been influenced by national traditions before, and that emigration had made them feel they were becoming citizens of the world’ or, in the words of Paul Streeten (1986), adopting ‘aerial roots’.<sup>17</sup> It is no accident that a greater number of the younger ones, particularly of those who went to the U K, developed a deep concern for the problems of the developing world and engaged themselves professionally in the improvement of living standards in ‘backward areas’.

#### Notes:

1. J Toye (2006), ‘Sir Hans Singer’, Royal Economic Society, *Newsletter* no. 133, April, 16-17.
2. H Hagemann (2005), ‘Dismissal, Expulsion and Emigration of German-Speaking Economists After 1933’, *Journal of the History of Economic Thought*, 27 (4), 405-20.

3. The Collected Writings of John Maynard Keynes, Vol. XX: *Activities 1939-45: Internal War Finance*, London 1978: Macmillan, p. 191.
3. W Young and F S Lee (1993), *Oxford Economics and Oxford Economists*, Basingstoke/London: Macmillan, p. 125.
4. See Young and Lee (1993), particularly chapters 4 and 5.
5. See W. Young (1989), *Harrod and his Trade Cycle Group. The Origins and Development of the Growth Research Programme*, London: Macmillan, ch. 5, and D Besomi (1999), *The Making of Harrod’s Dynamics*, Basingstoke and London: Macmillan.
6. The Collected Writings of J.M. Keynes. Vol. XIV: *The General Theory and After. Part II: Defence and Development*, London 1973: Macmillan, p. 298.
7. F Burchardt (1944), *The Economics of Full Employment*, Oxford: Basil Blackwell, p. IV.
8. J Steindl, ‘Reflections on the Present State of Economics’, *Banca Nazionale del Lavoro Quarterly Review*, no. 148, 1984, pp. 3-14.
9. On Burchardt’s work in Germany and in Oxford see the contributions by A Lowe and G D N Worswick in the *Bulletin of the Oxford Institute of Statistics* 21, 1959, pp. 59-71.
10. H W Arndt (1942), ‘Agricultural Surplus Population in Eastern and Southeastern Europe’, reprinted in H.W. Arndt, *Fifty Years of Development Studies*, Canberra 1993: Australian National University, p.4.
11. ‘The first task of industrialisation is to provide for training and “skilling” of labour.’ P N Rosenstein-Rodan (1943), ‘Problems of Industrialisation of Eastern and South-Eastern Europe’, *Economic Journal*, 53, p. 206.
12. R Nurkse (1953), *Problems of Capital Formation in Underdeveloped Countries*, Oxford: Oxford U P.
13. A O Hirschman (1958), *The Strategy of Economic Development*, New Haven: Yale U P.
14. P P Streeten (1959), ‘Unbalanced Growth’, *Oxford Economic Papers*, N.S., 11, pp. 167-190.
15. See H W Singer, ‘The Influence of Schumpeter and Keynes on the Development of a Development Economist’, in H. Hagemann (ed.), *Zur deutschsprachigen wirtschaftswissenschaftlichen Emigration nach 1933*, Marburg 1997: Metropolis, and D.J. Shaw, *Sir Hans Singer. The Life and Work of a Development Economist*, Basingstoke and New York: Palgrave Macmillan.
16. P P Streeten (1986), ‘Aerial Roots’, *Banca Nazionale del Lavoro Quarterly Review*, No. 157, pp.135-159.

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## Oxford team wins the Econometrics Games of 2006!

An Economics Department student team has just won the Econometric Games competition, which took place on 27-28 April in Amsterdam. Jennifer Castle (DPhil, Nuffield) was team captain, ably supported by Matthias Ederer (MPhil, Nuffield), Thomas Flury (MPhil, Lincoln), Andreas Fuster (MPhil, Lincoln), Elizabeth Hunt (MPhil, Nuffield), and Victoria Prowse (DPhil, Nuffield). Finance for the trip was kindly provided by the Webb-Medley Fund.

The challenge was to analyze ‘time variation in asset return correlations’, and their penetrating insights and intense concentration combined with software developed by faculty member Dr Kevin Sheppard (one of their secret weapons) led to reports judged as the best by a panel of experts.

# Correspondence

## The cost of hip ops

Sir,

I was interested to read Angus Deaton's account of his hip replacement operation (RES *Newsletter* no. 133, April 2006). As of 2006, the National Health Service in my part of London provides a comparator that is a particularly good match to the provider he chose. The comparable provider has been modelled on a specialist hospital in New York which sounds remarkably like the one where he was treated. Unlike in 2000, there is unlikely to be a significant wait for treatment there currently, so there will not be a premium for promptness.

Deaton estimates the average cost of a hip replacement operation (as measured by hospital charges to be \$50,000. The comparable figure for South West London is a bit under £5,000 at present. This suggests that a 'hip replacement pound' is worth around ten 'hip replacement dollars'. This compares with a general purchasing power parity rate (as used by Wanless on official advice) of around \$1.60 and one for health care as a whole of between \$2.10 and \$3.50, depending on whether one uses the Elteto-Koves-Szulc (EKS) or the Geary-Khamis (GK) approach.

*Donald Roy*

## Nicholas Stern's Immaculate Conception

Sir,

It was good to see David Henderson's comment in the April 2006 *Newsletter* ('Economics, climate change, and governments') but I feel that both he and his eight co-authors in their submission to the Stern Review have been too kind to Nicholas Stern's keynote paper 'What is the economics of climate change?' For the most extraordinary feature of that paper was not just its blind acceptance of the Kyoto consensus but also its disregard of all previous work on the economics of climate change. The only economists cited by Stern are those he probably cut his teeth on as an undergraduate, Pigou and Coase, but while they still have much to teach us (and Stern) there have been more recent contributions.

Stern's neglect of the contributions by Cline, Mann, and Mendelsohn (all readily available in Lomborg, 2004) to analysis of the costs and benefits of avoiding climate change is wholly unprofessional. One hopes that his Review will make some effort to provide estimates of the cost-benefit ratio or economic rate of return from the benefits of avoiding the costs of climate change. Stern's own preference for wild generalisations (such as 'changes in the Indian monsoon which could have a huge impact on the lives of hundreds of millions of people in India,

Pakistan and Bangladesh' (p.12) as if those millions have not successfully survived such fluctuations over millennia) is not encouraging.

Stern offered no quantitative cost-benefit analysis. But one of the external contributors to his Review, John Quiggin, asserts that the costs of climate change avoidance in the UK would only amount in total to at most 3 per cent of national income, or just one year's growth. Quiggin has since raised this figure to 5 per cent of national income for a country like the UK. There are various conceptual and empirical errors in Quiggin's analysis, but his assessment of the cost suggests the minimum required value of the benefit of avoiding the costs of climate change needed to yield an acceptable return on the cost incurred in terms of forgone national income.

Thus 5 per cent of the UK's national income in 2005 of US\$1,600 billion (at 2000 prices) amounts to US\$80 billion. Assuming these costs were incurred from 2005 to 2050 (the target date set by the Blair government for reducing the UK's CO<sub>2</sub> emissions by 50 per cent), the saved costs of climate change to the UK — and hence the benefit from prevention (assuming of course that sufficient other countries join in the task to secure prevention) — would need to be US\$40 billion a year after 2050 through to 2100 (for a total of \$2,000 billion) to yield a real rate of return of 7 per cent and a positive net present value today at a 7 per cent discount rate.

Cline (2004) amongst others has argued that because the benefits of climate change avoidance accrue so many years in the future while the costs have to be incurred as soon as possible, use of normal discounting and rate of return procedures is not appropriate. However he proposes that while there should be a zero rate of 'pure time preference' that should be supplemented by a marginal utility adjusted 'social rate of time preference' with respect to future expected growth of consumption, arriving at an SRTP of 1.5 per cent if future consumption (after the end of climate adjustment) grows at one per cent p.a. and the absolute value of marginal utility is 1.5.

Ironically, Cline's approach is a two-edged sword. With his SRTP and Quiggin's costs at \$1.784 billion p.a. from 2005 to 2050, then the benefit of climate change avoidance need only be \$3.35 billion from 2051 to 2100 for a positive NPV. That makes it less worthwhile (not more) for this generation to take the trouble to reduce its income for the sake of its grandchildren.

But in any case Cline's SRTP assumptions are questionable. OECD countries are becoming accustomed to rates of growth of consumption of up to 3.5 per cent p.a. and more. Retaining Cline's marginal utility at 1.5 produces an SRTP of 5.25 per cent. That means the benefit to the UK of avoiding climate change has to be \$19 billion a

year from 2050 to 2100, for a total of \$950 billion relative to the cost of \$80 billion, bearing in mind that the benefit is dependent on all other major emitting countries following the UK's lead and willingness to bear the costs for benefits that may well never emerge at all. Even then \$950 billion seems a gross over-estimate of the costs of droughts and occasional flooding in East Anglia and other parts of the country relative to Stern's neglect of the benefits of longer growing seasons.

Stern's reluctance or inability to put a figure on the benefits to the UK relative to an estimate of the costs suggests that his Review will be equally myopic. Stern is now Chief Economist in the UK Treasury, not the World Bank nor any putative World Treasury. Until the British Government can persuade the whole World to sign up to its 50 per cent emissions reduction target date of 2050, the best advice his Review can give to Messrs Blair and Brown is to adopt a free-rider strategy, and refuse to undertake any avoidance measures until all other major emitting countries join in the task. That is the tragedy of the global commons, another concept that appears to be absent from Stern's own education.

Reference: Cline, W R, 2004. 'Climate Change', in Lomborg, B (ed) *Global crises, global solutions* (Cambridge, CUP), 13-43.

Tim Curtin  
Australia National University

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## Why study economics?

Why Study Economics? is a web site and resources for students, teachers and lecturers of economics. It is a project jointly funded by the Royal Economic Society and the Economics Network of the Higher Education Academy.

The site is designed specifically to provide information and advice on studying economics in higher education.

On the site prospective students can:

- Have their questions about studying economics answered
- Watch student made films about life as an economics undergraduate
- Read reflective accounts of current economics undergraduates
- See the variety of jobs and sectors economics graduates progress in to
- Read the views of economics students past and present
- Arrange to visit a university open day
- Access a wide-range of Web-based economics resources

Teachers and lecturers can also access the latest recruitment and employment statistics and get ideas of activities to enthuse students about economics during lectures and lessons. Various activities, games and resources can be downloaded from the site for use at open days and other recruitment events. For more information try:

[www.whystudyeconomics.ac.uk](http://www.whystudyeconomics.ac.uk)

or email: [j.lincoln@bristol.ac.uk](mailto:j.lincoln@bristol.ac.uk)

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## PhD presentations

While we cannot change the fact that many universities decide rather late in the academic year to authorise the filling of vacancies, the new event is designed *inter alia* to improve transparency in the market by generating some information sharing at an early date that helps candidates to know what their likely prospects are. On this front, the feedback we have had is very positive, in that some students reported that they had heard of possible openings of which they had hitherto been unaware, and had been interviewed for these positions as a result. The new event cannot substitute for universities' formal appointment mechanisms, but it can serve to make universities aware of suitable candidates whom they may wish to place on their shortlists. Already, some flexibility of procedure has resulted from the new event: some universities were able to accept applications from participants in this event even though their deadline for applications had closed. A more fundamental change that we would like to see evolve is one in which departmental heads would be able to argue with their Vice-Chancellors for an earlier decision as to how many appointments they can make, on the grounds that the best candidates may no longer be on the market if they do not know their position by late January.

As to the format of the event, most students were very enthusiastic about having the opportunity to do a presentation, and saw this as a very positive feature of the arrangements. Most departmental representatives found it helpful, though one colleague thought them too short to be useful, and several students would have preferred to have more time. The logistics of the event preclude a longer timeslot, and there is some merit for students in learning how to do a short but effective presentation. Moreover, interviewing is more efficient when departmental representatives have attended the student presentation. The presentations also allow departmental representatives to assess teaching ability, and to identify interesting potential candidates who were overlooked in their initial selection process. For these reasons, we shall stick to having these short presentations at next year's event.

Overall, we feel that we still have some learning to do, and we hope that by redesigning next year's programme to allow for a moderate increase in the number of presenters, we will be able to cater more effectively both for students and for departments. Many minor changes will be introduced in response to specific suggestions we have received, in relation to such issues as the posting of papers and the design of nametags, but the basic structure has proved sufficiently popular to suggest that we should maintain this broad design for the time being.

Details of next year's event will be published in the next issue of the *Newsletter*, and will be posted in August on the Society's webpage.

# Annual Conference 2007

The 2007 Annual Conference will be held at the University of Warwick from

**Wednesday 11 April to Friday 13 April 2007**

Keynote speakers include:

**Marianne Bertrand (University of Chicago)**  
**Abhijit Banerjee (MIT)**

The Programme Committee invites submissions of papers from academic, government and business economists in any field of economics and econometrics. Submissions must be made electronically using the online submission website (<http://geminin.econ.umd/conference/res2007>).

The deadline for submission will be

**13 October 2006**

Notification of acceptance will be sent by mid-December.

Authors of papers accepted for presentation at the RES Conference will be entitled to submit their paper for consideration for publication in the Conference Volume of the Economic Journal. Details of the submission process will be made available on the Conference website.

The Local Organiser of RES2007 is Dr Natalie Chen ([res2007@warwick.ac.uk](mailto:res2007@warwick.ac.uk)).

The Programme Chair is Dr Jeremy Smith ([res2007papers@warwick.ac.uk](mailto:res2007papers@warwick.ac.uk)).

Other information:

Details on registration, accommodation and other matters — including information on financial support for postgraduate students attending the Conference will be made available on the conference website:

[www.res.org.uk/society/annualconf.asp](http://www.res.org.uk/society/annualconf.asp)

## G L S Shackle Studentship

Applications are invited for the GLS Shackle Studentship for a single Cambridge University term between January 2007 and June 2008. The Studentship is open to scholars who may be graduates of any University and of any seniority. It provides the successful candidate with one term's free accommodation in the College if available plus a meals allowance, or a sum of £2000, paid in instalments over a period of 10 weeks. In order to qualify for the award it will be necessary for the successful applicant to produce a scholarly paper relating to Shackle at the end of his/her tenure. The scholarly paper should be of sufficient standard to be publishable in a leading economics journal.

It is important to note that the College cannot be responsible for providing airfares or visas.

The closing date for applications is **30th September 2006**. Applications should include a full CV with a publications list plus a resumé of not more than 2000 words of the proposed research project and the names of two academic referees. Early expressions of interest are strongly encouraged.

An application form and check list can be downloaded from the St Edmund's web page on [www.st-edmunds.cam.ac.uk](http://www.st-edmunds.cam.ac.uk). Please complete the form and send it together with a CV and Research Proposal to the Bursar's Assistant, St Edmund's College, Cambridge CB3 0BN. E-mail: [bursars.office@st-edmunds.cam.ac.uk](mailto:bursars.office@st-edmunds.cam.ac.uk), Tel: +44(0)1223 336124, Fax: +44(0)1223 762822.

# RES news items

## Economists' Papers Archive

The website carrying an updated version of *Economists' Papers, 1750-2000; A Guide to Archive and other Manuscript Sources for the History of British and Irish Economic Thought* is now available for consultation and free downloading at the following location: [www.economistspapers.org.uk](http://www.economistspapers.org.uk).

We hope to make the site not merely a valuable finding aid, but a means of stimulating interest in archives and archival work on the history of economics. Your interest and collaboration with the project is requested. Please pass the address on to anyone you think may benefit from knowing it.

## Changing your address?

*Newsletters* and the *Economic Journal* continue to be returned by the postal authorities marked 'Gone away', 'not known at this address' etc. If you are going to change your address shortly, please remember to advise the Society. The information should be sent to the Membership Secretary, Katherine Crocker, Department of Economics and Related Studies, University of York, Heslington, York YO1 5DD. E-mail: [kc6@york.ac.uk](mailto:kc6@york.ac.uk)

## Charter and Bye-Laws of the Society

The Charter and Bye-Laws of the Royal Economic Society are available to members of the Society who would like a copy. Please contact Eleanor Burke, Royal Economic Society, London Business School, Regent's Park, London NW1 4SA.

## Support for small academic expenses

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

Applications, in the form of a letter and stating the purpose for which a small grant (maximum £600) is required, should be sent to: Professor Anton Muscatelli, Vice-Principal (Strategy and Budgeting), Daniel Jack Professor of Economics, Adam Smith Building, University of Glasgow, Glasgow G12 8RT.

Please note that the closing dates for applications are

**31 January, 31 May, and 30 September**

each year and applications will *only* be considered at these times.

**NOTE** This scheme does NOT cover assistance to members who wish to go to a conference at which they will be presenting papers or acting as discussants. A separate fund — the Conference Grant Fund — has been set up for this purpose. See details below.

## Conference grant fund

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

**31 January, 31 May, and 30 September**

each year in respect of conferences which take place in the ensuing four months. Application forms and further particulars may be obtained from: Professor Anton Muscatelli, Vice-Principal (Strategy and Budgeting), Daniel Jack Professor of Economics, Adam Smith Building, University of Glasgow, Glasgow G12 8RT. Fax: +44 (0)141 330 3547

## 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. E-mail: [eburke@london.edu](mailto:eburke@london.edu) or via the Society's home page on the internet ([www.res.org.uk](http://www.res.org.uk)). Enquiries about rights, permissions and initiatives relating to editions and other scholarly works should be addressed to The Publications Secretary, Professor Donald Winch, Arts E, University of Sussex, Falmer, Brighton, BN1 9QN.

## People on the move

### Visiting scholar

University of Stirling  
Professor Prasant Pattanaik,  
University of California, Riverside  
September-December 2006

Send details of your Appointments and Visiting Scholars for this section to:

[eburke@london.edu](mailto:eburke@london.edu)

# Conference Diary

2006

july

10-12 July

Kent

Annual conference of the **Work Pensions and Labour Economic Group (WPEG)** to be held at the University of Kent, Canterbury.

Further information from: [www.york.ac.uk/res/wpeg/](http://www.york.ac.uk/res/wpeg/)

13-15 July

Basque Country, Spain

Thirteenth conference of the **International Association for the Economics of Participation** to be held at the University of Mondragon.

Further information from:

[www.eteo.mondragon.edu/iafep/iafet\\_en.php](http://www.eteo.mondragon.edu/iafep/iafet_en.php)

august

16-18 August

Jersey

Thirty-sixth annual conference of the **Regional Science Association International** (British and Irish Section).

Further information from: [www.rsai-bis.org/](http://www.rsai-bis.org/)

25-27 August

Amsterdam, The Netherlands

Thirty-third annual conference of the **European Association for Research in Industrial Economics (EARIE)**.

Further information from:

[www.earie2006.org](http://www.earie2006.org) or E-mail: [earie2006@uva.nl](mailto:earie2006@uva.nl)

29-30 September

Cambridge

Eight annual conference on **Economic Analysis of Ecology and Biodiversity** to be held at Kings College Cambridge.

Further information from: Andreas Kontoleon at [ak219@cam.ac.uk](mailto:ak219@cam.ac.uk) or [www.bioecon.ucl.ac.uk](http://www.bioecon.ucl.ac.uk)

29 August - 2 September

Bologna, Italy

Conference on **Small Open Economies in a Globalized World** to be held at the University of Bologna.

Further information from:

[soegw@dse.unibo.it](mailto:soegw@dse.unibo.it) or [www.dse.unibo.it/soegw/](http://www.dse.unibo.it/soegw/)

september

7-9 September

Brighton

Ninth bi-annual conference of the European Association for Comparative Economic Studies (EACES) on **Development Strategies — a comparative view** to be held at the University of Brighton.

Further information from: [www.eaces.org](http://www.eaces.org)

13-15 September

York

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

Further information from: [www.york.ac.uk/res/mmff/](http://www.york.ac.uk/res/mmff/)

14-15 September

London

Fourth annual **Oxmetrics User Conference** to be held at Cass Business School. The conference aims to provide a forum for the 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 at [g.urga@city.ac.uk](mailto:g.urga@city.ac.uk) or <http://www.cass.city.ac.uk/conferences/oxmetrics2006/index.html>

22 September

London

**One-day workshop for economics postgraduate teaching assistants/tutors** — designed to provide post-graduate teaching assistants with additional economics specific training and provide them with useful resources to assist in their teaching practice.

Further information from:  
[www.economicsnetwork.ac.uk/events/gta0906.htm](http://www.economicsnetwork.ac.uk/events/gta0906.htm)

22-23 September

Reading

CALL FOR PAPERS

Conference on **Institutions and Development** to be held at the University of Reading. Papers should be submitted by **28 February 2006**.

Further information from: Marina Della Giusta at [m.dellagiusta@rdg.ac.uk](mailto:m.dellagiusta@rdg.ac.uk)

29-30 September

Helsinki, Finland

Conference on **Advancing Health Equity** organised by the World Institute for Development Economics Research (WIDER).

Further information from: [health06@wider.unu.edu](mailto:health06@wider.unu.edu) or [www.wider.unu.edu](http://www.wider.unu.edu)

## october

13-14 October

Bristol

**Residential workshop for new economics lecturers.** The aim of the event is to help 'new' lecturers in their work, and to form a special network, supported by the Subject Centre, through which they can share ideas, experiences and address real issues facing lecturers of Economics in HE. The term 'new' is defined broadly and includes recently appointed lecturers as well as postgraduates and staff teaching part time.

Further information from:  
[www.economicsnetwork.ac.uk/events/newlec1006.htm](http://www.economicsnetwork.ac.uk/events/newlec1006.htm)

19-20 October

Athens, Greece

Conference on **Rick Econometrics** organised by the Applied Econometrics Association.

Further information from:  
[www.aea-eu.com/2006/Athens](http://www.aea-eu.com/2006/Athens)

## november

1-3 November

Nottingham

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

Further information from:  
[www.ntu.ac.uk/nbs/school/acad/afe/35535gp.html](http://www.ntu.ac.uk/nbs/school/acad/afe/35535gp.html)

2-4 November

Lisbon, Portugal

**Annual conference of ASSET** to be held at the Universidade Católica Portuguesa.

Further information from:  
[www2.fcee.lisboa.ucp.pt/asset2006/index.htm](http://www2.fcee.lisboa.ucp.pt/asset2006/index.htm)

## december

11-12 December

London

CALL FOR PAPERS

**Conference on Breaks and Persistence in Econometrics** to be held at Cass Business School. Modelling and testing for structural changes and persistence in economics and finance has been an important research topic in time series econometrics, with noticeable recent developments in panel data. Submission of original papers are encouraged (both theoretical and empirical) which will help in the evaluation of recent controversies in detecting and modelling structural breaks and long memory processes. Extended abstracts or a full paper should be sent by e-mail by **30 September 2006** to Giovanni Urga ([g.urga@city.ac.uk](mailto:g.urga@city.ac.uk))

Further information from:  
Giovanni Urga at the above e-mail address or  
<http://www.cass.city.ac.uk/conferences/BreaksandPersistence/index.html>

13-15 December

Rome, Italy

march

*Fifteenth international conference on **Banking and Finance.***

27-28 March

Beijing, China

*Further information from:*

<http://www.economia.uniroma2.it/nuovo/home.asp>

*Conference on **Opening and Innovation on Financial Emerging Markets.***

*Further information from:* [www.cepii.com/anglais-graph/news/call/call27280307.htm](http://www.cepii.com/anglais-graph/news/call/call27280307.htm)

2007

february

april

26-27 February

Washington, USA

11-13 April

Warwick

*Conference on **The Frontiers of Environmental Economics.***

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

*Further information from:*

[www.rff.org/rff/events/frontiers-of-environmental-economics.cfm](http://www.rff.org/rff/events/frontiers-of-environmental-economics.cfm)

*Further information from:* see page 23.

# 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.

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

## Membership rates for 2006 are £48 (\$77, 68)\*

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 2006.

\* 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 per cent GST or provide evidence of exemption.

Ordinary UK member: £48 + £2.40VAT = £50.40  
Ordinary EU member: 68 + 3.40 = 71.40  
Ordinary Canadian member \$77 + \$5.39 = \$82.39  
Reduced rate members: \$36/ 34/£24 + GST/VAT as appropriate.

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

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

..... in payment of my subscription for 2005.

Name:

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Address:

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Occupation.....

Date.....