



ROYAL ECONOMIC SOCIETY

NEWSLETTER

Issue no. 138

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ROYAL ECONOMIC SOCIETY

The conference issue

Regular readers will recall that the *Newsletter* expanded to 28 pages in January last year, partly in response to the increased demand for space for items that readers were submitting of their own volition. Things are getting out of hand. For the first time in this editor's memory (which astonishingly goes back ten years) we have simply run out of space and have had to decline some submissions, with great regret. Authors have been contacted and where possible and sensible we shall carry items forward. This includes the survey of graduate employability that was briefly referred to in the April issue. Recall, too that this is the issue that would normally have had the Secretary-General's annual report which, fortunately, we were able to include in the April issue this year. We still have the annual conference report in this issue though — a heroic summary by Mario Pisani of HM Treasury.

We also have Ray Rees's regular letter from Germany and an interesting comment on the Bank of England's ten years of independence. The Society's latest survey on gender and ethnic balance in UK university departments of economics is also shoe-horned in.

Another consequence of the squeeze on space is that we have to put an apology on the front page — there is nowhere else for it to go. In the April issue the names of newly elected Council members were added at the last minute, regrettably with errors. The correct list should have read:

Mr Erik Berglöf, EBRD	Hashem Pesaran, University of Cambridge
Stephanie Flanders, BBC	Robert Skidelsky, University of Warwick
Costas Meghir, University College London	Jonathan Thomas, University of Edinburgh

We apologise to all concerned.

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NEWSLETTER

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Contributions from readers

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

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

Visit our website at:

www.res.org.uk

The Annual Conference

The Society's Annual Conference took place this year at the University of Warwick, 11th to 13th April. This report of the event is written by Mario Pisani, a former leader writer at the Financial Times and now an economic adviser at HM Treasury.

IT WAS ALFRED A KNOPF, one of the 20th Century's leading American publishers, who said that an economist is a man who states the obvious in terms of the incomprehensible.' He is not alone in having a low opinion of our profession. As economists, we have all encountered educated non-economist colleagues who just don't get it, however much one tries to simplify. But things are changing. Economists are increasingly being employed in government, think-tanks and industry. 'Pop economics' is all the rage. If Knopf were alive, I wouldn't recommend that he comes to the Royal Economic Society annual conference. But for anyone else with a professional or academic interest in the subject, the event is clearly becoming one of the foremost gatherings of economists around. My opinion, as a practitioner, is that the RES conference provides a wonderful opportunity for understanding the incomprehensible, often in quite obvious terms.

First, a step back

I remember the first time I attended the RES conference. Back then the conference was being held, like this year, at the University of Warwick. In terms of logistics, there have been considerable improvements over the past four years. For a start, the university is now even more familiar with the business of hosting large conferences: the potentially tedious process of arrival, registration and finding accommodation was in fact quite swift. Besides one initial incident involving slightly unclear directions, most sessions were easy to find. In that respect, this year's event benefited from having full use of a single building, which acted as the conference's epicentre. The Ramphal Building, a spacious structure on the western side on the campus, held all the keynote lectures and many parallel sessions, as well as housing the press room and other conference facilities. Crucially, it provided a light and airy space in which all the coffee breaks and lunches took place. In what is, I believe, a break from recent practice, all lunches took the form of finger buffets, where sitting was a possibility rather than a requirement. It may seem like a rather prosaic feature to comment on, but there are great advantages to this new format: not only does it allow many more opportunities to talk to others, but it also avoids the long queues which result from serving hot food to hundreds of people at the same time. Finally, while Warwick's location is little changed compared to four years ago, it is worth pointing out that it has the advantage of being only one hour away from London, where those of us who are not UK academics are much more likely to come from.

Time to move on to the content. At my first RES conference, I was only a fresh-faced post-graduate student, and

it was easy to be terrified by the big names, the large datasets and the long equations. Worse, I was not presenting any research of my own. It was not easy. Meeting people between sessions eventually became a chore when the answer to the ubiquitous 'so when are you presenting?' was always 'I am not'.

This experience, I feel, conveys the existentialist tension faced by those who organise the RES conference; or put differently: should the event be more than just a get-together for those presenting papers and those somehow involved in the running of the Society?

My short answer would be 'yes'. A more insightful answer starts with the realisation that, obviously, this conference serves a number of purposes. First, the Society's long history and wide membership make it an international emblem for the economics profession. As such, the annual conference serves as a place where the state of our professional body can be discussed. Second, the wide range of topics covered makes the conference a meeting place for economists researching within a particular field. Third, for the same reason, the event is also a way of staying well-sighted with developments outside one's main field of interest.

Thinking about these three propositions, it soon becomes clear why these two groups, of academic presenters and society organisers, represent the majority of the conference attendance. But, ironically, it is these very reasons that make the RES conference an unmissable annual event for practitioners of economics. As such, I should have felt more relaxed, back at my first RES conference, about not being there to present my own research. This is because this event is, in short, akin to the relationship between producers and consumers: it is one where both sides can benefit from an exchange.

Let me be clear: plenty of non-academic economists already present their own high-quality research at the conference. They come from central banks, industry and government ministries around the world. But if the RES is serious about keeping its annual conference relevant in a world where economics is increasingly being used to solve real-life problems, further engagement with economists outside academia will be needed. The rewards for academics will come in the form of greater awareness of how their research links with policy and business needs. The rewards for the practitioner come from being exposed to new questions, new answers, new tricks and new people. As my own perspective is that of a non-academic economist, I will narrate the 2007 RES conference around these four parameters.

New questions...

Outside academia, there is little merit in unconventional economics. Posing irrelevant questions has about the same mileage as pondering ones that cannot be answered: very little. Hence, as a body, we tend to concentrate on the issues we can analyse and apply the tools which have delivered results in the past. But how do we know where the limits are? The 2007 conference was a showcase for learning how economics can be used to answer questions which, previously, were thought intractable.

This year's best example was the Hahn lecture, delivered by Alvin Roth of Harvard University. Under the title of 'What have we learnt from market design?', the first plenary session can only be described as a triumph — and the perfect start to the conference. Some of its success comes down to the excellent format chosen by Roth, combining a quick overview of the theory with plenty of his own first-hand experience. But what made this session so appealing was something else: the novelty of the problems being analysed. Of course, applied microeconomists, in government and elsewhere, often have to grapple with market failures or lack of competition. Roth's examples, however, go one step further: situations where there is no market at all. In the course of a mere 90 minutes, Roth took us through his adventures designing marketplaces for kidney transplant exchanges in the US, systems for public school choices in American cities, and (very appropriately) a market for new academic economists.

To achieve efficient outcomes, Roth explained, markets have to be designed so that they are sufficiently thick, uncongested and incentive-compatible. Take the example of kidney transplants: in the US there are over 70,000 patients waiting for a kidney, and despite the fact that kidneys from live, rather than deceased, donors perform better post-operation, fewer transplants of this type take place. This is because, until recently, there was no system for re-matching a donor-patient pair which was willing to go ahead but incompatible with each other. In other words, the marketplace was not thick enough, so donors and patients all over the country could not meet to exchange kidneys. Solution? Assemble a database of incompatible patient-donor pairs, oblige local transplant centres to submit their pairs to the national/regional database, and make sure that the exchanges are incentive-compatible by performing all the operations at the same time. The result is more transplants and fewer deaths on waiting lists. The by-product is some amusing photographs of Roth wearing yellow scrubs in an operating theatre.

Of course, a three-way exchange (much more efficient) involves a greater number of transplant operations at the same time (more costly). Thus, congestion can arise as a barrier to efficient market design. Roth elucidated further by describing his work on the system of high school choices in New York City. Under the old decentralised system, students listed their choice of five schools, all of which then considered the applicant and made offers independently. This resulted in gaming by students, who had to think carefully about revealing their true first choice, and gaming by schools, which had an incentive to withhold capacity and allocate places outside the system. And this was clearly inefficient: under the old NYC system, one in three students did not get a place on any of its

chosen schools, while many others received multiple offers. Step in Professor Roth and the wonders of the deferred acceptance algorithm: after only three years, less than 10 per cent of students miss out on all their school choices. Or in the language of market design, the matches are stable and encourage schools and students to reveal their true capacity and preferences, respectively.

“ The 2007 conference was a showcase for learning how economics can be used to answer questions which, previously, were thought intractable. This year's best example was the Hahn lecture, delivered by Alvin Roth of Harvard University. Under the title of 'What have we learnt from market design?', the first plenary session can only be described as a triumph — and the perfect start to the conference. ”

Aware of the audience, Roth peppered his talk with references to similar policy debates in the UK. The only thing that might have dwarfed, in terms of impact, the policy relevance of Roth's research was his exploration of the issue of repugnance. Roth told the story of Manuel Wackenheim, a man who is only 1.14 metres tall and makes his living from being thrown around in nightclubs by burly men, a practice common in the US and Australia. Stay with me on this one, because it's brilliant. There are events, we learnt, called 'dwarf-tossing competitions'. When France made 'dwarf-tossing' illegal, Wackenheim, unable to earn a living, took the matter to the UN Human Rights Committee. The body upheld the ban, in order to '...protect public order and considerations of human dignity'. Clearly, Roth's intention was to make the audience realise that people's view of repugnant activities is quite diverse. It also changes over time: take slavery, the use of human remains for study or exhibit, interest on loans, or reproductive services. Crucially, he concludes, repugnance can be the biggest barrier to designing efficient markets.

Not only was Roth's subject interesting and the policy applicability evident, but his style was hugely infectious. We need more economists like him, with passion for the topic, clarity of exposition, and keen to share ideas (Roth stayed for the length of the conference). Related to this last point was, I am told, another recent organisational innovation. Two of the plenary lectures were followed by special (thematic) sessions in the same field, and in which

the keynote speakers joined other economists by presenting a different paper. For example, in a special session covering experimental economics, Roth contributed his views on using experiments to educate policy-makers about market design. Once more, the originality of his examples, which focussed on the market for junior doctors in the US, was noteworthy.

... about European happiness and Colombian violence

The conference included many other questions slightly outside the mainstream. The debate about the measurement and determinants of happiness, brought to the fore most recently by Lord Layard's book on the subject, was stretched to the international level. Aqib Aslam and Luisa Corrado, from the University of Cambridge, merged a couple of European datasets to look at the determinants of well-being at the regional level. Their multi-dimensional model takes into account different forms of interaction and social distance, and finds that one of the most important explanatory variables is trust in others and trust in government, rather than per capita income. Against conventional wisdom, it is those in the Scandinavian countries who are happiest. Sure, it is easy to be sceptical of happiness research. But, in time, this work could completely change the parameters of economic policy.

European angst pales into insignificance when compared to the worries of people in Colombia. Juan Vargas and colleague from Harvard investigated the relationship between violent conflict and the price of commodities in the South American country. He identifies the effect using exogenous variation in the world price of coffee and oil. Interestingly, he finds that the value-to-violence relationship varies: lower coffee prices resulted in greater violence, as farmers' incomes fall, but higher oil prices meant more violent clashes with government forces.

New answers...

As a government economist, not all my time is spent researching or advising on economic matters. I am also a public official and a manager. And these tasks are not trivial: they take up a significant share of my time. This is why, given limited resources, gatherings such as the RES conference provide the perfect research short-cut. There was a total of 256 papers at the 2007 event, covering a wide array of topics. Whether you're a banker, a forecaster, an adviser or a consultant, one is very likely to come across a number of sessions directly relevant to one's work as a professional economist.

More than anything else, the conference provides answers. Sometimes, the question will be a familiar one and the techniques used will be well-known. But this does not mean that the answers are any less interesting. The Sargan lecture, brilliantly delivered by Martin Browning of the University of Oxford, was a clear example of interesting new answers to very old questions. Entitled *Husbands and wives: who gets what and who does what?*, this lecture combined something we can all relate to

(namely being in a relationship and the never-ending apportioning of household chores) with issues of great policy pertinence (that is, the redefinition of family members' roles in a full-employment society, in a manner that reduces negative externalities).

The format of Browning's lecture is best described using his own aviation analogy. He started with a view from 30,000 feet above the ground, looking down onto the theoretical landscape that has developed over many years. For a long time, he said, the household has been treated as an unitary whole: transitive preferences generate household-level behaviour. One of the main conclusions from using this decision model is that households pool their income; in other words, it doesn't matter who earns it. Because two decades' worth of empirical literature reject the income pooling hypothesis, alternatives to the unitary model have emerged. These include various collective and non-cooperative models, all of which are good at explaining static decisions such as expenditure on non-durable goods, but not that useful for understanding dynamic household decisions like saving and investment.

After the bird's eye view of the theory, as Browning put it, we landed and started to walk along the foothills and mounts of the empirical landscape. He presented a selection of descriptive statistics from a very detailed, and recent, time-use survey of Danish households. This allowed a proper investigation of the distribution of leisure and income among husbands and wives. The beauty of Browning's findings lay in the fact that they were rather counter-intuitive (or at least they were for me). In particular, the vast majority of wives get a share of total household leisure (defined as total time minus market work, house work and sleep) of between 40 and 60 per cent, with the modal answer being 50 per cent. Even more surprising, his and her hours of leisure are positively correlated (so much for income effects). When it comes to expenditures, the survey includes data on 'assignable' categories, where it is clear who will benefit from the purchase, like in the case of clothing and recreation. Again, the wives' share is about half of total spending, and their spending is positively correlated with their husbands'. To finish, Browning brings together the two findings. Under a unitary model with heterogeneous preferences between partners, the wives' shares of income and leisure would be negatively correlated; by contrast, a positive correlation for the wives' shares suggests a 'power' effect, where one partner gets more of everything. He finds mild evidence for the latter effect. So in Denmark, whatever your gender, it pays to wear the trousers (or put differently: if you want a bigger share of leisure and income, don't marry someone more attractive than you).

In his talk, Browning also offered some of his unapologetic wisdom regarding the way forward for research in this area. It is characterised by good questionnaire design, repeated surveys and applied microeconometrics, rather than '...finding a quasi-experiment to test things that you are not interested in.' A valid point, but one that is easier to make by an established authority in the field, who can

demand research money for these purposes. In my opinion, reduced-form evaluative methods such as differences-in-differences are the great levellers of the empirical economics world: they produce interesting results based on the author's ingenuity rather than the ability to command hard cash. The prevalence of the method at this conference is proof of this.

...in microeconomics, macroeconomics and 'freakonomics'

Richard Freeman, of Harvard, once remarked to me that '...in micro, we have all the techniques and we can get the answers, but no-one cares about them; in macro, we can't get any definite answers but everyone cares about them.' At the RES conference, both types of research are provided, and often offering equally weighty results. A paper by Paul Gregg and colleagues at the Centre for Market and Public Organisation looked at a perennial British policy question: does selection at age 11 improve educational outcomes? On average, the minority of areas that operate selective systems do not achieve better results. But those who are selected into the (more academic) 'grammar schools' do substantially better, at the expense of those children who are not selected. The paper captured the media's attention and the interest of many delegates (because of the high proportion of UK-based parents?). Generally, policy economists looking for research on labour market and education outcomes are well-served by the RES conference.

John Muellbauer and colleagues at Oxford tried to bring some closure to another debate, this one raging among macroeconomists at central banks, finance ministries and international institutions: the relationship between house prices and consumption. They do so by better controlling for the common drivers of both variables, which have in the past led to over-estimation of the wealth effect. Using data for the UK and South Africa, they find that accounting for the direct effect of credit liberalisation on consumption reduces the collateral effect normally associated with higher house prices.

Finally, one of the most popular economics "answers" of recent years got a British spin. David Paton of Nottingham University presented a repeat of the infamous Donohue and Levitt analysis, which later became the centre-piece of the bestselling book *Freakonomics*, to test whether legalising abortion led to lower crime rates in the UK. They do find the same negative association found in the US, but as he made clear during questions, the result is not robust enough to merit talk of a consistent relationship (especially across age groups). I would not want to speculate on the implications of these findings for policy...

New tricks

There is little doubt that the practice of economics requires a constantly-evolving methodological tool-kit. As politicians all over the world get more ambitious in their intent to improve different aspects of society, the

analytical tricks applied by economists are becoming more numerous. Links with other disciplines abound: sociology, mathematics, psychology... Of course, the intellectual existence of academic economists provides many opportunities to learn these new tricks. But because practitioners are less frequently exposed to methodological innovations, the lag from paper to office can be enormous. As Keynes put it '...the biggest problem is not to let people accept new ideas, but to let them forget the old ones.' The RES conference, in my mind, provides the perfect opportunity to learn new methods..

Abhijit Banerjee's *Economic Journal* lecture, 'Theory and practice in anti-corruption policies', was a good example of how to do things differently in an area where policy can have an enormous impact. There was a beautifully ironic coincidence on the morning of Banerjee's lecture: the *Financial Times* had as its front page splash the story of Paul Wolfowitz's alleged corrupt dealings within the World Bank. As we now know, this eventually brought down a man who had spent a considerable amount of his time as World Bank President zealously fighting corruption. As Banerjee explained, corruption can be a colossal barrier to development, citing examples such as the 'corruption premium' on rice prices in India. Theoretically, he continued, the Beckerian models of corruption are somewhat better at explaining corruption than widely thought. In similar style to the other two keynote speakers, Banerjee then used his extensive experience to give the audience a flavour of how innovative policies can ameliorate corruption. The most colourful stories involved methods for dealing with teacher and nurse absenteeism in India. Developing anti-corruption policy was not always that straightforward, he said, as many standard simplifying assumptions could not be made (nurses, for example, resented monitoring because they '...never actually expected to have to come to work'). The process often relied on a fair amount of trial and error. With this he illustrated a few key points: the importance of knowledge in monitoring schemes, how simple incentives do not always work, and the difficulty of dealing with elite capture and popular mobilisation. He finished by appealing for greater research into these aspects of corruption theory.

Elsewhere, among the many quasi-experimental set-ups using differences-in-differences, a rather inspired example was the use of the London terrorist attacks of July 2005 as an exogenous event to measure police effectiveness. Indeed, there were two papers on this, one from economists at the Home Office and one from academics at LSE, UCL and Surrey (and both with involvement from Stephen Machin). Encouragingly and as one would expect, they both find that more police reduced crime. But what policy-makers really care about, when resources are limited, is the size of the effect: in this case, the elasticity of crime to policing is about 0.3.

Another eye-catching paper, presented by Ganna Pogrebna of the University of Innsbruck, used data from

the TV programme 'Deal or No Deal', in its British and Italian incarnations, to test the predictions of ten different decision theories (with the winners among them being regret aversion and the fanning-out hypothesis). Finally, I can't fail to mention the (many) hands-on sessions run by Todd Kaplan of the University of Exeter and colleagues, which provided an easy introduction to using online materials for experimental economics in teaching, data generation and other uses. Many delegates enjoyed the sessions, which built on the experimental economics verve that followed Roth's lecture and the related special session.

New people

The final reason why practitioners enjoy the RES conference is that it provides the opportunity to meet new people. As I described earlier, the new lunch/refreshment format helped with this. But it was at the dinner-table that the most interesting conversations happened (maybe something to do with the wine?). I heard amusing stories of the media completely misunderstanding economists' research. Teaching economics at university level also provides plenty of colourful anecdotes: plagiarised dissertations, home-made technology to cheat in exams, and mistaken identity affairs. Interestingly, some academics seemed more convincing when spelling out their research in a five-minute chat than in the full 45-minute presentations. Presentations skills really is one area where academia can learn from the practitioners. Of course, conventions and expectations can differ, but there are certain techniques that we know all audiences prefer: audibility, structure and command of language among them. Sure, there are exceptions, such as the phenomenal Stephen Machin. When presenting his paper on pay and performance for British head-teachers, he focussed on the results, left loads of time for discussion and provided direct answers (such as 'I could have done that, but it would have taken me a long time and not shown anything different.') More generally, Machin seemed omnipresent at this year's event, if not presenting or chairing, he was asking questions and chatting to delegates. Even better, some of his work at the conference was the result of working with economists in government, something which he does often. For all these reasons, British academia needs more people like him.

Another reason to mingle is to get tips on good papers coming up. With so much choice, it is easy to miss something crucial. For example, I was made aware of a paper on IMF and Paris Club debt relief by Eelke de Jong of Radboud University, which was very relevant to the work of HM Treasury. In fact, enjoyment of the RES conference does involve a small random element. The sessions vary considerably in quality and focus. It is worth investing a few minutes before each session examining the booklet of abstracts. Going by the titles one could end up trapped with the wrong topic (I am happy to report that this only happened to me once).

Altogether, the 2007 RES conference felt like a great success. Because it exposes practitioners to so many new

techniques and results, the three days represent an invaluable investment for keeping our professional skills up to date. As a networking opportunity, the conference is useful and good fun. Rather than being incomprehensible and obvious, the conference seems like a step towards getting ourselves thought of as the humble, competent people that Keynes hoped.

BA Festival of Science

Section F (Economics)

ECONOMIC RULES OF LAW

University of York, Biology B/B/06, Tuesday 11 September, 11.30-15.45

The impact of law on firms, markets and economic performance is immense. Presentations by US Supreme Court Justice Stephen Breyer, Tim Besley (LSE), Oliver Hart (Harvard) and John Vickers (Oxford; Section F President) will analyse aspects of the relationship between law and economics, including the role of economics in court, property rights and economic development, the law and economics of the firm, and law for competitive markets.

For more details contact David Dickinson, Recorder, Section F:

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or check the BA website www.the-ba.net

A new initiative from CEPR

CEPR has just launched a new website, **VoxEU.org**, that is to be the focal point for discussion and analysis of policy relevant economics. CEPR and its partners will use its combined intellectual market power to trigger self-sustaining network externalities. The plan is that everyone will read Vox since so many high-calibre economists post there, and people want to post there since so many influential and high-calibre people visit the site.

Vox will feature items that are diverse both in terms of length and depth of analysis, but a key element will be 'columns' by researchers on policy relevant topics. These will be 500-1500 word 'research-based policy analysis and commentary'. The level should be above a newspaper column but very much more accessible than a journal article. The audience is trained economists in the public and private sectors, academia as well as the specialized media. We encourage references to research, tables, charts and diagrams where appropriate. Submissions are encouraged from all professional economists.

Vox is part of a consortium with LaVoce (Italy), Telos (France) and a Spanish site launching this month, with German and Dutch partners joining soon. The best contributions will be translated and posted on the various sites (each site decides what to translate).

Have a look at **www.VoxEU.org**

The Bank of England ten years on

- a view from Frankfurt

Hans-Helmut Kotz, of the Executive Board of the Deutsche Bundesbank and honorary Professor at Freiburg University offers a personal view of ten years operational independence at the Bank of England.

Monetary policy - unexciting on purpose

Keeping inflation at bay has become the (almost) unequivocal target of most central banks. This is an objective which has been largely achieved by the Bank of England — with inflation (as measured by the RPIX) hovering about 2.5 per cent ever since the mid 1990s. Thus, the BoE has met its objective as defined in the Bank of England Act of 1998, that is: to maintain price stability. Keeping promises generates reputation, in this case of delivering a stable monetary environment. And the return on such an accumulation of reputational capital translates into lower inflation premia in long-term nominal interest rates. This is what we saw as well in sterling bond prices: expectations have been rather firmly anchored at the level of the inflation objective the BoE is striving for — at least until recently. Clearly, monetary policy has become much less exciting and therefore the BoE delivered as well on its at times (and tongue in cheek) made promise: namely, to become as unexciting as Keynes' humble, competent dentist, possibly even boring.

Against this background, we could just as well end here. But there are at least three dimensions, in which some excitement can be detected. First, from an historical perspective, this change of tack of the UK towards macro moderation is rather remarkable. And it would be interesting to know where the 'nice' (non-inflationary consistently expansionary) economy features come from. Second, if, as the dominant answers to the first question imply, it is the independence of the BoE as well as its strategy which explain to a significant extent this remarkable performance this would have obvious lessons for monetary policy in general. Fortunately, in the debate on the optimal approach to monetary policy there are still some controversies left — at any rate at a theoretical level. Finally, one might wonder about potential challenges to this gentle boredom. Are there developments, possibly emanating from financial markets, which threaten the prevailing tranquility?

Involuntary search for new guiding principles

Exchange rate crises have been instrumental in two prominent cases in the search for monetary strategies: money supply targeting and inflation targeting. The unravelling of the Bretton-Woods-System of fixed exchange rates led the Bundesbank in the mid 1970s to opt for an intermediate target, a two-staged strategy, that is, to control money supply - pragmatically. The BoE's decision to go instead for the direct control of the ultimate target — inflation containment — was the result of the UK leaving the European exchange rate system in September 1992. Interestingly, and with the benefits of hindsight, both approaches produced

rather remarkable results. This is because both approaches have apparently rather diverse conceptual backgrounds. Appearances can, however, be deceiving, a point to which we return.

Two defining characteristics are held responsible for the success of the BoE's monetary policy. The first is (instrument) independence, which was given to the BoE by the incoming Labour government on May 6 1997.¹ The second defining institutional innovation was the new strategy to be pursued - namely, inflation targeting. Of course, IT had been introduced earlier, in October 1992. While all of this is unremarkable from today's angle, in the mid-1990s both innovations were publicly controversial. Essentially, the case had to be made that macro stability is conducive to medium-run growth. This was forcefully reasoned by a young journalist in a pamphlet of the Fabian society — Ed Balls.² Ultimately, this argument, frequently raised by economists, meandered its way onto the platform of the Labor party.

Focusing primarily on inflation control was not generally accepted in the mid 1990s. At that time the dominant view held that the mandate of central banks also included providing for maximum output and hence employment. Seeing the purpose of central banks mainly in underwriting monetary stability therefore was, in the words of Stanley Fischer, a recent phenomenon: '(C)entral banks have increasingly come to emphasize the fight against inflation and to deemphasize the possibility that monetary policy can affect the level of output.'³ Indeed, this is a recurring topic. The US Fed still has such a dual mandate. And during the French presidential campaign it became evident that similar views on reducing output fluctuations (and fostering trend growth) have a positive resonance in EMU also.

Neither was it conventional wisdom 10 years ago to render monetary policy to an autonomous institution, be it only for instrumental purposes. However, influential academic papers produced convincing evidence on the correlation between degrees of independence and price stability since the late 1980s only. It is interesting to note that in the UK's case IT was introduced to support the BoE in its advisory capacity to the Treasury which ultimately bore responsibility for the conduct of monetary policy.⁴ Since, as the French say: *comparaison n'est pas raison*, it is nonetheless important to understand where the support for a stability oriented policy actually comes from. After all, correlation is not causation. Thus, while independence is helpful without any doubt, the public perception of what monetary policy can really achieve is of the essence. Adam Posen correctly made the point that in the German case an important underlying

explanatory variable was the strong dislike of inflation. This inflation aversion of the general public supported the Bundesbank substantially — over and above its legal independence.

Two procedural innovations

Nonetheless, the innovations have borne fruit rather rapidly: Inflation risk premia fell out of bond prices within a short period of time. The anchoring of inflation expectations was rapid and tight. And this most plausibly had to do with procedural innovations as well. Two are particularly relevant.

Aiming at the ultimate objective directly was — as the debate about intermediate targets had shown — prone to substantial difficulties. Therefore, somehow out of frustration about the controllability of the final objective(s) directly, intermediate targets were introduced. By exploiting the information in these intermediate variables the monetary authorities should achieve their ultimate goals more effectively.⁵ In actual practice, the BoE did not dispense with the intermediate information variables. But, through its *Inflation Report* it intended to give a disciplined and structured evaluation of the transmission mechanism — including uncertainties in evaluation. Thus one could state that ‘(t)he Bank’s inflation projection — when taken alongside the other intermediate variables which make up the inflationary assessment — influences monetary policy decisions in much the same way as does any other intermediate variable’.⁶

Moreover, monetary policy was to be decided on by a committee of individually accountable members. This being an innovation in at least two ways: the MPC was not assumed to decide by consensus (which means, by the way, not unanimity) but majority — to lay bare opposing views in light of possibly diverging perspectives on the same data (the publishing of, for sure, edited minutes and voting records included). Moreover, in the *Inflation Report*, of which the MPC took ownership, uncertainty about the possible trajectory of inflation was frankly admitted. The fan chart made clear the fragility of the central forecast, which was ultimately guiding an explicitly forward-looking monetary policy.

Best practice?

All of the above would suggest that the BoE’s approach has become the best practice way of doing things central banking. But not all share this view. The ECB does not conduct monetary policy in light of an IT approach. And the US Fed is still rather reluctant.

The ECB’s two pillar approach, with a particular emphasis on money supply, has been developed explicitly in response to the experience with money supply targeting on the one hand and inflation (forecast) targeting on the other. Issing et al. emphasize that ‘in spite of the rigidity of theoretical monetary targeting and inflation targeting, judgment has been a crucial component of both monetary strategies’. And they add that the ECB’s two-pillar strategy (a short-horizon, broadly-based economic analysis, cross-checked against a long-term oriented monetary analysis) has been conceived

to face ‘the high degree of uncertainty and imperfect knowledge prevailing at the beginning of Stage Three of EMU.’⁷ Flexibility here means that the monetary framework should allow for supply (or financial market) shocks in order to contain output instability. This is why the ECB’s inflation norm is to be honored not at any moment in time but over the medium-run.⁸

In the US, which comes from exactly the opposite direction, IT on the other hand has been advocated as ‘a framework, not a rule’ to allow for ‘constrained discretion’. Proponents of IT highlighted its flexibility, in particular by pointing out that IT is not ‘falling on the rule side of the traditional dichotomy’ (between rules vs. discretion).⁹ This point has been stressed not only in order to allow for the inevitable ‘judgmental content’ of monetary policy (the ‘art’ part). Highlighting the discretionary option was (is) important in the US context to suggest that IT would not prevent appropriate responses to shocks. Otherwise, IT’s compatibility with the dual mandate, which Congress has given to the Fed, would be in doubt, making it clearly politically unpalatable. Almost a quarter of a century ago James Tobin wrote: ‘...monetary policy cannot be governed by irrevocably fixed rules blind to actual outcomes, ...policies responsive to events cannot be prescribed fully in advance but ultimately depend upon discretion, monetary authorities cannot escape responsibilities for real economic outcomes of significance to the society’.¹⁰ Interestingly, Bernanke and Mishkin dealt in their article with the question whether nominal GDP targeting, ‘which can be thought of as “velocity corrected money growth”, could not as well be a sensible goal variable. And they answered in the affirmative — namely that nominal income targeting, which was at that time incidentally the favorite of many US economists, was ‘generally consistent with the overall strategy for monetary policy as discussed in this article’.¹¹

Does IT and independence matter?

We write these lines (on July 5th) a few hours before the BoE decides on policy rates. In putting themselves into the MPC members’ shoes analysts as well as investors (cf. implied interest rates) are betting on a tightening move of 25 bp. These expectations are anchored in the BoE’s communication, which has been highlighting the underlying dangers of inflation remaining stubbornly above the medium run objective. Markets, in other words, take their cue of the economic environment as if they were reading the world through an *Inflation Report* perspective. Though there have been two surprises of late, the BoE is so transparent that interest-rate expectations are fairly robust — the low-level of implied volatility testifies to this point.

Now, while conceptual differences between approaches are frequently sharply stressed, it is interesting to see whether policies, as actually practiced, do really show such a variance in actual implementation. This is perhaps the point where a postmodern linguist (à la one of David Lodge’s characters) could become helpful. In deconstructing and reinterpreting the wording one could, of course, rather easily

render for example the Bundesbank's policy approach as implicit inflation targeting — as have done Bernanke *et al.* The 'unavoidable inflation' (or later: the 'price norm') as a core part of monetary policy formulation as well as implementation make distinctions in some eyes arbitrary. In fact, on the conceptual level one could assert that the Bundesbank's 'pragmatic monetarism' has stressed more the qualifier than the noun. In pondering an explanation by Helmut Schlesinger, Chief Economist and later President of the Bundesbank, of the Bundesbank's money supply targeting (in those days central-bank-money, not M3) Alan Blinder came to the conclusion that '(i)t is hard to imagine a clearer description of a purely discretionary re-gime...(y)et no one doubts the Bundesbank's anti-inflationary zeal'.¹²

Some even claimed that the Fed under Alan Greenspan followed the IT approach, quoting his famous (though characteristically vague) remark from 1989 that the Fed would try to control monetary policy in order to produce 'price levels sufficiently stable so that expectations of change do not become major factors in key economic decisions.' Such a proposition, however, would somehow amount to a reduction of IT ad absurdum. Nonetheless, when actual monetary policy, is located on a spectrum between the poles of art and science, conceptual differences can easily be over-rated. Jürgen von Hagen and Manfred Neumann, in our view correctly, hold that 'IT, like other monetary policy strategies, must be seen in the context of (economic) culture and traditions... Giving the central bank's commitment to price stability and its willingness to bind its policy to an intermediate target... the choice between an inflation target or a monetary policy aggregate then is probably more a question of culture than economic principles'.¹³ Empirically, in other words, it's impossible to tell the difference. In the dark of the night all cats look grey.

In any case, IT and instrument independence, the two 1990s institutional innovations, did matter in the UK's case. They contributed, over and above, structural factors to the great macro moderation. As a result of the observational similarities between the pragmatic monetarism, IT and the two pillars they do face, however, the same challenges.

We conclude by alluding to two: first, Benjamin Friedman forcefully argues against IT because, in the US context, it would, in his eyes, dilute the dual mandate, 'the objectives beyond price stability'. Moreover, Friedman holds that words should matter and complains 'that under inflation targeting policymakers normally reveal to the public only one of their multiple targets — which would obviously undermine transparency. Friedman once remarked that he mainly liked what the ECB does, but does not at all appreciate how she phrases it. This is the whole issue of communication and transparency, which, of course, exists for a while. In any case, Friedman posits that predictability would be clearly buttressed if all the reasons underlying policy formation were laid out. In former, 'opaque' times, central bank watchers have been less exacting. Paul Samuelson, for example, argued 'For fifty years the Fed has not seemed to me mysterious or perverse. Like the old farmer who found his donkey by asking himself, "Where would I go if I were a jackass?"

I could mostly guess in which direction the Fed would move. This despite its own talk.'¹⁴

Second, in trying to gauge the transmission of its impulses, monetary policy still focuses very much on its impact on bank balance sheets. With the ever increasing importance of financial markets, in particular markets in pricing of credit risk, accounting for the consequences of endogenously created liquidity becomes ever more important. This is, admittedly, a problem in particular for a money supply oriented concept. On the other hand, carefully looking at growth rates of money and credit or, in a more general sense, broad liquidity is of the essence for 'anyone who believes that default, risk aversion and income constraints matter... such interpretation will be an art. Nevertheless it is an art worth attempting.'¹⁵

Meanwhile, and this brings us in a way back full circle. One hears voices out of the BoE that money and liquidity might again bear some consideration. If appearances are not completely deceiving, here we are talking about 'pragmatic monetarism', somehow reminding us of the Frankfurt implicit IT variety.

Notes:

1. The BoE is however not goal independent: The Chancellor of the Exchequer, in giving the BoE its remit with a precise content, called upon the BoE to strive for an annual rate of increase in the RPIX of 2.5 % 'at all times'. Since December 2003, the RPIX has been substituted for by a CPI target of 2 %, in recognition of the fact that the CPI increases are on average 0.5 percentage points below the RPIX. Moreover, mindful of the hierarchical ordering of priorities, the remit challenges the BoE to support growth and employment.
2. E Balls (1992): *Euro Monetarism: Why Britain was ensnared and how it should escape*, London: Fabian Society.
3. S Fischer (1995): *Modern Approaches to Central Banking*, NBER Working Paper no. 5064, 2.
4. See A Haldane (1995): 'Inflation targets', *BoE Quarterly Bulletin*, August, 250-274 and Charles Bean (2004): 'Inflation targeting: the UK experience', *Perspektiven der Wirtschaftspolitik*, vol. 5, 405-21.
5. B Friedman (1984): 'The Value of Intermediate Targets in Implementing Monetary Policy', in Fed Kansas, *Price Stability and Public Policy*, Jackson Hole, 169-171 and V Chick (1973): *The Theory of Monetary Policy*, Basil Blackwell: Oxford, 8-13.
6. Haldane, *ibid.*, p. 252.
7. See O Issing *et al.* (2001): *Monetary Policy in the Euro Area. Strategy and Decision-Making at the European Central Bank*, CUP, Cambridge, 104-105.
8. See for a very concise and convincing explanation of the ECB's strategy L Papademos (2006): *The role of money in the conduct of monetary policy*, ECB.
9. B Bernanke and F Mishkin (1997): 'Inflation Targeting: A New Framework for Monetary Policy?', *Journal of Economic Perspectives*, vol. 11, no. 2, 97-116, here p. 104.
10. James Tobin (1983): 'Monetary Policy: Rules, Targets, and Shocks', *Journal of Money, Credit and Banking*, vol. 15, no. 4, 517.
11. *Ibid.*, p. 112. Bernanke and Mishkin confessed a mild preference in favour of IT (relative to nominal income targeting) for mainly three reasons: timeliness and availability of inflation data, substantial inherent flexibility of IT and the public's better understanding of the concept of inflation.
12. A Blinder (1987): 'The Rules-versus-Discretion Debate in the Light of Recent Experience', *Weltwirtschaftliches Archiv*, vol. CXXIII, 399-413.

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Letter from Germany – Excellence and incarceration

In this essay Ray Rees, Professor of Economics at the University of Munich, provides an update on the attempt to introduce quality-related funding to Germany's universities and tells a cautionary tale about the potential pitfalls of experimental economics.

IN PREVIOUS LETTERS I have written about the strong and growing sense in Germany that the universities here are in serious need of reform. The outgoing Schröder government at last pushed through a programme that could seriously contribute to improving the situation. I know that university teachers in the UK have been going through the stress and exertions of the latest RAE. The Excellence Initiative introduced here in Germany about three years ago aims at a similar goal, of raising the quality of research in and the international reputation of the universities, but has gone about things in a way that is less demanding of university teachers, and, as it has turned out, has had much more dramatic results.

The basic diagnosis underlying the Initiative was that as a result of huge growth in student numbers and serious underfunding of an almost entirely publicly-funded university system, Germany lacks centres of excellence. Simply to pour money into the system as a whole according to the 'watering can principle', under which funds are pretty evenly spread around the country, would not be an effective solution. It was decided to carry out a competitive evaluation, in which not only was the quality of research in every department in every university that chose to participate to be evaluated by committees of international experts, but the university administrations had to put up plans showing how they would use the substantially increased funding they would receive if they qualified as 'elite universities'. Both achieved-quality and the plans played a part in the evaluation. The idea was to produce a group of perhaps as many as ten elite universities, the centres of excellence that would restore Germany's standing in the academic world.

The results of the exercise, announced last October, caused something of a furore. The Committee making the final decisions was composed of academics, many based outside Germany, and politicians, with the academics having a small majority. An important point to note is that under Germany's federal system, universities are run by

the states (Länder), and any one politician would see himself as concerned with the position of the universities in his state, first, and in Germany as a whole, second. You can imagine then the reactions from these politicians when the academics, voting as a solid bloc, pushed through a list of only three universities that could be considered as excellent and qualifying for elite status and, more importantly, funding. These were my own university, the Ludwig-Maximilians-University, Munich, its sister university, The Technical University, Munich, and the Technical University of Karlsruhe. Traditionally famous universities such as Heidelberg, Göttingen, and the

Humboldt University, Berlin, and the large universities in major cities such as Hamburg, Frankfurt, Stuttgart and Cologne, were considered by the academics to be just not good enough, or at least not having good enough plans.

The story is however not yet over. A second round is taking place, and it will be interesting to see the extent to which the affronted politicians will be able to reinstitute the watering can principle. I plan to report on all this at greater length in my next year's letter.

In the meantime, I thought that readers of this letter may be interested in the latest developments in experimental economics in Germany. This has always been a strong area of interest, and I read recently of an interesting experiment in contract theory. A well-known problem in experimental economics is the question of whether the results obtained, usually with student-subjects in a laboratory setting, really carry over to the real world. Here, a group of experimental economists managed to persuade the government of the state of Holwig-Schlestein (let us say) to let them take over a small, white collar, low security prison and run it according to the principles of modern contract theory.

As is well-known, prisons are very labour intensive – about three-quarters of the costs are labour costs, primarily

“ You can imagine then the reactions from these politicians when the academics, voting as a solid bloc, pushed through a list of only three universities that could be considered as excellent and qualifying for elite status and, more importantly, funding. ”

ly of guards. This leads to a problem when funding is constrained — there is a strong incentive to reduce costs by employing low-quality personnel as guards. The experimenters thought of a brilliant solution to this problem — a prison with no guards at all. They introduced the self-regulating prison, in which a price mechanism solves the central dilemma of such a system, what could be called the prison-owners' dilemma: how to ensure that in a prison without guards nobody escapes. The solution was to use a properly formulated contract to construct the appropriate incentives to ensure that a prisoner would prefer to stay in prison rather than to escape. The only way to do this of course is to ensure that the utility level enjoyed by a prisoner is at least as great in prison as it is on the outside, so that it is a dominant strategy not to escape. They referred to this as the Incarceration Constraint (IC).

Their first step was to use the money saved by not having to pay guards, construct elaborate security and surveillance systems and so on, to equip the prison with first class hotel facilities. But there was here of course a hold-up problem. It only pays to invest in this way if they could be sure that the prisoners would not escape. This is where the contract came in. On entering the prison the new inmate signs a contract promising him an annual income at least as high as that he makes by his life of crime outside, but which is payable, after deduction of hotel costs, but with the addition of interest, only at the end of a completed sentence. If he escapes, he loses the entire income, including that owing to him up to the time at which he escapes. Clearly, once the prisoner has begun to serve his sentence, this contract is self-enforcing.

The problem was that the funds available to the experimenters were nowhere near large enough to finance these contracts. They solved this by exploiting another insight. Prisons are an enormous waste of human capital. Prisoners spend much of their time doing nothing, or engaging in tasks, such as breaking stones or sewing mailbags, that yield average revenue well below the average earning power of the white-collar prisoner, who is often a very skilled person. Just think of forgers, computer criminals, financial swindlers, CEO's of major companies, and so on. The experimenters therefore formed a consulting firm, which hired out the prisoners as consultants to police forces, security companies, banks, insurance companies, or indeed anyone prepared to pay the market price. This was so successful that the revenue was sufficient to meet all claims falling due under the contracts signed with the prisoners. Note, incidentally, that for the first year or so, the business brought in income without any corresponding payments to discharged prisoners, so this provided a buffer stock of capital that more than covered the start-up costs and, in the steady state, provides a permanent reserve.

At the time of writing, the experiment is facing two problems. The first is the penalty of success. There has been a small but significant increase in white collar crime in the catchment area of the prison, with the offenders making

no attempt to evade arrest. The proposed solution is to make committing a crime no longer a necessary condition for admission to the jail, so that it will be open to non-offenders, provided they can prove they have the necessary skills.

The second problem is perhaps more fundamental. The prison is of course serving its purpose of removing criminals from society, at least to some extent, but some people are complaining that it is unethical that the prisoners are not being punished, which is of course implicit in the IC constraint. The experimental economists, not unusually, are very uncomfortable with ethical discussion, and are trying to avoid having to confront this issue. I will be happy to pass on to the experimenters (who bear no resemblance to any person living or dead) any proposals readers of this letter may have for solution of that problem.

New Household Panel Survey

— consultations open

ISER is starting design and development work on the new UK Household Longitudinal Study, funded by the ESRC. ISER staff are working in collaboration with colleagues at the University of Warwick and the Institute of Education.

The study is multi-topic and designed to meet the research needs of a range of disciplines across the social and bio-medical sciences. The large sample size (40,000 households) will enable unprecedented analysis of the diversity of the UK population and how it is changing over time. It will include a sample boost for ethnic minority groups.

The BHPS sample will be continuing within the UKHLS. The UKHLS will provide the next generation of longitudinal data for the UK and will be the largest household panel study in the world.

As a major part of the UKHLS design work, ISER is launching a consultation with the social science and biomedical user communities, to identify and develop the topics for inclusion in the survey.

Interested parties are invited to sign up for consultation groups focusing on particular areas of the study. For details of the consultation groups and a series of topic-specific meetings planned for the next few months, go to:

<http://www.iser.essex.ac.uk/ukhls/consult1/meetings/>

Bank of England.

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13. J von Hagen and M Neumann (2002): 'Does inflation targeting matter?', *Fed St Louis, Quarterly Review*, July/August, 145.

14. P Samuelson (1994), Panel Discussion, in: J Fuhrer (ed., 1994): *Goals, Guidelines, and Constraints Facing Monetary Policymakers*, Fed Boston, 231.

15. C Goodhart (2007): 'Whatever became of the Monetary Aggregates?', Lecture in honour of Maurice, Lord Peston.

The Chinese Economic Association (UK)

CEA(UK) was founded nearly twenty years ago. We report here on its progress and current activities.

The Chinese Economic Association in the UK, or CEA (UK), was established in 1988 by a group of Chinese students in the UK and has been developed into the largest and most authoritative academic organisation in the UK and Europe on research on the Chinese economy. With a membership of about 300 people throughout the world, its objectives are to advance the knowledge of the general public about China's economic development, and to promote and publish high-quality research outputs on the Chinese economy. All board members and trustees are academic scholars working full time in various universities throughout the UK.

The main activities of CEA (UK) include its annual conferences, seminars and dissemination/publication of research outputs produced by its members. Individual members also provide advisory services to various unilateral, bilateral and multi-lateral government agencies or businesses in the UK, China and other relevant countries. It has successfully organised 18 annual conferences in the University of Oxford (1988-1989), the London School of Economics (1990-1997), and the University of Middlesex Business School (1998-2006). It has also organised over 40 seminars in many universities throughout the UK, including Cambridge, Oxford, Portsmouth, Middlesex, Lancaster, Cardiff, Nottingham, Manchester, Leicester, Birmingham and Durham. From 2002, CEA (UK) extended its annual conference programme into various key Chinese universities. Five annual conferences have been hosted in the Universities of Zhejiang, Xi'an Jiaotong, Southeast China Normal, Chongqing and Nankai. The conferences and seminars have resulted in many publications, including six edited books published by Macmillan (Palgrave) and Taylor & Francis Curzon, six special issues in various journals (*China Economic Review*, *Economics of Planning*, *International Review of Applied Economics*, and *Journal of Chinese Economic and Business Studies*).

One of the most significant achievements of CEA (UK) is the establishment of its own in-house journal, *Journal of Chinese Economic and Business Studies* in 2002. This journal has been supported and published by Taylor & Francis since its launch. It has attracted about 40 institutional subscriptions and many more individual subscriptions. The journal has published papers from a great number of eminent researchers on China, including Peter Nolan, John Knight, John Bonin, Wing Thye Woo, Charles Goodhart, Peter Buckley and Jeffrey Sachs. The current managing editor is Xiaming Liu (Birkbeck College); other editors include Shujie Yao (Nottingham), Guy Liu (Brunel), Haiyan Song (Hong Kong Polytechnic

University), Peter Nolan (Cambridge) and Wing Thye Woo (University of California at Davis). In its fifth year, the journal is now listed in Econlit, IBSS and CSA. It is planning a listing in SSCI and to expand its number of issues from three to four in the near future.

Since CEA (UK) was established, its membership has risen from less than 30 in 1988 to more than 300 today. Initially, most members were graduate students and based in the UK. Today, however, the membership extends across the world and embraces students and established academics at all levels of seniority.

The development and achievements of CEA (UK) has been generously supported and financed by various individuals and organisations. Its first patron was the late British premier Sir Edward Heath and its first trustee was the late Sir Alec Caincross. Both made a tremendous contribution to the Association. The present trustee is Professor Charles Goodhart of LSE, founder member of the monetary policy committee of the Bank of England and a world authority on monetary policy and central banking. CEA (UK) is currently looking for another patron to replace Sir Edward Heath.

Winners of the 2007 PhD presentation prize

1st **Jiannan GUO**

**The Role of Public Ownership in China's TVE Development
- Theory and Empirical Evidence**

2nd **Harshana KASSEEAH**

What determines the Leverage Decisions of Chinese firms?

3rd **Richard SCHIERE and Yiu Por CHEN**

Regional income vulnerability and inequality in China from 1985 to 2001: An analysis using an asset based framework

4th **Xiaoli LIU**

Testing for Credit Restrictions in Chinese Agriculture

The Association has also received great support from the Chinese Embassy in London. In particular, its Education Section provided full financial support in the first five years of CEA (UK)'s development, and continued to give a similar amount of help after the Association began to obtain financial support from other sources including ESRC, DfID the Ford Foundation, the Prudential insurance company and many others.

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The CEA (UK)

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The 18th Annual Conference was held in Nottingham in April, organised by Dr WU Zonghmin of Bradford University. The theme was Integrating *China into the World Economy*. Keynote speakers included Professor David Greenaway, Professor Adrian Wood, Professor John Weiss, Professor John Knight, Professor Zhang Jun, Professor Hu Angang and Professor Wing Thy Woo. Professors Charles Goodhart and Chris Milner chaired the keynote speaker session.

The parallel, Chinese, version of the conference will be held at Fudan University in Shanghai in September. One of several innovations at this year's conference was a PhD colloquium with prizes awarded for the best presented papers by PhD students. (The winners are listed above). Further details of the CEA(UK) and its activities can be found at: www.ceauk.org.uk

Another win for Oxford team

An Economics Department student team retained the cup in the **Econometric Game** competition for 2007, which took place on 23-24 April in Amsterdam. Thomas Flury (MPhil, Lincoln) was team captain, ably supported by Melissa Dell (MPhil, Trinity), Tom Holden (MPhil, Balliol), Victoria Prowse (DPhil, Christchurch), Simon Quinn (MPhil, Keble), and James Reade (DPhil, St Cross). Thomas and Victoria were members of last year's victorious team captained by Jennifer Castle. Support for the trip was kindly provided by the Webb-Medley Fund.

Their challenge was to analyze climate change, and their penetrating insights and intense concentration combined with brilliant presentation skills led to their report being judged as the best by a panel of experts against strong opposition from several previous winners (Free University of Amsterdam and Copenhagen University) and powerful new entrants from LSE and Cambridge University.

This is the seventh year of the Econometric Game, organized and supervised by the University of Amsterdam. It is the second time Oxford has entered a team to compete, having won last year on their first attempt. In recent years, up to 20 teams from the Netherlands, Belgium, France, Denmark, Hungary, UK, Germany, Spain and Switzerland have participated. The practical problem to be analyzed is presented on day 1, and the students are allowed a day to analyze the problem, model the empirical evidence, and report their findings, judged by a jury of experts.

Further details can be found at:
www.vsae.nl/activiteiteneconometricgame2007.html

News from the Economics Network of the Higher Education Academy

**Fourth International Conference in
Developments in Economics Education (DEE)
Møller Centre, Cambridge, UK
6-7 September 2007**

The fourth international Developments in Economics Education Conference (formerly DEBE) will present the latest developments in economics higher education. It will showcase activities and resources, present latest research as well as provide practical advice. The conference is aimed at anyone with an interest in teaching economics at HE level. Keynote Speakers this year are:

- Tim Harford, *Financial Times* 'Undercover Economist' and presenter of the BBC's 'Trust Me, I'm an Economist'
- Professor David F. Hendry, University of Oxford
- Andy Ross, Government Economic Service and HM Treasury

Further information including an online booking form can be found at:

www.economicnetwork.ac.uk/dee2007/welcome.htm

Maths support for undergraduates

The past decade has seen a serious decline in students' basic mathematical skills and level of preparation on entry into higher education in the UK, causing many students to embark on degree programmes in economics without the necessary maths skills. The Economics Network has a dedicated web section including many new resources to support economics students. A particularly popular resource is an A4-size Maths formula sheet to help with the revision of arithmetic, algebra, calculus and common functions. To download or order some copies, or to find out more about other related resources please visit the Maths Support section at: <http://www.economicnetwork.ac.uk/themes/maths.htm>

Economics in action

The Economics Network's 'Economics in Action' blog is hosting audio interviews from the recent RES conference. Topics include: • The 'Part-time Occupational Penalty': lower quality jobs for British Women who don't want to work full-time • Underpaid academics and the damaging consequences for the quality of UK higher education • Higher divorce risk raises women's working Hours • Opportunistic monetary policy: why UK interest rates are often constant for long periods and why they are likely to rise soon • Changing rates of self-employment among Britain's Asians suggest assimilation by some but discrimination against others • Exchange rate movements have little impact on UK exports • The Minimum Wage has reduced sickness absence
<http://whystudyeconomics.ac.uk/blog/>

Some Evidence on the Future of Economics

Andrew Oswald and Hilda Ralsmark of Warwick University collect and study the CVs of 112 assistant professors in the top ten American departments of economics. and treat these as a glimpse of the future. They find evidence of a remarkable brain-drain from other nations and that the great majority of these assistant professors are doing empirical rather than theoretical work. The findings are examined alongside forecasts made in the 1991 Centenary issue of the *Economic Journal* on 'The Future of Economics'. Thanks go to Amanda Goodall for helpful discussions.

As part of a larger study of elite scientists, we have been collecting information on young American economists. This was done by collating, and examining the patterns in, the CVs of all assistant professors in the top-10 departments in the US. We treat these individuals as data points. Arguably, they help give us a glimpse of the future.¹

We find evidence of a severe brain drain — a funnelling of talent into the United States — at the bachelor-degree level. The typical assistant professor has a BSc from outside the US (though a PhD from inside the US). Put loosely, three quarters of young

American economists are not Americans. Contrary to dark assessments of the state of academic economics — including some in the 1991 'The Future of Economics' centenary issue of the *Economic Journal*, reprinted as a set of essays in Hey (1992)) — the great majority of these young economists are doing empirical research. Of our 112 researchers, relatively few do deductive theory. Many commentators who criticise economists as obsessively mathematical and un-empirical have a view of economics that is now out-of-date. The future of economics in the elite American universities is likely to be heavily applied. We show also that the male-to-female ratio among assistant professors is now approximately 3 to 1, and that the most-studied areas of economics are macroeconomics, econometrics, and labour economics (though these days this encompasses topics only obliquely related to labour markets).

Our results seem potentially of interest to those concerned with debates such as that articulated in Morgan (1988). He demonstrated, and worried openly about, the fact that half of the articles published in the *American Economic Review* and the *Economic Journal* contained no data. He found that in physics journals the number was just 12 per cent and in chemistry approximately zero.² Our numbers may also be relevant to discussions about the state of the European and American economics professions (Machin and Oswald 2000; Neary *et al* 2003; Laband and Tollison 2003; Oswald 2007) and about the brain drain (Saint-Paul 2004).

Higher education is big business. Approximately 2.1 million European Union students graduated in the year 2000 compared to 2.07 million in the US. Despite this, the EU employs many fewer researchers per 1,000 workers (5.4 per cent) in the labour force compared to the US (8.7 per cent) (Woods 2003). The trans-Atlantic drain is fairly small and has been estimated to be 0.5 to 1 per cent (Saint-Paul 2004). Nevertheless, these are top performers within their fields. When only considering the United States labour force with doctoral degrees in the Science and Engineering field, 29 per cent of those conducting R&D are foreign-born (Johnson and Regets 1998).

In 2001, the European Council of Ministers adopted 'The Barcelona Objective', stating that all EU members should spend a minimum of 3 per cent of GDP on research by 2010 (EC 2002). At that point, the EU was estimated to spend 1.9 per cent, compared to the US's value of 2.8 per cent. This strategy was meant to create 400,000 new jobs for European scientists every year (Woods 2003). Yet, by 2003, only a few countries had met the criteria. The gap between EU and US research spending continues to widen.

Some evidence

We gather primary data on assistant professors from ten of the highest-ranked economics departments in the US. The departments were chosen using www.econphd.net.

Our data set was compiled in January/February 2007. In total, we obtained biographies (usually by reading people's CVs published on the web) on 112 assistant professors. Stanford University has the highest number in the sample with 16 and the University of Chicago the fewest with 6 assistant professors. In our data, there are 26 women.

We wished to document both the research areas and research styles of the economists. The following classification was used. If fewer (more) than 25 per cent of a person's papers used data, he or she was defined as a theoretical (empirical) researcher. Otherwise, the person was assigned to an intermediate category of someone doing

"The risk ... seriously exists that the discipline progressively loses touch with real problems."

Edmond Malinvaud. 'The Next Fifty Years' in *Economic Journal* Centenary Issue, January 1991, reprinted in Hey *et al* (1992).

"I know... one section of scholars...regard as their inferiors those who contend the need to observe the real world. This phenomenon is a palpable symptom of scientific degeneration."

Michio Morishima. 'General Equilibrium Theory in the Twenty-First Century'. *Ibid*.

Table 1: Ranking of Economics Departments

Ranking	Name of University	Location of University	No. of Ass't Profs in Data Set
1	Harvard University	Cambridge, MA	14
2	University of Chicago	Chicago, ILL	6
3	Massachusetts Institute of Technology(MIT)	Cambridge, MA	9
4	University of California	Berkeley, CAL	12
5	Princeton University	Princeton, NJ	11
6	Stanford University	Palo Alto, CAL	16
7	Northwestern University	Chicago, ILL	12
8	University of Pennsylvania	Philadelphia, PA	12
9	Yale University	New Haven, CT	9
10	New York University	New York City, NY	11

both theory and empirics. This type of information is missing for three assistant professors, one in Harvard, Stanford and New York University respectively, which decreases our effective sample size to 119. People's main areas of research were recorded. Data on gender were also collected.

The results reveal *ex post* a striking brain drain: only 25 per cent of the sample had obtained their first degree in the US and 87 per cent got their Ph.D there. Assistant-professor positions are not evenly distributed between the genders: 24 per cent are female and 76 per cent male. Purely theoretical work is uncommon. Almost half of these economists focus on empirical research; one third do a mixture of theory and applied work; only one fifth do entirely, or almost entirely, purely theoretical research (Figure 1). Closer inspection finds a lot of work that touches other social sciences, plenty of gathering of primary data,³ and much evidence of laboratory and field experiments.

Table 2: The Ten Most Popular Research Areas of the Assistant Professors (people could list more than one)

Research area	Number of researchers
Macroeconomics	33
Econometrics	28
Labour economics	25
Industrial organisation	15
Game theory	14
Growth and development economics	13
International economics	11
Applied microeconomics	11
Contract theory	7
Finance	7

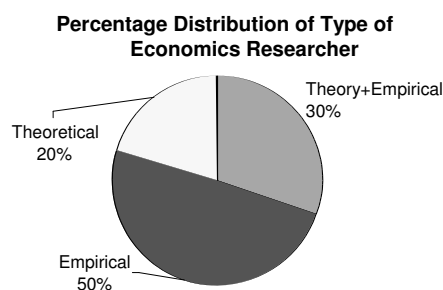
The 10 most popular research areas are listed in Table 2. The full list of areas is available on request. We find that the three most popular fields are macroeconomics, econometrics and labour economics.

Conclusions

We hope these simple data might be of interest to those concerned with the state of academic economics, with long-range academic planning, and with brain-drain issues.⁴ Our main findings are the following:

- In economics there exists a remarkable brain-drain, after the bachelor-degree, towards the United States.
- The 112 assistant professors in our sample are heavily involved in empirical research. In a sense, this fact runs contrary to longstanding worries expressed by authors such as Morgan (1988).
- Macroeconomics, econometrics and labour economics are the dominant fields.
- Approximately one quarter of these young economists are female.

Finally, we found it valuable to sit down with our results and open them up on the left-hand side of the desk while turning the pages of the interesting Hey (1992) volume on the right-hand side of

Figure 1

Note. For this exercise, we denote someone as 'theoretical' if more than three-quarters of their papers use no data, and as 'empirical' if more than three-quarters of their papers do use data. The other economists are classified as theory+empirical. Classifying people has an arbitrary element to it; it seems inevitable that there will be measurement error in our data.

the desk. Some of the latter essays, which aimed to forecast the profession to come, have weathered well in 15 years. Alvin Roth, for example, looks prescient⁵ when he says: 'I anticipate that experimental economics will play a growing role...' Milton Friedman's essay is modest about economists' achievements and frank about the role of technical expertise: 'Again and again, I have read articles written primarily in mathematics, in which the central conclusions and reasoning could readily have been restated in English, and the mathematics relegated to an appendix.' Although he may not have foreseen that a psychologist was soon to win the Nobel prize in economics, far-sightedness is found too in the words⁶ of Edmond Malinvaud: 'Psychologists, sociologists, and political scientists will offer us a rich body of evidence... Eventually the profession will find these contributions useful and even palatable.'

Notes:

1. We do not focus on the US to downplay the vitality and importance of young European scholars. Rather, our gathering of data stemmed from a project designed to measure international flows of scientists into the United States. ...continued on p.24

Correspondence

Economists conquer the world

Dear Editor,

In your April *Newsletter* (no.137), Diane Coyle addressed a number of issues influencing the development of Economics as an influential discipline. Central to much her contribution was the content and intellectual challenge of economics courses offered to undergraduates in their first couple of years of study. The great worry, using Diane Coyle's words, is whether or not, '...we are beating the enthusiasm out of young people much earlier in their education.'

What one would like to know is the extent to which undergraduate offerings in the first and second years of studies have been adapted from the neoclassical tradition to account for more recent developments such as in game theory and a range of applications readily available through simulations. Would it be possible for those academics who have taken on the challenges embodied in Diane Coyle's representations to make public to their colleagues their efforts to redesign the curriculum for a more challenging and stimulating presentation?

Perhaps the alternative question is whether or not the problem lies with the need for challenging and stimulating lecturers having the capacity to enliven any curriculum!

Yours sincerely,

Warren Hogan
*School of Finance and Economics,
University of Technology, Sydney*

On the bottom billion (also at home)

Dear Sir,

I appreciated reading the various valuable contributions to the April *Newsletter* No 137, in particular Paul Collier on 'The bottom billion', Diane Coyle on a public understanding of economics initiative and education reform, Angus Deaton on current-day research by economists, the report on the world distribution of wealth, and the two research groups findings on persistent unemployment and the cost of exclusion. Economics still is, at least in the *Newsletter*, a study that cares about the poor, like Alfred Marshall long ago or Jan Tinbergen in a less distant past.

There can be some comments that may be useful to see the wider issue. First of all, a minimum wage often comes with a tax void between net and gross wage. Since people are not allowed to work below the gross wage, the supposed taxes and premiums of the tax wedge will not be collected anyway. It will not cost anything to abolish such taxes and premiums, and allow people to work at the gross = net minimum. Secondly, where economists consider optimality, solutions are frequently stated in terms of derivatives, or marginal rates. One frequent conclusion is that marginal tax rates reduce the incentive to work. Yet, this neglects dynamic consistency. When tax exemption and other brackets are adjusted with income then the average tax rate will remain the same, so that the overall population will not be disincentived in any way. The two points combine in that current policy is to reduce marginal rates and to switch from income tax to VAT (that has no exemption), while the true optimal policy is to reduce VAT and raise tax exemption, to allow the disadvantaged to work at cost-effective salaries instead of living on benefits.

The latter optimal policy worked in the 1950s and early 1960s. Since then, tax rates have been adjusted for inflation while the standard of living has been rising with national income, which caused an increasing level of taxation for the poor, requiring a raise of the minimum wage and so on. The process is international, and for example French taxation has a high component of VAT, so that one tends to understand the frustration in the banlieux.

Up to now, the West has been fighting its own unemployment at home by shielding its markets from cheaper competition. The CAP is an example. Yet, the unemployment in the West is not caused by such cheaper competition, but by home grown policies that arise from an insufficient awareness of the need for co-ordination. If we do more research on co-ordination and manage to establish that co-ordination, and find a proper institutional framework to warrant proper co-ordination in the future, then the world will experience another economic revival.

If we are to help the bottom billion and the disadvantaged at home, if we are to reshape economic education, if we want to inform the public about economics, if our modern research is to be relevant, if we want to do something about persistent unemployment and its cost, then it seems that the notions above cannot be missed for the overall picture. One thinks that there are lessons to be learned here, and that those are better learned before we make similar mistakes on world climate change.

Thomas Colignatus
<http://www.dataweb.nl/~cool>

Obituaries

Chris Jensen-Butler

Christopher ('Chris') Jensen-Butler was Professor of Economics at the University of St Andrews during a period of remarkable expansion and development over the period 1995-2006. He was Head, School of Economics (and then Head of the enlarged School of Economics & Finance), University of St. Andrews from 1996 until his untimely death in 2006. During his time in the School, he was an active member of the Centre for Research into Industry, Enterprise, Finance and the Firm (CRIEFF). He arrived first in St Andrews, to take up the Chair of Urban and Regional Planning (1995-96), but rapidly found that Economics & Finance was a more congenial home for his particular mix of intellectual interests.

Chris was born Christopher Butler in Derby, UK, 5 June 1945, of an Irish family that had settled in Liverpool. He was resident in Denmark from 1969 to 1995, in the course of which he took the surname Jensen-Butler, after his first marriage. He was greatly influenced by Danish social constructions, including the design of their university education system. This was evident in his open, consultative mode of management, during his decade of Headship at St Andrews. His quarter century in Denmark also explains his love of sailing, a pursuit not entirely neglected when he moved to Scotland, but one that was certainly central to his leisure time in Denmark, often spent sailing his own ship on the Baltic.

Chris was educated at Bemrose School, Derby (a grammar school from 1930-1975). This notable school has the motto *Non Nobis Sed Aliis* (Not for us but for others), and this motto itself epitomizes Chris's period of leadership in St Andrews. After leaving school, he went on to read geography at Durham University (then, as now, a top rated university for geography), where he was a member of University College. He continued his studies in Durham after graduating BA, and went on to obtain a PhD in Social Sciences, specializing in geography and planning. His doctoral work laid the foundation for a long and fruitful research career. Throughout his life, he retained a close interest in his alma mater.

Starting with an Assistant Professorship in 1969 at the University of Aarhus, he held various positions in Denmark over the period 1969-1995. The nature of these posts indicates the diversity of Chris's interests and skills: Associate Professor in the Department of Geography, University of Aarhus (1972-87); Associate Professor in the Department of Mathematics (Mathematics and Planning Division), University of Aarhus (1987-91) and Associate Professor, Department of Political Science, University of Aarhus (1991-95). His intellectual gifts

were wide ranging, and he was as happy debating mathematical niceties (including the sense or otherwise of our university marking systems!) as political issues of the day, or reflective philosophical matters. He spoke several European languages fluently, including, naturally, Danish, but also French, Spanish and Portuguese.

Chris was a visiting professor in the Department of Geography, University of Copenhagen and a visiting professor at the University of Lisbon. He used these visiting connections effectively to keep his research active, in the face of the heavy burden of administration he bore as Head of Economics & Finance. He undertook consultancy work on many projects, including work for the European Commission and national and local government agencies, as well as for private companies, working in the planning and economic development fields.

His research interests were in urban and regional economics, with special interests in local and regional economic development, transport, telematics and the environment. He published in a wide range of journals, including *Regional Studies*, *Urban Studies*, *Environment & Planning A*, *Papers of Regional Science*, *European Urban and Regional Studies* and *The International Journal of Urban and Regional Research*. His (edited) books included *Modelling the Economy and the Environment* (Springer Verlag, Berlin), and *European Cities in Competition* (Avebury, UK), and he was the author of *Telematics and Urban Development*, published by DGXIII, European Commission.

During his period of Headship at St Andrews (1996-2006), he oversaw a large increase in the scale of the School, and was a facilitator of many innovations in its organization and operations, including the creation of a new School of Economics & Finance, and the introduction of a very open system of governance within the School, notably in its relations with students, who were drawn into involvement, in a very positive way, with numerous pedagogic developments. He had a knack of getting consensual agreement for all his many initiatives, and was an ever present figure in the beautiful setting of Castlecliffe (where Economics & Finance is located), overlooking the West Sands of St Andrews: surely one of the most beautiful university School locations in the world.

Chris enjoyed hill-walking, and found Scotland an ideal location for this outdoor pursuit. Another interest, this one indoors, was classical music. His memorable Christmas quizzes reflected his familiarity with a range of the very best in classical music. Finally, he was a lover of good food and wine, and a most congenial host. He would agree that a lot of the best deals are done over dinner.

Sadly, his illness was diagnosed late, and he had worked at full stretch until shortly before his death. He faced his final days with great courage, and maintained a certain plucky sense of humour, in floating ideas for his funeral arrangements. Chris died on the 17th May 2006 at the memorial Hospital, St Andrews. His funeral was at Kirkaldy crematorium, on the 3rd June 2007.

A memorial plaque to Chris was unveiled by his widow Carme Vila, in the Spanish Garden, within the grounds of the School of Economics & Finance, on the 2nd May 2007, an occasion which was attended by many of his friends and colleagues. Professor John Beath, a previous Head of Economics, gave the memorial address, and led all present in celebrating Chris's life over a glass (or two) of Cava.

Gavin C Read
University of St Andrews

Richard Musgrave

Richard Abel Musgrave, Professor emeritus of Harvard University, Adjunct Professor of Economics of the University of California, Santa Cruz, and founder of modern public finance, died on 15 January 2007 in Santa Cruz. He is survived by his wife Peggy Boswell Musgrave, also an economist.

Born in Koenigstein/Taunus, near Frankfurt am Main, on 14 December 1910, Musgrave studied economics at the University of Munich in 1930/31, Exeter College, and, from Fall 1931, at the University of Heidelberg where he acquired the diploma degree in May 1933. In Heidelberg he was deeply influenced by the young Privatdozent Jacob Marschak, and his seminars on Keynes's *Treatise on Money* and on integrating fiscal flows into the national incomes accounts. He got a further stimulus from Otto Pfleiderer, who, together with Gerhard Colm *etc al.*, had contributed to the renaissance of fiscal policy which took place in Weimar Germany. Most of his teachers were dismissed shortly after the Nazis' rise to power, and the young Musgrave emigrated to the United States in Fall 1933. There he continued his studies at the University of Rochester and from 1934 at Harvard, where he became Master of Arts in 1936 and received his PhD in economics, with H.H. Burbank, only one year later. Musgrave was teaching economics as an Instructor at Harvard until 1941. In those years he published his seminal article¹ with which he laid the foundations of a modern theory of public goods and, by importing the Wicksell-Lindahl model from the German-language literature to the Anglo-Saxon world, '...helped to bring the problem to Paul Samuelson's attention, then a fellow graduate student at Harvard',² who was inspired by Musgrave's contribution to write his pathbreaking article 'The Pure Theory of Public Expenditures',³ which specifies the conditions for a pareto-optimal provision of private and public goods in a general equilibrium model.

Musgrave, who became a US citizen in 1940, left Harvard for Washington in 1941 where he worked as a research economist with the Board of Governors of the Federal Reserve System until 1947. In dealing with the New York Reserve Bank Musgrave in particular acquired a deeper knowledge of debt finance. He never lost contact with academics, which is best reflected in one of his most distinguished contributions to taxation theory, jointly written with Evsey D Domar.⁴ In contrast to prevailing opinion, the authors showed that it is quite likely that taxation of capital income with full compensation of losses will enhance relatively risky investment activities. The article, which contains the first systematic application of decision theory under uncertainty to taxation problems, is one of the most influential contributions on tax incidence theory which gave a major stimulus to the modern literature on the influence of taxation on risky investment decisions.

Musgrave returned to academic life in the late 1940s. After a year in which he taught economics at Swarthmore College in Pennsylvania, he joined the Department of Economics of the University of Michigan at Ann Arbor in 1948, being appointed Associate Professor in 1949 and Full Professor in 1950. Musgrave stayed at the department in Ann Arbor, which included his friend and co-émigré Wolfgang F Stolper, Kenneth Boulding, Gardner Ackley *etc al* ... and offered a most congenial and productive environment, for one decade. In this period, in which he taught public finance and macroeconomics, his most important book *The Theory of Public Finance* (1959)⁵ came into being.

In 1958 Musgrave moved to Johns Hopkins University whose department, including Simon Kuznets and Fritz Machlup, also was in full blossom. In 1961 Musgrave changed from Baltimore to the newly founded Woodrow Wilson School of Public Affairs at Princeton University, before he finally returned to Harvard University in 1965 where he stayed until his retirement in 1981. Musgrave joined Harvard as professor of economics in the Faculty of Arts and Sciences and at the Law School. He shared the public finance courses with Martin Feldstein, the later long-time President of the National Bureau of Economic Research. In 1969 Musgrave became H H Burbank Professor and the Chairman of Harvard's standing committee on Afro-American studies. From 1969-1975 he also was editor of the *Quarterly Journal of Economics*. After his retirement Musgrave moved to the Bay area where the University of California, Santa Cruz appointed him Adjunct Professor and where he remained an active researcher until the end of his life.

Richard Musgrave's many outstanding contributions comprise studies on public goods and merit goods,⁶ studies on tax incidence, tax progressivity and the effects of taxation on risk-taking, fiscal systems,⁷ the role of fiscal policy in stabilizing the economy, and the careful editing of classic texts in the theory of public finance⁸ which made them available to an English readership.

In particular Musgrave transformed the discipline of public economics with his opus magnum *The Theory of Public Finance* which offered a unifying perspective on public goods. His famous division of governmental economic activity into the three branches of the allocation of resources with related questions of efficiency, the distribution of income via an integrated tax and transfer system, and the stabilization of the overall economy became a trademark which had a strong influence on the research frontier for decades as well as it became a core issue for many generations of students in economics. Particularly redistribution issues or interventions into consumer sovereignty in the provision of merit goods raised many problems and controversies. In the (social) democratic tradition of Wicksell, Musgrave repeatedly had pointed to the importance of democratic decision processes concerning the shaping of the tax and transfer system or the provision of public goods.

Musgrave's works are characterized by a fruitful combination of the Anglo-Saxon and German traditions of public finance. The former had developed as part of standard economics and shared the rigor of its analysis. The German tradition of Finanzwissenschaft had a broader perspective, including institutional, historical, sociological, and legal aspects. Musgrave's multiple theory of the public sector with its tendency for classification, a more positive view of the public sector, and allowance for distribution as a fiscal concern, also indicates German influences in the emigrant's baggage.

This came to be combined with the more market-oriented Anglo-Saxon traditions in which, with the outbreak of the Keynesian revolution, macro concerns penetrated into the mainstream of fiscal thinking. In general Musgrave's work is an outstanding example of a fertile crossing of traditions, and is not untypical for the group of emigré economists at the borderline between the first and the second generation — old enough to have acquired academic degrees in Germany and Austria but young enough to continue the studies in the UK or the US and to be open to the integration and development of new ideas. No wonder Musgrave is among those emigrés who, despite all the unpleasant consequences of expulsion and emigration, regard themselves as Emigrationsgewinner, i.e. 'emigration profiteer'.

Like his friend Wolfgang Stolper and his colleague in public finance, Gerhard Colm, Musgrave strongly engaged himself in the post-WWII reconstruction process of the German economy and democracy. Already in 1948 he was a member of a special mission, together with Alvin Hansen and Walter Heller, to examine Germany's need for U.S. aid. In the early 1990s he was appointed as an honorary member of the Center for Economic Studies at the University of Munich. There a remarkable event took place in March 1998. Richard Musgrave, who initiated the resumption of the Wicksell-Lindahl tradition of public finance in the Anglo-Saxon World, and James Buchanan, for whose treatment of public goods⁹ the Wicksell-Lindahl line was

equally important, met for a one-week symposium to discuss their contrasting visions of the public sector.¹⁰

Richard Musgrave received numerous honours and awards. In 1978 he was elected a Distinguished Fellow of the American Economic Association. In the same year he was named Honorary President of the International Institute of Public Finance. Three years later he received the Frank E Seidman Distinguished Award in Political Economy, in 1986 he was elected to the National Academy of Sciences, and in 1994 he received the Daniel M Holland Medal from the National Tax Association. Among his five honorary doctoral degrees is one which the University of Heidelberg, his alma mater, awarded to him in May 1983, fifty years after he received with the diploma his first academic degree at that institution, in which during his student days '...concern with a communal want approach had remained much in the air'.¹¹

Harald Hagemann
University of Hohenheim

Notes

1. R A Musgrave (1939), 'The Voluntary Exchange Theory of Public Economy', *Quarterly Journal of Economics*, 53, 213-237.
2. R A Musgrave (1996-97), 'Public Finance and Finanzwissenschaft Traditions Compared', *Finanzarchiv*, 53(2), 145-193.
3. P A Samuelson (1954), 'The Pure Theory of Public Expenditures', *Review of Economics and Statistics*, 36, pp. 387-389.
4. E D Domar, R A Musgrave (1944), 'Proportional Income Taxation and Risk Taking', *Quarterly Journal of Economics*, 58, 388-422.
5. R A Musgrave (1959), *The Theory of Public Finance*, New York: McGraw Hill
6. The concept of merit goods was introduced by R.A. Musgrave (1957) in his article 'A Multiple Theory of Budget Determination', *Finanzarchiv*, 17(3), 333-343. See also his contribution 'Merit goods' in J. Eatwell, M. Milgate, P. Newman (eds.), *The New Palgrave*, Vol. 3, London: Macmillan, 452-3.
7. R.A. Musgrave (1969), *Fiscal Systems*, New Haven and London: Yale University Press.
8. R A Musgrave, A Peacock (eds.) (1958), *Classics in the Theory of Public Finance*, London: Macmillan.
9. J M Buchanan (1968), *The Demand and Supply of Public Goods*, Chicago.
10. J M Buchanan and R A Musgrave (1999), *Public Finance and Public Choice. Two Contrasting Visions of the State*, ed. and introd. by H.-W. Sinn, Cambridge/Mass.: MIT Press.
11. R A Musgrave (1997), 'Crossing Traditions', in H Hagemann (ed.), *Zur deutschsprachigen wirtschaftswissenschaftlichen Tradition nach 1933*, Marburg: Metropolis, 75.

Royal Economic Society Survey on the Gender and Ethnic Balance of Academic Economics 2006

Towards the end of 2006 the Royal Economic Society (RES) conducted a survey of the gender and ethnic balance in academic employment in economics in Britain. This was the sixth survey in a series started in 1996, and repeated bi-annually thereafter. In 1998, the RES also undertook a survey into the ethnic composition of academic employment in economics. Since 2000 these surveys have been combined. Andreas Georgiadis and Alan Manning report here on the latest survey.

The Gender and Ethnic Balance questionnaire was sent out to around 97 institutions drawn, as in previous years, from the CHUDE mailing list. The survey asked for information as of November 30th 2006 on academic staff (full-time and part-time) by grade of employment, gender, ethnicity, and country of birth. It also collected information on promotions and new hires. In addition there was a leavers' survey that sought information on all those who had left in the academic year 2005/2006 – including questions on destination and reason for leaving. The leavers' survey was a new feature of the 2006 survey.

By the end of March 2007, 45 completed usable questionnaires had been returned, 37 of which had also responded in 2004 (these departments form the balanced panel). The total responses were down from the 79 received in 2004 — however fewer questionnaires were issued in 2006 so the response-rate (at 47 per cent of eligible institutions) was the same as that achieved in 2004, though the 2000 survey had achieved a 60 per cent response rate. The low response rate in spite of numerous attempts by us, CHUDE and the RES to obtain a return is a matter for concern and is discussed further below.

In the analyses which follow we make use of both the sample of all responding institutions and for comparative purposes the balanced panel of departments responding in both 2004 and 2006. The balanced panel is similar in terms of size, RAE rating and RAE unit of assessment to the sample of responding departments.

Overview of the findings

The main features that stand out in the 2006 survey are:

- women are 20 per cent of all academic staff in economics departments
- women are under-represented among professors – one in three men are professors compared to one in six women

- the proportion of women is higher in research jobs than in standard academic jobs
- the proportion of women is higher among part-timers than full-timers
- 15 per cent of staff are from ethnic minorities but only 9 per cent of professors
- the response rate among departments is not high at 47 per cent
- many departments give the impression of being uninterested in the exercise
- there is no indication that non-responders have a lower proportion of women than responders

Table 1: Primary employment function: All academic staff in economics departments and research institutes, (responding sample, 2006)

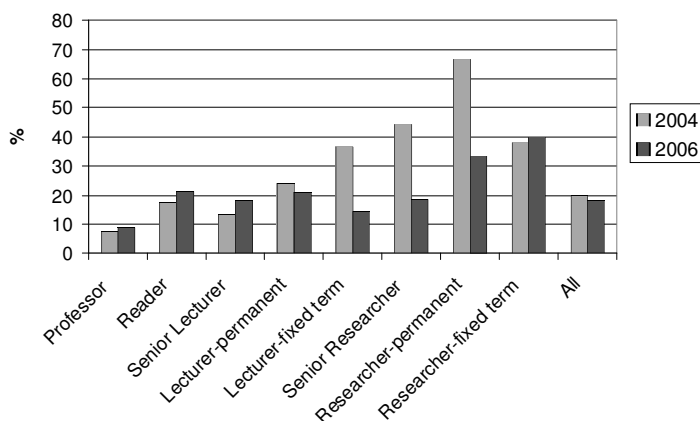
Primary employment function	Female	Male	Total	% female
<i>All staff - full-time</i>				
Professors	22	232	254	8.66
Readers	14	54	68	20.59
Senior Lecturers	39	166	205	19.02
Lecturers-permanent	78	246	324	24.07
Lecturers-fixed term	2	13	15	13.33
Senior Researchers	4	16	20	20
Researchers-permanent	10	13	23	43.48
Researchers-fixed-term	16	25	41	39.02
TOTAL	185	765	950	19.47
<i>All staff - part-time</i>				
Professors	2	20	22	9.09
Readers	0	1	1	0
Senior Lecturers	4	7	11	36.36
Lecturers-permanent	3	6	9	33.33
Lecturers-fixed term	5	3	8	62.5
Senior Researchers	4	2	6	66.67
Researchers-permanent	1	3	4	25
Researchers-fixed-term	7	4	11	63.64
TOTAL	26	56	82	36.11
GRAND TOTAL	211	821	1032	20.44

It is also of some interest to compare the results from the 2006 survey with that from 2004. The low response rate makes this comparison difficult but the overall impression is:

- there has been little change in the overall proportion of women among academic economists
- the changes that are observed are not generally significantly different from zero making it hard to make any definite statement about trend

Table 1 shows that there were, in November 2006, 950 full-time economists working in academia in the 45 departments that participated in the survey. Just over one-fifth (20.44 per cent) of all the staff were women in 2006, a proportion which is almost equal to that of 2004 (20.5 per cent).

Figure 1: Academic grade by gender – full-time academic, balanced panel, 2004-2006

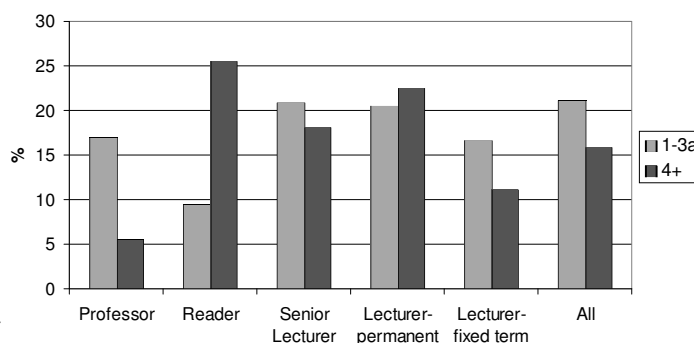


As in previous years, the most striking finding is the under-representation of women in senior positions. Only 8.7 per cent of professors are women. Figure 1 looks at changes between 2004 and 2006 using the balanced panel. This suggests a small increase in the proportions of women at higher grades between 2004 and 2006 — in 2004 women held 7.76 per cent of all professorships while in 2006 this had risen to 8.8 per cent. Women readers also increased from 17.18 per cent of all readers to 21.43 per cent within the last two years. However there is a marked fall in the proportion of women among researchers and fixed-term lectureships so the proportion of women overall fell slightly.

Analysis by RAE grade

Figure 2 looks at the proportion female at different levels by RAE grade of department. The departments were divided into those which scored a 1, 2, 3a and 3b and those which scored a 4, 5 or 5* grade in the 2001 RAE. On average, departments rated 1-3 in the 2001 RAE have relatively more posts held by women than those rated 4+ (21.15 per cent compared to 15.86 per cent respectively). Departments that were rated 1-3a had a much higher proportion of female professors than did departments rated

Figure 2: Proportion of female staff, by RAE 2001 grade of department



4+ (16.9 per cent compared with 5.46 per cent) (see figure 4 below) though this pattern was reversed for readerships.

Promotions

Responding institutions recorded 73 promotions over the two years 2004-2006, 27 per cent of which went to women. The gender mix by rank is reported in Table 2.

New hires

Reported new staff, that is staff taken on since 2004 not including internal promotions, were identified and the proportion female in each grade computed before and after hiring.

Table 3, below, uses the balanced panel to compare new staff in 2006 and 2004. Overall the

Table 2: The proportion of promotions awarded to female economists (responding sample, 2006)

	% female promotions	% female in grade	% female below	No. of female promotions
Professor	14.29	8.4	15.79	2
Reader	31.25	15.79	16.84	5
Senior Lecturer	37.5	16.84	24.46	12
Permanent Lecturer	16.67	24.46	33.33	1

share of women in new hires declined in 2006 (21.74 per cent) compared to 2004 (25.93 per cent). Table 3 also reports gender balance in new hires by rank though sample sizes are so small it is hard to draw any very definite conclusions.

The leavers' survey

The 2006 survey asked explicitly, for the first time, about leavers in the previous academic year. Table 4 outlines the number of female leavers in relation to total leavers.

The proportion of females in all leavers is very close to the proportion in all staff suggesting women are not leaving jobs at a faster rate than men.

Table 3: New Staff (balanced panel, 2004-2006)

<i>New Staff</i>	<i>Female</i>	<i>Male</i>	<i>2006 total</i>	<i>2006% Female</i>	<i>2004 total</i>	<i>2004% Female</i>
Professors	1	21	22	4.55	21	14.28
Readers	0	7	7	0	9	22.22
Senior Lecturers	3	5	8	37.5	15	26.66
Lecturers-Permanent	13	30	43	30.23	31.7	25.23
Lecturers-fixed term	3	9	12	25	12	50
TOTALS	20	72	92	21.74	88.7	25.93

Some concern has been expressed in the past that female leavers are more likely to exit academia – Table 5 shows there is some indication that this is the case – 61 per cent of female leavers remaining in academia compared to 72 per cent of male leavers. Female leavers are more likely to move into non-employment or to an unknown destination.

Ethnic minorities

Table 6 reports the findings from the 2006 survey on the composition of academic employment by grade and ethnic group.

Table 4: Female leavers by rank (responding sample, 2006)

<i>Primary Employment Function</i>	<i>Total Number of Leavers</i>	<i>No of female Leavers</i>	<i>% Female</i>
Professors	13	0	0
Readers	4	0	0
Senior Lecturers	18	3	16.7
Lecturers	44	12	27.3
Senior Researchers	7	1	14.3
Junior Researchers	26	7	26.9
TOTAL	112	23	20.54

Table 5: Proportions of female and male leavers across job destinations (responding sample, 2006)

<i>Job Destination</i>	<i>Female Leavers</i>	<i>Male Leavers</i>	<i>All Leavers</i>
Academic	60.9	71.6	69.4
GES/Bof England	0	0	0
Other Govt/NGO	4.3	3.4	3.56
Unknown Job	13.0	6.8	8.02
Private Sector	8.7	6.8	7.2
Non-Employed	13.0	6.8	8.1
TOTAL	20.54	79.46	100

nic group. White academics continue to dominate at all levels of employment though there have been small gains by other ethnic groups. Overall, in the responding sample 84.2 per cent of academic economists were white, falling from 86 per cent in 2004. The representation of non-whites declined with seniority and status. White academics held greater proportions of jobs at the higher grades: nearly 92 per cent of professors were white. But even at the entry-level grade of fixed-term staff 73.33 per cent

were white. In the responding sample, the representation of asian and chinese academics decreased relative to 2004 (from 8.4 per cent to 7.04 per cent and from 2.4 per cent to 1.73 per cent respectively), whereas there was an fall in the representation of black and all other ethnic minorities in standard academic jobs (from 1.2 per cent to 1.96 per cent and from 2 per cent to 5.07 per cent respectively).

Multivariate analysis

All of the analysis so far has been bivariate. This section reports the results of a simple multivariate exercise in which we report the results from a probit model for being female or non-white on a variety of characteristics.

Table 7: Ethnic group by academic grade-all full-time economists (responding sample, 2006)

<i>Full-time-All</i>	<i>Professor</i>	<i>Reader</i>	<i>S/L</i>	<i>Lecturer perm't</i>	<i>Lecturer f-term</i>	<i>n</i>
White	91.34	82.35	84.88	79.01	73.33	730
Black	0.39	1.47	1.95	3.4	0	17
South						
Asian	4.33	10.29	5.37	8.95	20	61
Chinese	0.39	0	1.95	3.09	0	15
Other	3.54	5.88	5.85	5.56	6.67	44
N	254	68	205	324	15	867

Table 8: Multivariate analysis

<i>Dependent variable</i>	<i>Female</i>	<i>Female</i>	<i>Non-white</i>	<i>Non-white</i>
Professor	-0.165 [0.025]**	-0.165 [0.025]**	-0.123 [0.023]**	-0.12 [0.023]**
Reader	-0.035 [0.045]	-0.054 [0.043]	-0.041 [0.039]	-0.041 [0.039]
Senior Lecturer	-0.041 [0.031]	-0.052 [0.031]	-0.051 [0.027]	-0.048 [0.028]
Senior researcher	0.02 [0.081]	0.005 [0.077]	-0.112 [0.038]**	-0.113 [0.037]**
Junior researcher	0.126 [0.068]	0.109 [0.067]	0.007 [0.052]	-0.002 [0.051]
Temporary	0.014 [0.052]	0.007 [0.052]	-0.017 [0.046]	-0.026 [0.045]
Part-time	0.127 [0.060]*	0.129 [0.060]*	-0.004 [0.046]	-0.004 [0.046]
RAE 4	-0.097 [0.029]**	-0.1 [0.029]**	-0.014 [0.031]	-0.014 [0.031]
RAE 5/5*	-0.039 [0.029]	-0.042 [0.029]	0.032 [0.029]	0.031 [0.029]
Business/Management department	-0.056 [0.027]*	-0.055 [0.027]*	-0.035 [0.025]	-0.034 [0.025]
Promoted in last year		0.18 [0.066]**		0.028 [0.052]
Hired in last year		0.049 [0.039]		0.042 [0.036]
Observations	1022	1022	1022	1022

Marginal effects reported; standard errors in brackets
* significant at 5%; ** significant at 1%

The results from this exercise tell us about the types of jobs in which women are over- or under-represented. The first two columns of Table 8 reports the results where the dependent variable is being female and the last two where it is being non-white.

This analysis largely confirms the results from the bivariate analyses. Professors are much less likely to be women, part-timers are more likely to be women, and higher-ranked departments have fewer women as do business and management departments. The second column indicates that women are over-represented among those promoted in the past year. For ethnic minorities the only significant finding is that professors and senior researchers are less likely to be non-white.

The low response rate: conspiracy or apathy?

As mentioned already, the response rate to this survey is not high. Conspiracy theorists might think this is because non-responders have something to hide. To investigate this Karen Mumford kindly provided a RA who went to the web-sites of no-responders and recorded the number of women by grade. Table 9 reports the comparison of responders and non-responders. In coding the non-responders we excluded visitors and emeritus staff and all research staff are grouped together.

There is no real indication here that non-responders are reluctant to participate in the survey because they have something to hide — it seems a more likely that this type of exercise is not regarded as a high priority in the face of considerable other demands on departmental time.

Table 9: A Comparison of Percentage Female in Different Ranks by Responders and Non-responders

	<i>Responders</i>	<i>Non-responders</i>
Professor	8.2	9.4
Reader	19.2	12.5
Senior Lecturer	19.9	19.2
Lecturer	24.6	30.1
Research Staff	38.0	29.0
All	20.6	20.0

Conclusion

The overall impression from the 2006 survey is one of little change – women remain a small minority among academic economists, and are heavily under-represented among the more senior grades. What change there is not always in the right direction e.g. the proportion of full-time academic jobs held by women has decreased slightly from 20.5 per cent in 2004 to 19.47 per cent in 2006, a trend also observed in the balanced panel. It could be argued that this lack of change is unsurprising as nothing much in the organization of academia has changed. Although many academics probably think the low proportion of women an embarrassment and that it would be a good thing if the proportion of women rose, there is little in the way of positive steps to do anything to address the problem. Indeed the low response rate to the survey suggests a lack of interest in the issue.

Ethnic diversity has also changed little. In 2004, 91.38 per cent of professors were white, by 2004 this had decreased to 90.34 per cent. Overall the proportion of jobs held by white academics increased slightly over the two years.

A full version of the report can be found at <http://www.res.org.uk/society/women.asp>

The future of economics ...continued from p.16

- Oswald (1991) was less pessimistic: it showed that the percentage of *Economic Journal* papers using micro data had risen quite strongly through time.
- Perhaps surprisingly, almost no contributor to the 1991 Centenary Issue mentions the need for economists more often to gather their own primary data. Morgan (1988), however, does emphasise this.
- Later this year we hope to release a more wide-ranging paper (Warwick University, 2007). It will provide data on the brain drain among the world's most-cited physicists and bio-scientists.
- Charles Plott's essay makes the same point and adds that 'the involvement of the life sciences will foster a degree of specialisation beyond the imagination of most economists.'
- Related sentiments are expressed, within the Centenary volume, by Frank Hahn, John Pencavel and Richard Schmalensee.

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RES News items

Annual Conference, 2008

The 2008 Annual Conference will be held at the University of Warwick from

Monday 17 to Wednesday 19 March 2008.

Keynote lectures will be given by

Susan Athey (Harvard)

Ernst Fehr (Zurich)

Hyun Shin (Princeton)

The Programme Committee invites submissions of papers for General Sessions in any field of economics and econometrics. Submissions must be made electronically at the following URL:

<http://gemini.econ.umd.edu/conference/res2008/>

The deadline for submission will be **12 October 2007**. Notification of acceptance will be sent by mid-December 2007.

Proposals for Special Sessions are also invited. A Special Session on any particular theme would typically bring together 3 papers plus discussants. For further information, please consult the RES2008 conference web-site.

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

The Programme Chair for RES2008 is Professor Jonathan Temple: respapers-2008@bristol.ac.uk.

The Local Organiser of RES2008 is Dr Natalie Chen: res2008@warwick.ac.uk.

Other Information

Further details on the Call for Papers, submissions to General Sessions, registration, and other matters — including information on financial support for postgraduate students — will be made available via the conference web-site: <http://www.res.org.uk/society/annualconf.asp>

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.

Please note that the awards under the conference grant scheme are highly competitive, and selection will be based on the following criteria. These criteria should be addressed by the Head of Department in his/her supporting statement on the application form.

- Preference will be given to applicants who are new entrants to the profession.

- Preference will be given for attendance at high-impact international conferences.
- Preference will be given to applicants whose attendance cannot ordinarily be funded from other sources, such as existing research grants.

Please note that no awards will be made to any applicant who has received an RES grant (under the Conference Grant or Support for Small Academic Expenses schemes) in the 3 previous years.

Application forms and further particulars may be obtained from either: http://www.res.org.uk/society/grants_fellowships.asp or Professor Anton Muscatelli, Principal and Vice-Chancellor, Heriot-Watt University, Edinburgh, EH14 4AS. Fax: + 44 (0) 131 451 3330. E-mail: s.smilie@hw.ac.uk

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. Please note that the awards under the conference grant scheme are highly competitive, and selection will be based on the following criteria. These criteria should be addressed in the letter of application:

- Preference will be given for initiatives which are for the benefit of new entrants to the profession.
- Preference will be given to initiatives which cannot ordinarily be funded from other sources, such as existing research grants.

Please note that no awards will be made to any applicant who has received an RES grant (under the Conference Grant or Support for Small Academic Expenses schemes) in the 3 previous years.

The closing dates for applications are **31 January, 31 May, and 30 September** each year and applications will only be considered at these times.

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, Principal and Vice-Chancellor, Heriot-Watt University, Edinburgh, EH14 4AS. Fax: + 44 (0) 131 451 3330 E-mail: s.smilie@hw.ac.uk

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, Principal and Vice-Chancellor, Heriot-Watt University, Edinburgh, EH14 4AS. Fax: + 44 (0) 131 451 3330 E-mail: s.smilie@hw.ac.uk

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

Conference Diary

2007

july

12-13 July *Manchester*

Fourth conference on Growth and Business Cycles in Theory and Practice to be held at the University of Manchester. The conference is intended to provide a forum for the dissemination of recent research on growth and business cycles from both theoretical and empirical perspectives and should be of interest to both academic economists and policy makers alike.

Further information from: www.ses.man.ac.uk/cgbcr/latest.htm

12-14 July *Samos, Greece*

CALL FOR PAPERS

Fourth annual conference of Advances in Financial Economics (AFE). Submissions should be made by 15 May 2007 to the Editorial Board of QASS at: www.qass.org.uk.

Further information from: www.ineag.gr/AFE/

13-15 July *Bristol*

Ninth annual conference of the Association for Heterodox Economics to be held at the University of the West of England.

Further information from:

www.open.ac.uk/socialsciences/hetecon/2007conference_middle.htm

29 July - 1 August *Oregon, USA*

Annual meeting of the Canadian Agricultural Economics Society (CAES).

Further information from: www.caes.ca/conferences/annual_meetings/2007_call.cfm

september

5 September *Cambridge*

Key Contacts conference of the Economics Network.

Further information from:

www.economicsnetwork.ac.uk/events

6-7 September *Cambridge*

Fourth international conference on Developments in Economics Education (DEE) organised by the Economics Network. The conference is aimed at anyone with an interest in teaching economics at HE level. Keynote speakers: Tim Hartford (*Financial Times*), David F Hendry (University of Oxford) and Andy Ross (GES and HM Treasury).

Further information from:

www.economicsnetwork.ac.uk/dee2007/

6-9 September *Valencia, Spain*

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

Further information from: www.uv.es/earie07/

7 September *Bristol*

Conference on Economics Postgraduate Teaching Assistant/Tutors workshop organised by the **Economics Network**.

Further information from:

www.economicsnetwork.ac.uk/events

10-12 September *Belfast, Northern Ireland*

Annual History of Economic Thought conference to be held at Queen's University, Belfast.

Further information from:

www.qub.ac.uk/schools/SchoolofManagementandEconomics/HistoryofEconomicThoughtAnnualConference2007/

13-14 September *London*

CALL FOR PAPERS

Conference On the Source(s) of Macroeconomic Stability to be held at the Bank of England. The aim of the conference is to bring together researchers from both the international academic and policy communities to discuss the latest advances in empirical and theoretical analysis of business cycles. Those wishing to present a paper should send by 31 July 2007 a PDF file containing draft paper to Paolo Surico at paolo.surico@bankofengland.co.uk

Further information from: Paolo Surico at the above email address.

20-21 September *London*

Fifth 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 and

www.cass.city.ac.uk/conferences/oxmetrics2007/index.html.

21-22 September *Nottingham*

Conference to celebrate the career of **Paul Newbold** following his retirement to be held at the University of Nottingham. Keynote speakers will be: Peter Phillips (Yale), Peter Robinson (LSE), Bruce Hansen (Wisconsin-Madison), Pierre Perron (Boston) and Graham Elliott (California, San Diego).

Further information from: www.nottingham.ac.uk/economics/grangecentre/conference/

20-22 September Oslo, Norway

Nineteenth annual conference of the **European Association of Labour Economists**. The aim of the conference is to facilitate the exchange of research ideas and results across a range of fields in Labour Economics.

Further information from: www.eale.nl

25 September London

One-day workshop for **Economics Postgraduate Teaching Assistants/Tutors** to be held at the London School of Economics. The workshop will be specifically designed to meet the needs of economics postgraduate teaching assistants and tutors with a focus on small-group classes, tutorials, seminars and workshops.

Further information from:
www.economicsnetwork.ac.uk/events/gta0907.htm

28 September Ontario, Canada

Conference on **Comparing North American and European approaches to Climate Change**.

Further information from:
www.wlu.ca/viessmann/html_pages/conferences.htm

october

4-6 October Siena, Italy

Twelfth European conference on the **History of Economics** to be held at the University of Sienna. The theme will be: Axiomatic in Economics: the Rise and Fall.

Further information from: www.econ-pol.unisi.it/eche07/

12-13 October Bristol

Residential workshop for **Economics New Lecturers**.

Further information from:
www.economicsnetwork.ac.uk/events/newlec1007.htm

12-14 October Loughborough

Ninth annual conference of INFER (International Network for Economic Research) to be held at Loughborough University. The subject will be: **Monetary and Economic Integration in Europe**.

Further information from: www.infer-research.net and
www.lboro.ac.uk/departments/ec

november

1-3 November Padua, Italy

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

Further information from: www.economia.unipd.it/asset2007/

24 November Barcelona, Spain

Second workshop on **Poverty and Social Exclusion: Dynamics and Multidimensional Issues**.

Further information from: www.ecap.uab.es/workshop07
or bcn.workshop@uab.cat

2008

january

25-26 January

Italy

CALL FOR PAPERS

First international conference in memory of Carlo Giannini on the subject **Recent Development in Econometric Methodology** to be held at the Università de Bergamo. The organisers encourage the submission of original papers (both theoretical and empirical) which will help in the evaluation of recent developments in time series and panel data analysis, Bayesian econometrics, financial econometrics, non-parametric and semi-parametric econometrics. Of particular interest will be papers on models of breaks, jumps and long memory, forecasting, panel factor models, VAR analysis, modelling multivariate financial time series and volatility. Abstracts (100-200 word) should be sent by e-mail by 31 July 2007 to Giovanni Urga (giovanni.urga@unibg.it and g.urga@city.ac.uk).

Further information from: Giovanni Urga at the above e-mail address and www.cass.city.ac.uk/conferences/recent-developments/index.html.

march

17-19 March

Warwick

CALL FOR PAPERS

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

Further information from: See page 25.
www.res.org.uk/society/annualconf.asp

june

25-29 June

Istanbul, Turkey

CALL FOR PAPERS

Fifteenth annual IEA World Congress. The central topic will be the Challenge of Globalisation. Submissions dealing with innovative microeconomic methods which help to understand and address some of the challenges faced by globalised economies are welcomed. Electronic papers and abstracts should be sent by **1 February 2008** via the website: www.iadb.org/res/iea.cfm

Further information from: www.iadb.org/res/iea.cfm

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

2007 are £48 (\$77, €72)*

There is a reduced rate of £24 (\$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 2007.

* 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: €72 + €3.460 = €75.60
Ordinary Canadian member \$77 + \$5.39 = \$82.39
Reduced rate members: \$39/€36/£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 2007.

Name:

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Occupation.....

Date.....